



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 30 NOVEMBER 2018

Report of the Chief Fire Officer

Date: 18 January 2019

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2018/19 to the end of November 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 £42.985m against a revised budget of £43.069m. Within the forecast outturn of £42.985m there is expenditure of £842k 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	43,069	42,985	(84)
Income	(40,783)	(40,783)	(40,783)	0
General Fund Reserves	(1,444)	(1,444)	(1,360)	84
Earmarked Reserves	0	(842)	(842)	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 £551k.
 - Non-uniformed pay is forecast to underspend by £219k.
 - Retained pay is forecast to underspend by £244k.

- 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.
- Training is forecast to underspend by £83k.
- Business rates are forecast to overspend by £54k.
- Estates-related professional fees are forecast to overspend by £55k.
- Capital financing costs (interest costs and minimum revenue provision charges) are forecast to underspend by £141k.
- There is a forecast deficit of £121k relating to the Prince's Trust.

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 £551k.

- Basic pay is forecast to underspend by £107k. This represents just 0.6% of the budget and is down to the establishment changing slightly differently to that assumed in the budget due to retirements, leavers and recruitment.
- Pre-planned overtime is forecast to overspend by £508k. 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.
- Employer's national insurance and pension contributions are expected to overspend by a total of £121k as a result of the overspend on overtime.

2.6 **RETAINED PAY:** This overall retained pay budget is expected to underspend by £244k.

- The most significant area of underspend relates to drills and training, which is forecast to underspend by £321k. The budget calculation was based on the assumption that RDS staff would undertake 3 hours of drills per week, which has not been achieved. This budget has been reduced for 2019/20. 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 £152k 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. This has been largely caused by 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 have been recovered under the Bellwin Scheme (contributing to the surplus relating to recovered costs).
 - The budget for RDS community safety activity is forecast to underspend by £46k. Activity levels are expected to increase now that the Safe and Well project has been fully implemented.
- 2.7 **NON-UNIFORMED PAY:** non-uniformed pay is expected to underspend by £219k due to vacancies (12 vacant posts as at the end of November, two of which are currently filled by agency staff).
- 2.8 **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.
- 2.9 **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.
- 2.10 **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. The current forecast is based on the anticipated ill health retirements of one wholtime and two retained firefighters. This budget will be monitored closely and any changes will be reported.
- 2.11 **TRAINING:** the forecast underspend is £83k. Several of the training courses that were included in the budget are now not expected to take place.
- 2.12 **PREMISES RELATED COSTS:** the budgets for premises related costs are expected to overspend by £57k. This variance mostly relates to Business Rates which are expected to overspend by £54k due to backdated rating appeals not being expected to result in the reductions first anticipated. The gas and electricity budget are expected to overspend by £18k due to price increases but this has been offset slightly by reduced energy consumption over the summer. In addition, the insurance costs overall have come in

lower than anticipated at budget time, this has resulted in an underspend of £19k on the premises insurance costs.

2.13 **TRANSPORT RELATED COSTS:** These are expected to underspend by £21k, due to a reduction in travel compared to previous years. 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:** expenditure is forecast to be over budget by £45k. Significant variances include:

- Smoke alarms: underspend of £30k. This is due to the delay in the roll-out of the Safe and Well programme, plus a number of vacant Home Safety Check Operative roles. The Safe and Well programme has now been fully implemented and expenditure is picking up.
- Estates-related professional fees: overspend of £32k due to work on the business case for the Joint Estates Strategy.
- Hydrant Maintenance: underspend of £10k. This is due to fewer defects being found during hydrant inspections.
- Computer software maintenance contracts: net expenditure is over budget of £36k due to the Systel maintenance charges which were not transferred from capital to revenue as part of the budget process.
- Stock adjustments: a comprehensive reconciliation of the stock system has been carried out recently. This has resulted in £36k being credited to the revenue budget. Stock adjustments of this nature are fairly common, although usually of a relatively low value. It is likely that further adjustments will be made before the end of the year, but it is not possible to predict the value at this stage.
- Insurance: underspend of £47k. The budget will be revised for 2019/20.

2.15 **PRINCE'S TRUST INCOME:** there is a forecast deficit of £121k relating to the net cost of the Prince's Trust project for 2018/19. The project was expected to run at a deficit of around £66k, so this is £55k higher than budgeted for. Some of the courses have not run at full capacity and funding is lower than anticipated for some students following a misunderstanding with RNN who provide the funding for the scheme. In addition, the funding levels assumed when calculating prior year accruals totalling £187k in the 2017/18 accounts are also affected. A significant amount of work has been undertaken with representatives from the RNN group and it is now thought that the figure is likely to be in the region of £118k, a reduction of £69k (over 2 years) which, once finalised will become an additional charge to the 2018/19 accounts. This will increase the overall forecast deficit to £190k, which is £124k higher than budgeted. With the issues that have arisen and student numbers currently being lower than expected Princes Trust is receiving additional scrutiny and will be the subject of a separate report to Policy and Strategy Committee.

2.16 **CAPITAL FINANCING COSTS:** overall the capital financing budgets are forecast to underspend by £142k by the end of the financial year. This variance is comprised of two elements:

- Interest charges: underspend of £104k. The forecast is based on current loans and additional loans of £2m being taken out in December to replace a maturing £1.5m loan and to support current year capital expenditure. In addition, it is anticipated at this stage that an additional short term loans will be taken out at the end of December and then again at the end of the financial 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

2.17 Details of the use of reserve movement during 2018/19 can be found in Appendix B.

2.18 The current reserve position is attached at Appendix B. Expected levels of reserves at 31 March 2019 are £9.907m:

Reserves	Balance 01/04/18 £'000	Anticipated Use 2018/19 £'000	Expected Balance 31/03/19 £'000
Earmarked	5,022	(768)	4,254
General Fund	6,953	(1,360)	5,593
Total	11,975	(2,128)	9,847
ESMCP* Regional Reserve	134	(74)	60
Total	12,109	(2,202)	9,907

*Emergency Services Mobile Communications Programme

2.19 The General Reserve is expected to be £5.593m. This remains above the minimum level of £4.3m agreed by Fire Authority on 16 February 2018.

2.20 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

- 2.21 The current approved 2018/19 capital programme is £3.2m. The total spend to date is £745k, the forecast out-turn expenditure is £2.9m and estimated slippage of £338k, the current capital programme is shown at Appendix C.

TRANSPORT

- 2.22 The Command Support Unit requires upgrading to allow it to perform in line with current operational procedures. Following a successful collaboration project with Derbyshire Fire and Rescue Service (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. The business case will be presented to EDT for the approval of the project.
- 2.23 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

- 2.24 The breathing apparatus project of, £110k was slipped from 2017/18 and is expected to be completed before the end of the financial year.
- 2.25 Conversion of hose reel equipment is due to be completed in 2018/19 the project will start in November 2018.
- 2.26 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. The business case will be presented to EDT for the approval of the project.
- 2.27 The £180k procurement of the lightweight fire coats will be slipped into 2019/20. The project will be amalgamated with the structural PPE project and will be delivered in collaboration with DFRS. There is a six months' lead time on purchase of light weight jackets which has caused the delay in the project.

ESTATES

- 2.28 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 January 2019 and March 2019.
- 2.29 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.
- 2.30 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 our respective solicitors for agreement on the terms and conditions.

- 2.31 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 has been carried out for the purchase of the land for the new site between our solicitors and the appointed professional team. As part of the due diligence searches it has been identified that there are no rights to lay services (water, sewage, gas etc) in the road to the site. The project has been temporarily paused due to ongoing negotiations for the rights to lay services to the site; these negotiations are being undertaken by the land owner and owner of the adjacent business park. It is anticipated that once the rights have been granted to the site NFRS can then purchase the land and proceed with the project.
- 2.32 The options appraisal for the proposed Joint Headquarters between Nottinghamshire Police and NFRS was presented to the Strategic Collaboration Board 5th September 2018. The business case is now to be presented to the February 2019 Fire Authority with recommendations on the next steps.

ICT

- 2.33 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.34 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.
- 2.35 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 system implementation, undertake a pilot and develop the Performance Management Framework will mean that the project is now scheduled to be completed on the February 2019.
- 2.36 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.
- 2.37 The HQ Core Switch Upgrade project has been cancelled after reviewing the long-term needs of the Service in relation to IT networking at HQ. No expenditure will be recorded against the project.

2.38 Community Fire Safety - Innovation Fund has been used to purchase a sophisticated data matching, cleansing and geocoding solution to improve the accuracy of address data used throughout the Service.

2.39 The ICT Capital Programme - Replacement Equipment is being utilised to maintain the current ICT infrastructure throughout the financial year.

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 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 30 NOVEMBER 2018

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	Variance against Revised budget £'000
Employees	33,577	34,346	22,541	34,466	120
Premises	2,367	2,414	1,665	2,471	57
Transport	1,747	1,761	1,011	1,741	(21)
Supplies & Services	3,407	3,586	2,345	3,631	45
Third Party	58	58	11	58	0
Support Services	168	179	107	181	3
Capital Financing Costs	2,430	2,431	1,828	2,289	(142)
Fees and Charges	(210)	(206)	(255)	(289)	(82)
Other Income	(1,317)	(1,500)	(1,119)	(1,563)	(63)
Net Cost	42,227	43,069	28,134	42,985	(84)
Financed by:					
RSG	(5,962)	(5,962)	(4,155)	(5,962)	0
Non Domestic Rates	(10,585)	(10,585)	(6,332)	(10,585)	0
Council Tax	(24,236)	(24,236)	(14,542)	(24,236)	0
Reserves	(1,444)	(1,444)	0	(1,360)	84
Earmarked Reserves	0	(842)	0	(842)	0
Funding Total	(42,227)	(43,069)	(25,029)	(42,985)	84
(Under) / Over Spend	0	0	3,105	0	0

APPENDIX B

ANTICIPATED USE OF RESERVES UP TO NOVEMBER 2018

	Balance at 31 March 2018	Revenue Expenditure up to November 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)	46	4	(22)
Safe as Houses - Smoke Alarms	(22)	3		(19)
Community Fire Safety - Innovation Fund	(194)	29	15	(150)
Resilience Crewing and Training	(382)	49	3	(330)
New Threats / MTFA	(22)			(22)
Thoresby Estate Charitable Trust	(3)			(3)
SubTotal	(821)	190	22	(609)
	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)			(62)
Operational Equipment	(10)			(10)
Capital Reserve	(1,114)	28	14	(1,072)
Organisational Transition - One-off Costs	(849)	110	126	(613)
Backlog Buildings Maintenance	(95)		95	0
Duke of Edinburgh	(23)			(23)
Tri Service Control Project Phase 2	(258)	73	30	(155)
HEP B Vaccinations	(21)			(21)
Taxation Compliance	(10)		10	0
Retained Policy Change	(212)			(212)
Communications Development – ESN	(192)	48	22	(122)

	Balance at 31 March 2018	Revenue Expenditure up to November 2018	Committed Expenditure up to 31 March 2019	Estimated Balance
	£'000	£'000	£'000	£'000
System Security PSN Work	(266)			(266)
System Airwave ESN Transition	(173)			(173)
Emergency Services Network – RAP Work	(452)			(452)
ESN Control Room ICT	(20)			(20)
Sub Total	(4,201)	259	297	(3,645)
ESN Regional Reserves				
ESN Balance	(118)	37	37	(44)
Emergency Services Mobile Communications Programme	(16)			(16)
Sub Total	(134)	37	37	(60)
Total	(5,156)	486	356	(4,314)

BUDGET MONITORING REPORT FOR NOVEMBER 2018

CAPITAL PROGRAMME	2018/19 Approved Budget	Slippage from 2017/18	2018/19 Revised Budget	Actual to November	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	37	-185	222	
	197	175	372	37	-335	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	428	-279	600	-107
Hucknall Fire Station		380	380	13	-367	539	159
Worksop Fire Station	240	0	240	66	-174	230	-10
Retention Payments	0						
	947	506	1,453	517	-936	1,505	52

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CAPITAL PROGRAMME	2018/19 Approved Budget	Slippage from 2017/18	2018/19 Revised Budget	Actual to November	Remaining Budget to be Spent	Estimated Outturn	Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
I.T. & COMMUNICATIONS							
ICT Capital Programme - Replacement Equipment	140		140	27	-113	140	
Mobile Computing	20		20	20		20	
Sharepoint Development	150		150	84	-66	150	
HQ Core Switch Upgrade	30		30		-30	0	30
Business Process Automation		49	49	38	-11	49	
Performance Management System		67	67		-67	67	
Community Fire Safety - Innovation Fund				2	2	6	6
	340	116	456	171	-285	432	-24
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	745	-2,482	2,890	-338

	Actual August 2018 £000's	Estimated Outturn £000's
To Be Financed By :		
Capital Grant - General		
Capital Grant - TriService Control		
Emergency Services Mobile		
Communications -Earmarked Reserve	10	41
ICT SharePoint Internet/Intranet -		
Earmarked Reserve	62	62
Community Fire Safety - Innovation Fund	2	6
Capital Receipts - Property		300
Capital Receipts - Vehicles	49	49
New Borrowing	621	2,461
Internal Financing		
Revenue contributions to capital	1	1
Total	<u>745</u>	<u>2,920</u>