



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REVENUE AND CAPITAL MONITORING TO 31 MAY 2018

Report of the Chief Fire Officer

Date: 29 June 2018

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2018/19 to the end of May 2018.

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1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire and Rescue Authority. Regular reporting of spending against the revenue budgets is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities.
- 1.2 For this report, those key areas with a higher risk of significant variance are reported on. An assessment of this risk has been made in the light of the size of the budgets selected and / or previous experience of variances, as well as the emergence of actual variances. It is vital that an overview of the budgetary position during the year is maintained so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.

2 REPORT

REVENUE BUDGET

- 2.1 The revenue monitoring position is attached at Appendix A. It shows a forecast outturn position of £42.039m against a revised budget of £42.514m, an underspend of £475k. The revised budget reflects the planned use of earmarked reserves (£287k). A summary position of expenditure and funding is shown in the table below:

Table 1 – Summary Expenditure and Funding Position

	2017/18 Budget £'000	2017/18 Revised Budget	Forecast Outturn £'000	Variance £'000
Expenditure	42,227	42,514	42,039	(475)
Income	(40,783)	(40,783)	(40,783)	(0)
General Fund Reserves	(1,444)	(1,444)	(969)	(475)
Earmarked Reserves	0	(287)	(287)	(0)
Total	0	0	0	0

- 2.2 At this early stage in the year the forecast outturn is difficult to determine and is likely to change as the year progresses and the costs of implementing mixed crewing, changes to the retained duty system and pay awards become clearer. Brexit negotiations and the HMICFRS may also have an impact.
- 2.3 Details of the major variances are shown below:
- Wholetime pay (Including overtime) is forecasted to overspend by £214k.

- Retained pay is forecasted to underspend by (£256k)
- Firefighter ill health pensions are forecast to underspend by (£83k)
- Electricity is forecast to overspend by £59k
- The capital financing budgets for interest charges, interest receivable and minimum revenue provision are expected to underspend by a total of (£187k).
- The government Grant Income is currently expected to be (£55k) higher than originally budgeted for, which reduces the amount required from General Reserves to balance the budget.

2.4 These significant variances are explained further in the report below, together with details of other key variances.

2.5 **Wholetime Pay:** the forecasted overspend on whole time pay is expected to be **£214k**. This due to:

- The budget was set on the basis of a pay award for 2017/18 of 1%, which is now expected to be at least 2%. This impacts on the 2018/19 pay going forward. There may be a further impact on the pay budget should the 2018/19 pay negotiations result in a higher pay increase than the 2% included in the budget.
- high levels of overtime required to cover shortfalls in the ridership caused by vacancies, secondments, some long-term sickness and extractions from the ridership to cover areas of work such as the recruitment process. The situation will improve when the new recruits complete their training and become available to join the ridership.

2.6 **Retained Pay:** This budget is estimated to be underspent by **£256k**. The Drills and Training Budget was increased this year to allow for additional drill training which is taking longer than anticipated to be implemented, resulting in an expected underspend.

2.7 The budget takes into account for 3 recruits courses of 14 people for April, June, and November. In addition, the budget assumptions made were that 14 new recruits would start in April 2018 however only 11 commenced.

2.8 **Pension Costs:** the pension revenue budgets are expected to underspend by around **£83k** due to a lower than anticipated ill health retirement rate. This budget is difficult to predict as it is volatile and will be monitored and reported throughout the year.

2.9 **Premises related Costs:** there is a forecasted overspend of **£59k** relating to electricity it has been indicated that there will be an increase in cost of up to 18% during the financial year. This will be monitored during the year and reported.

2.10 **Supplies and Services Costs:** These are spending largely in line with budget. There is planned additional expenditure of £69k which is being funded from the Local Public Service Agreement earmarked reserve

(LPSA) (£63k), and (£6k) from the organisational development earmarked reserve.

2.11 **Government Revenue Grants:** there is a forecasted surplus of **£54k** relating to Government Revenue Grants. This is relating to grant for Firelink, the Home Office has indicated that the amount of Firelink grant that the Authority will receive has exceeded the amount that had been budgeted for in 2018/19.

2.12 **Capital Financing Costs:** Overall the capital financing budgets are forecasted to underspend by **£111k** by the end of the financial year. This variance is comprised of three elements:

- **Interest charges:** the budget for interest charges is expected to underspend by **£74k** due to borrowing being taken later than anticipated.

Interest receivable: the budget for 2018/19 was set at £66k and is forecasted at this stage to be slightly above at £88k. Link is forecasting a 0.25% bank rate increase in December however this has not been taken into consideration at this stage. This budget will be closely monitored and reported.

- **Minimum Revenue Provision:** the budget for the minimum revenue provision (MRP) charge is expected to underspend slightly by **£37k** due to 2017/18 slippage being slightly higher than expected when the budget was set.

RESERVES

2.13 The current reserve position, including movement of reserves is attached at Appendix B. Expected levels of reserves at 31 March 2019 are £10.032m:

Reserves	Balance 01/04/18 £'000	Anticipated Use 2018/19 £'000	Expected Balance 31/03/19 £'000
Earmarked	5,018	(287)	4,731
General Fund	6,953	(969)	5,984
Total	11,971	(1,256)	10,715
ESMCP*	138	0	138
Regional Reserve			
Total	12,109	(1,256)	10,853

* Emergency Services Mobile Communications Programme

2.14 The General Reserves is expected to be £5.984m at 31 March 2019. This remains above the minimum level of £4.3m agreed by Fire Authority on 16 February 2018.

- 2.15 The Emergency Services Mobile Communications Programme (ESMCP) regional reserve has been shown separately to those reserves held by the Authority to reflect that the funds are to be allocated regionally and do not belong to NFRS. This further demonstrates the Authority's commitment to collaboration and regional working.

CAPITAL PROGRAMME

- 2.16 The current approved 2018/19 capital programme is £1.9m, with the slippage from the 2017/18 capital programme of £1.2m still to be approved. The total spend to date is £371k, the forecast out-turn expenditure is £3.245m. The current capital programme is shown at Appendix C.

2.17 Transport:

The Command Support Unit is currently under review as a potential collaboration project with Derbyshire Fire and Rescue Service (DFRS). The HMEPU (Hazardous Materials and Environmental Protection Unit) requires re-specification to meet the changing needs of Service Delivery and duties of the Environment Agency. This vehicle is also under review as a potential collaboration project with DFRS.

- 2.18 A review of light vehicle utilisation has been undertaken and further work is now in progress to look at ways of working which will promote more effective use of the light vehicle fleet.

Equipment

- 2.19 The £180k procurement of the lightweight fire coats slipped from the 2017/18 budget to 2018/19 as this project will be carried out in collaboration with DFRS.
- 2.20 The Breathing Apparatus £110k is slippage from 2017/18 relating to the communications element of the project.
- 2.21 The CCTV for vehicles is a project to place cameras in the emergency vehicles.

Estates

- 2.22 Progress on the new fire station at Newark is running approximately seven weeks behind the original schedule; project is now due for completion in July 2018. Phase one of the project is complete and the fire crews are now operating from the new station building. Phase two is expected to be complete by July 2018. The old fire station building will be boarded up in preparation for disposal.
- 2.23 Work with the East Midlands Ambulance Service on the potential collaboration concerning the existing Hucknall Fire Station continues. A

progress report on this project was presented at the April 2018 Finance and resources Committee.

- 2.24 The initial work for a new Worksop Fire Station is currently underway; this will include a potential for collaboration with the Ambulance Service in a joint project. Authority to proceed with the project and to purchase the preferred site was granted in April 2018 through the Finance and resources Committee.

ICT

- 2.25 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.26 Business Process Automation – this budget will continue to be used to finance ICT Strategic developments, most notably small digital transformation projects related to the implementation of the new Microsoft SharePoint workflows.
- 2.27 Performance Management –. work to pilot a hybrid solution using Microsoft PowerBI and Microsoft SQL Server Reporting Services will commence in June 2018. The Performance Management Framework Policy has completed consultation and has been published across the Service, enabling the external technical consultancy required to implement the solution to be procured. The additional time required to complete the pilot and develop the Performance Management Framework will mean that the project will be completed by November 2018.
- 2.28 ICT SharePoint Internet/Intranet – this budget will be used to finance the final phase of the ICT SharePoint Strategy, which will involve the implementation of a new Microsoft SharePoint document management solution and the digitisation of current manual business process using SharePoint workflows.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report. Some of the efficiency targets will have had staffing implications which were considered as part of the decision-making process at the time.

5. EQUALITY IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting.

9. COLLABORATION IMPLICATIONS

This report identifies several areas where collaboration is taking place between NFRS, other fire authorities, East Midland Ambulance Service and Nottinghamshire Constabulary. Opportunities for collaboration around asset use and ownership are continually being investigated.

10. RECOMMENDATIONS

That Members note the contents of this report.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

Revenue Budget Monitoring Position as at 31 May 2018

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	Variance £'000
Employees	33,577	33,795	5,506	33,476	(319)
Premises	2,367	2,367	327	2,425	58
Transport	1,747	1,747	210	1,747	0
Supplies & Services	3,407	3,476	776	3,449	(27)
Third Party	58	58	0	58	0
Support Services	168	168	92	168	0
Capital Financing Costs	2,430	2,430	1,470	2,319	(111)
Fees and Charges	(210)	(210)	(42)	(210)	0
Other Income	(1,317)	(1,317)	(542)	(1,393)	(76)
Net Cost	42,227	42,514	7,797	42,039	(475)
Financed by:					
RSG	(5,962)	(5,962)	(2,348)	(5,962)	0
Non Domestic Rates	(10,585)	(10,585)	(1,579)	(10,585)	0
Council Tax	(24,236)	(24,236)	(2,424)	(24,236)	0
Reserves	(1,444)	(1,444)	0	(969)	(475)
Earmarked Reserves		(287)		(287)	0
Funding Total	(42,227)	(42,514)	(6,351)	42,039	(475)
(Under) / Over Spend	0	0	1,446	0	0

APPENDIX B

Anticipated Use of Reserves up to May 2018

	Balance at 31 March 2018 £000	Revenue Expenditure up to May 2018 £000	Estimated Balance £000
Funded by Grants			
LPSA Reward Grant	(126)	69	(57)
Fire Investigation	(72)		(72)
Safe as Houses - Smoke Alarms	(22)		(22)
Community Fire Safety - Innovation Fund	(194)		(194)
Resilience Crewing and Training	(382)		(382)
New Threats / MTFA	(22)		(22)
Thoresby Estate Charitable Trust	(3)		(3)
SubTotal	(821)	69	(752)

	Balance at 31 March 2018 £000	Revenue Expenditure up to May 2018 £000	Estimated Balance £000
Earmarked Reserves			
Pensions - Ill Health	(208)		(208)
Pensions - General	(100)		(100)
Fire Safety - On Fire Fund	(75)		(75)
Fire Control Transition	0		0
Business Systems Development	(60)		(60)
Emergency Services Mobile Communications Programme	(16)		(16)
ICT Sharepoint / Internet / Intranet	(62)	35	(27)
Operational Equipment	(10)		(10)
Capital Reserve	(1,114)	43	(1,071)
Organisational Transition - One-off Costs	(849)	73	(776)
Backlog Buildings Maintenance	(95)		(95)
Duke of Edinburgh	(23)		(23)
Tri Service Control Project Phase 2	(258)	67	(191)
HEP B Vaccinations	(21)		(21)
Taxation Compliance	(10)		(10)
Retained Policy Change	(212)		(212)
Communications Development - ESN	(193)		(193)
Emergency Services Network - RAP Work	(452)		(452)
Systel Security PSN Work	(266)		(266)

System Airwave ESN Transition	(173)		(173)
	(4,197)	218	(3,979)

	Balance at 31 March 2018 £000	Revenue Expenditure up to May 2018 £000	Estimated Balance £000
ESN Reserve			
ESN Balance	(118)		(118)
ESN Control Room ICT	(20)		(20)
	(138)	0	(138)
Total	(5,156)	287	(4,869)

APPENDIX C

Budget Monitoring Short Report for May 2018

	2018/19 Approved Budget £000's	Slippage from 2017/18 to be Approved £000's	2018/19 Revised Budget £000's	Actual to May £000's	Remaining Budget to be Spent £000's	Estimated Outturn £000's	Outturn Variance £000's
CAPITAL PROGRAMME							
TRANSPORT							
Special Appliances		150	150		-150	150	
Light Vehicle Replacement	197		197	31	-166	197	
	197	150	347	31	-316	347	
EQUIPMENT							
BA Sets		110	110	0	-110	110	
Conversion of hose reel equipment	200		200	0	-200	200	
CCTV - vehicles	200		200		-200	200	
Lightweight Fire Coat		180	180		-180	180	
	400	290	690	0	-690	690	
ESTATES							
Refurbishment and Rebuilding Fire Stations	0	126	126		-126	126	
Central Fire Station				10	10		
Newark Fire Station	707		707	236	-471	600	-107
Hucknall Fire Station		380	380	5	-375	539	159
Worksop Fire Station	240	0	240	49	-191	230	-10
	947	506	1,453	300	-1,153	1,495	42
I.T. & COMMUNICATIONS							
ICT Capital Programme - Replacement Equipment	140		140	19	-121	140	
Mobile Computing	20		20		-20	20	
Sharepoint Development	150		150	5	-145	150	
Business Process Automation		49	49		-49	49	
HQ Core Switch Upgrade	30		30		-30	30	
Performance Management System		67	67		-67	67	
	340	116	456	24	-432	456	
CONTROL							
Emergency Services Mobile Communications	41		41	2	-39	41	
Tri-Service Control & Mobilising System	0	171	171		-171	171	
	41	171	212	2	-210	212	
FINANCE							
Payroll System Replacement				14	14		
Finance Agresso Upgrade	30	15	45		-45	45	
	30	15	45	14	-31	45	
Grand Total	1,954	1,248	3,203	371	-2,833	3,245	42

	Actual May 2018	Estimated Outturn
	£000's	£000's
To Be Financed By :		
Capital Grant - General		
Capital Grant - TriService Control		
Emergency Services Mobile Communications -Earmarked Reserve	2	41
ICT SharePoint Internet/Intranet - Earmarked Reserve		
Capital Receipts - Property		300
Capital Receipts - Vehicles		20
New Borrowing	365	2,884
Internal Financing		
Revenue contributions to capital		
Total	<u>367</u>	<u>3,245</u>