



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE AND CAPITAL MONITORING REPORT TO 31 AUGUST 2018

Report of the Chief Fire Officer

Date: 19 October 2018

Purpose of Report:

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

CONTACT OFFICER

Name :	Becky Smeathers Head of Finance
Tel :	0115 967 0880
Email :	becky.smeathers@notts-fire.gov.uk
Media Enquiries Contact :	Therese Easom (0115) 967 0880 therese.easom@notts-fire.gov.uk

1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire 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 £42.777m against a revised budget of £42.918m. Within the forecast outturn of £42.777m there is expenditure of £690k that will be met from the earmarked reserves. A summary position of expenditure and funding is shown in the table below:

Table 1 – Summary Expenditure and Funding Position

	2018/19 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Expenditure	42,227	42,918	42,777	(141)
Income	(40,783)	(40,783)	(40,783)	0
General Fund Reserves	(1,444)	(1,444)	(1,303)	141
Earmarked Reserves	0	(690)	(690)	0
Total	0	0	0	0

- 2.2 A more detailed analysis of expenditure can be found at Appendix A.

2.3 Details of the major variances are shown below:

- **Wholetime pay** (including overtime) is forecast to overspend by £590k;
- **Non-uniformed pay** is forecast to underspend by £231k;
- **Retained pay** is forecast to underspend by £182k;
- **Provision for Pay Awards** will be reversed into 2018/19 accounts as it is no longer required - £183k;
- **Car Tax Liabilities** prior year liabilities to be met by the Authority have been estimated at £225k;
- **Firefighter pension charges to revenue** are forecast to underspend by £85k;
- **Business rates** are forecast to overspend by £52k;
- **Contribution to partnership working** is forecast to overspend by £90k;
- **Capital financing costs** (interest costs and minimum revenue provision charges) are forecast to underspend by £116k.

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

2.5 **Wholetime pay:** the total forecast overspend on wholetime pay is £590k.

- Basic pay is forecast to overspend by £20k. This budget is based on an approved establishment of 455. During the first 5 months of the year wholetime has been under-established by an average of 7 posts. However, there are 2 recruit courses planned and a number of people are expected to transfer into the service. As a result, forecast staff numbers as at 31 March 2019 are expected to be in the region of 466, which is 11 above the approved establishment. Additionally, temporary promotions relating to the backfilling of vacancies, secondments and project work etc has resulted in an increase in the proportion of staff at higher ranks. Expenditure on basic pay includes staff seconded to external organisations for which income of £183k is received above the original budget. It is proposed to vire this secondment income into pre-planned overtime.
- Unplanned overtime relating to late fire calls is forecast to overspend by £95k. The estimated outturn is based on actual expenditure to date, however this budget is difficult to forecast due to the unpredictability of incident activity.
- Pre-planned overtime is forecast to overspend by £421k. The total estimated spend is based on the best information available, however it is difficult to forecast the extent to which gaps in the ridership can be covered by detachments rather than overtime. The estimated spend includes £25k for the training of retained recruits for Ashfield and Retford. The wholetime trainers will be paid overtime to deliver much of this recruitment course in order to ensure that it is completed in time for

the planned implementation of mixed crewing in April 2019. This training cost will be met from the organisational transition earmarked reserve, and this funding is reflected in the revised budget figure.

- Bank holiday pay is expected to underspend by £52k as two additional bank holidays were budgeted for in error. It is recommended that this surplus budget be temporarily vired to wholetime overtime to help alleviate the overspend there.
- Employer's national insurance and pension contributions are expected to overspend by a total of £106k as a result of the overspend on basic pay and overtime.

2.6 **Retained pay:** This overall retained pay budget is expected to underspend by £182k.

- The most significant area of underspend relates to drills and training, which is forecast to underspend by £289k. The budget calculation was based on the assumption that RDS staff would undertake 3 hours of drills per week, however the actual level of drill activity has been closer to 2 hours per week. Staff are being encouraged to make use of the additional drill time that has been made available, and an increase in activity has been factored into the calculation of the forecast outturn. Recruitment levels are lower than budgeted and this has also contributed to the training underspend.
- The underspend on drills and training is partially offset by a forecast overspend of £129k relating to turnouts, disturbance allowances and attendance fees. The expenditure against these budgets is driven by incident numbers and so can be difficult to predict. The budget was based on previous levels of expenditure, adjusted for pay awards. Between April and June 2018 the monthly average number of mobilisations was 252, compared with 236 for the same period in 2017 (an increase of 7%). In July and August this year RDS mobilisation levels increased significantly to 491 and 414 respectively, due to the spike in incident numbers caused by the unusually warm weather. The forecast overspend includes £43k relating to the assistance given to Lancashire and Greater Manchester Fire and Rescue Services during the moorland fires. These costs can be recovered under the Bellwin Scheme.

2.7 **Control pay:** the control pay budget is forecast to overspend by £11k.

2.8 **Non-uniformed pay:** non-uniformed pay is expected to underspend by £231k due to vacancies (12 vacant posts as at the end of August).

2.9 **Provision for pay awards:** a provision of £183k was charged to revenue in 2017/18 as it had seemed likely that an additional pay award of 1% would be backdated to July 2017. The National Joint Council (NJC) have now confirmed a 2% pay award for 2018/19 and that there will be no additional

amount backdated for 2017/18. The provision is therefore no longer required and has been written back to revenue.

- 2.10 **Car Tax Liabilities:** The Authority recently commissioned a tax review which has identified that some travel related expenses have been incorrectly treated for tax purposes. This has been corrected going forward. At its meeting on 28 September 2018 Fire Authority approved that the service would meet the tax liabilities previously incurred up to a maximum of £250k. £225k has been included in the forecast outturn figures to cover the liability.
- 2.11 **Pension costs:** the forecast underspend is £85k. Ill health retirement costs can be difficult to predict as they are dependent on the number of ill health retirements during the year, and costs for each retirement can vary greatly. At present, it is thought that there will be one less than predicted in the budget. This budget will be monitored closely and any changes will be reported.
- 2.12 **Premises related costs:** the budgets for premises related costs are expected to overspend by £58k. This variance mostly relates to Business Rates. This is expected to overspend by £52k due to backdated rating appeals not being expected to result in the reductions first anticipated. The electricity budget was expected to overspend due to price increases but this has been offset by reduced energy consumption over the summer.
- 2.13 **Transport related costs:** These are expected to overspend by £27k, mostly due to a forecast overspend of £41k relating to the fleet maintenance budget. There have been some difficulties with the maintenance contract for which a temporary solution has been put into place. The contract is currently out to tender and the results will be known shortly.
- 2.14 **Supplies and services costs:**

Supplies and Services Costs: expenditure is forecast to be over budget by £95k, but much of this relates to ESN related work which has received grant to offset the costs. Other variances include:

- **Smoke alarms:** underspend of £20k. This is due to the delayed roll-out of the Safe and Well programme, plus a number of vacant Home Safety Check Operative roles. The Safe and Well programme will be fully rolled out by October.
- **Estates-related professional fees:** overspend of £17k due to work on the Joint Estates Strategy.
- **Computer software maintenance contracts:** net expenditure is over budget of £53k due to the Systel maintenance charges which were not transferred from capital to revenue as part of the budget process.
- **Insurance:** underspend of £45k. The budgets will be revised for 2019/20.

- 2.15 **Recovered costs:** These offset costs reported elsewhere in the monitoring report. It is higher than usual due to £79k being recovered via the Bellwin scheme for the cost of the assistance provided to Lancashire and Greater Manchester Fire and Rescue Services during the moorland fires at the end of June.
- 2.16 **Government revenue grants:** there is a £27k surplus relating to government revenue grants. This is due to the amount of fire revenue grant relating to Firelink and New Dimensions being slightly higher than expected.
- 2.17 **Prince's Trust income:** funding for the Prince's Trust Team Programme is received from the RNN Group in arrears. An estimated accrual for this income of £187k is included in the final accounts for the year because the Service has not yet received all income relating to the 2015/16 and 2016/17 academic years. A meeting has been held with representatives from RNN Group which has uncovered a number of issues relating to the payment of funding for the 2016/17 academic year - work is underway to agree the amount outstanding. This situation will be closely monitored, and members will be updated at the earliest opportunity.
- 2.19 **Capital Financing Costs:** overall the capital financing budgets are forecast to underspend by £116k by the end of the financial year. This variance is comprised of two elements:
- **Interest charges:** underspend of £78k. The forecast is based on current loans and an additional £2m long term loan being taken out in December to replace a maturing £1.5m loan. In addition, it is anticipated at this stage that an additional short term loan will be taken out in the year for cash flow purposes.
 - **Minimum Revenue Provision:** the budget for the minimum revenue provision (MRP) charge is expected to underspend by £37k. The budget for the MRP charge was calculated in the autumn of 2017 and was based on estimated capital expenditure for 2017/18 of £4,827k. The actual capital expenditure for the year was £4,060k due to slippage into 2018/19. This has resulted in an underspend for 2018/19.

RESERVES

- 2.20 Details of the use of reserve movement during 2018/19 can be found in Appendix B.
- 2.21 The current reserve position is attached at Appendix B. Expected levels of reserves at 31 March 2019 are £10.115m:

Reserves	Balance 01/04/18 £'000	Anticipated Use 2018/19 £'000	Expected Balance 31/03/19 £'000
Earmarked	5,022	(614)	4,408
General Fund	6,953	(1,303)	5,650
Total	11,975	(1,917)	10,058
ESMCP* Regional Reserve	134	(76)	58
Total	12,109	(1,993)	10,116

* Emergency Services Mobile Communications Programme

2.22 The General Reserve is expected to be £5.650m. This remains above the minimum level of £4.3m agreed by Fire Authority on 16 February 2018.

2.23 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 Nottinghamshire Fire and Rescue Service (NFRS). This further demonstrates the Authority's commitment to collaboration and regional working.

CAPITAL PROGRAMME

2.24 The current approved 2018/19 capital programme is £3.3m. The total spend to date is £663k, the forecast out-turn expenditure is £2.9m and estimated slippage of £308k, the current capital programme is shown at Appendix C.

TRANSPORT

2.25 The Command Support Unit requires upgrading to allow it to perform in line with current operational procedures. Following a successful collaboration project with DFRS there is no longer a requirement to purchase a second command support vehicle. NFRS and DFRS have also successfully collaborated on the use of the HMEPU, this will still require replacement in 2018/19 and the budget of 150K will be used in 2018/19 to complete this project.

2.26 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

- 2.27 The breathing apparatus project of, £110k has been slipped from 2017/18, the project will be completed during 2018/19.
- 2.28 Conversion of hose reel equipment is due to be completed in 2018/19 the project will start in November 2018.
- 2.29 CCTV in vehicles - this is a major project that, due to resourcing issues, will be delayed until 2019/20 and therefore the budget will be slipped.
- 2.30 The £180k procurement of the lightweight fire coats has been slipped from 2018/19 as this project will be carried out in collaboration with DFRS. This project will be amalgamated with the structural PPE project for 2019/20. This is due to a six months' lead time on purchase of light weight jackets subject to PM resourcing to the project. Therefore, this budget will be slipped to 2019/20.

ESTATES

- 2.31 The new Newark Fire Station is now complete and operational. The building contractor is currently working on completion of a number of outstanding items; these are being dealt with through the contract. The Demolition of what's left of the old fire station will be tendered over the next two months. Subject to the tenders received the old station should be demolished between December 2018 and February 2019.
- 2.32 The disposal of the old fire station land will be the subject of an options report to the Finance and Resources Committee in the New Year.
- 2.33 Work with the East Midlands Ambulance Service on the potential collaboration concerning the existing Hucknall Fire Station continues. The details of the draft lease and agreement to lease are currently with the respective solicitors for agreement on the terms and conditions.
- 2.34 The initial work for a new Worksop Fire Station is currently underway; this will include the 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. The due diligence is being carried out for the purchase of the new site between our solicitors and the appointed professional team.
- 2.35 The options appraisal for the proposed Joint Headquarters between Nottinghamshire Police and NFRS was presented to the Strategic Collaboration Board 5 September 2018. The report is now to be presented to the September 2018 Fire Authority with recommendations on the next steps.

ICT

- 2.36 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.37 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.
- 2.38 Performance Management –. work to pilot a hybrid solution using Microsoft PowerBI and Microsoft SQL Server Reporting Services commenced 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.
- 2.39 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

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Approve the temporary virement of £183k from the secondment income surplus to wholetime pre-planned overtime (Section 2.5).
- 10.3 Approve temporary virements of £52k from wholetime bank holiday pay to wholetime pre-planned overtime (Section 2.5).

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

REVENUE BUDGET MONITORING POSITION AS AT 31 AUGUST 2018

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	Variance against Revised budget £'000
Employees	33,577	34,057	13,981	34,194	137
Premises	2,367	2,390	1,055	2,449	59
Transport	1,747	1,759	637	1,786	27
Supplies & Services	3,407	3,567	1,712	3,662	95
Third Party	58	58	6	58	0
Support Services	168	179	107	181	2
Capital Financing Costs	2,430	2,431	1,581	2,316	(115)
Fees and Charges	(210)	(206)	(76)	(263)	(57)
Other Income	(1,317)	(1,317)	(810)	(1,606)	(289)
Net Cost	42,227	42,918	18,193	42,777	(141)
Financed by:					
RSG	(5,962)	(5,962)	(3,432)	(5,962)	0
Non Domestic Rates	(10,585)	(10,585)	(4,487)	(10,585)	0
Council Tax	(24,236)	(24,236)	(9,694)	(24,236)	0
Reserves	(1,444)	(1,444)	0	(1,303)	141
Earmarked Reserves	0	(690)	0	(690)	0
Funding Total	(42,227)	(42,918)	(17,613)	(42,777)	141
(Under) / Over Spend	0	0	580	0	0

APPENDIX B

ANTICIPATED USE OF RESERVES UP TO AUGUST 2018

	Balance at 31 March 2018	Revenue Expenditure up to August 2018	Committed Expenditure up to 31 March 2019	Estimated Balance
Funded by Grants	£000	£000	£000	£000
LPSA Reward Grant	(126)	63		(63)
Fire Investigation	(72)	22	13	(36)
Safe as Houses - Smoke Alarms	(22)		3	(18)
Community Fire Safety - Innovation Fund	(194)	16	29	(150)
Resilience Crewing and Training	(383)	31		(352)
New Threats / MTFA	(22)			(22)
Thoresby Estate Charitable Trust	(3)			(3)
SubTotal	(821)	132	45	(644)

APPENDIX B (cont'd)

	Balance at 31 March 2018	Revenue Expenditure up to August 2018	Committed Expenditure up to 31 March 2019	Estimated Balance
	£000	£000	£000	£000
Earmarked Reserves				
Pensions - Ill Health	(209)			(209)
Pensions - General	(100)			(100)
Fire Safety - On Fire Fund	(75)			(75)
Business Systems Development	(60)			(60)
ICT SharePoint / Internet / Intranet	(62)	11	20	(31)
Operational Equipment	(10)			(10)
Capital Reserve	(1,114)	18	25	(1,071)
Organisational Transition - One-off Costs	(849)	42	106	(701)
Backlog Buildings Maintenance	(95)		71	(24)
Duke of Edinburgh	(23)			(23)
Tri Service Control Project Phase 2	(258)	29	39	(190)
HEP B Vaccinations	(21)			(21)
Taxation Compliance	(10)		10	(0)
Retained Policy Change	(212)			(212)
Communications Development – ESN	(192)	30	36	(126)
Systel Security PSN Work	(266)			(266)
Systel Airwave ESN Transition	(173)			(173)
Emergency Services Network – RAP Work	(452)			(452)
ESN Control Room ICT	(20)			(20)
Sub Total	(4,201)	130	307	(3,764)
ESN Regional Reserves				
ESN Balance	(118)	20	55	(43)
Emergency Services Mobile Communications Programme	(16)			(16)
Sub Total	(134)	20	55	(59)
Total	(5,156)	282	407	(4,467)

BUDGET MONITORING SHORT REPORT FOR AUGUST 2018

CAPITAL PROGRAMME	2018/19 Approved Budget	Slippage 2017/18	2018/19 Revised Budget	Actual to August	Remaining Budget to be Spent	Estimated Outturn	Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT							
Special Appliances		150	150		-150	150	
Light Vehicle Replacement	197	25	222	35	-186	222	
	197	175	372	35	-336	372	
EQUIPMENT							
Special Appliances Equipment (Holmatro)							
BA Sets		110	110	-3	-113	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	-3	-693	310	-380
ESTATES							
Refurbishment and Rebuilding Fire Stations	0	126	126		-126	126	
Central Fire Station				10	10	10	10
Newark Fire Station	707		707	402	-305	600	-107
Hucknall Fire Station		380	380	11	-369	539	159
Worksop Fire Station	240	0	240	52	-188	230	-10
Retention Payments	0						
	947	506	1,453	475	-978	1,505	52
I.T. & COMMUNICATIONS							
ICT Capital Programme - Replacement Equipment	140		140	23	-117	140	
Mobile Computing	20		20	20		20	
SharePoint Development	150		150	45	-105	150	
HQ Core Switch Upgrade	30		30		-30	30	
Business Process Automation		49	49	38	-11	49	
Performance Management System		67	67		-67	67	
Community Fire Safety - Innovation Fund				6	6	6	6
	340	116	456	131	-325	462	6

CAPITAL PROGRAMME	2018/19 Approved Budget	Slippage 2017/18	2018/19 Revised Budget	Actual to August	Remaining Budget to be Spent	Estimated Outturn	Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
CONTROL							
Emergency Services Mobile Communications	41		41	10	-31	41	
Tri-Service Control & Mobilising System	0	171	171		-171	171	
	41	171	212	10	-202	212	
FINANCE							
Payroll System Replacement				14	14	14	14
Finance Agresso Upgrade	30	15	45		-45	45	
	30	15	45	14	-31	59	14
Grand Total	1,954	1,273	3,227	663	-2,565	2,920	-308

	Actual August 2018	Estimated Outturn
	£000's	£000's
To Be Financed By:		
Capital Grant - General		
Capital Grant – Tri-Service Control		
Emergency Services Mobile Communications -Earmarked Reserve	10	41
ICT SharePoint Internet/Intranet - Earmarked Reserve		
Community Fire Safety - Innovation Fund	6	6
Capital Receipts - Property		300
Capital Receipts - Vehicles		20
New Borrowing	647	2,553
Internal Financing		
Revenue contributions to capital		
Total	663	2,920