



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE AND CAPITAL MONITORING REPORT TO MAY 2014

Report of the Chief Fire Officer

Date: 11 July 2014

Purpose of Report:

To report to members on the financial performance of the Service in the year 2014/15 to the end of May 2014. This report focuses on those key areas where outturn variances are likely to occur.

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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 both the revenue and capital 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 It is difficult to provide meaningful forecast outturns against both the revenue budget and the capital programme at this early stage in the year, however where outturn variances are known with a degree of confidence, these have been reported.
- 1.3 For this report therefore, only 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.
- 1.4 In this new financial year, the overall revenue budget is at its lowest level since 2007/08 and it is more important than ever that this Committee maintains an overview of the budgetary position during the year so that members can seek assurance 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 **Headlines:** The total revenue budget for 2014/2015 is £42.9m, and the forecast outturn variance at this stage in the year is for an underspend of £424k, which represents an overall variance of 1%. It is important to emphasise that this is the position as at the end of May, with 10 months of the year still to go, during which a lot of factors could influence the final outturn. There is a net overspend to date as at the end of May, and this has been largely affected by the Prince's Trust income due for 2013/14, which has been accrued for and is awaiting receipt in 2014/15 (see paragraph 2.8).
- 2.2 **Wholetime Pay:** the variance to date after two months is an £11k underspend, which translates to a **£124k** outturn underspend. However this outturn variance assumes that pre-planned overtime does not exceed £30k per month throughout the whole year and that a consistent number of employees remain on development rates of pay throughout the year. Towards the end of 2013/14, pre-planned overtime was costing around £40k per month but it is not anticipated that this level of overtime will continue. Actual staff numbers in April and May were 2.91 FTEs above the budgeted establishment of 530. It is clear that the key to managing the wholetime pay budget is going to be managing pre-planned overtime and balancing this against vacancies arising in the year.

2.3 An assumed pay award of 1% has been built into the forecast outturn and it is assumed that there will be no new trainees this year, with any retirements or resignations replaced with transfers in or retained migration. The main reasons for the projected outturn underspend are:

- The budget includes the equivalent of 4 fire-fighter posts to cover pre-planned overtime but the assumption has been made that pre-planned overtime will amount to some £200k more than this.
- The budget assumes that all wholetime employees are in a pension scheme, whereas there are actually 16 employees who have opted out. The budget assumes that the proportion of wholetime employees in the 1992 pension scheme is 77%, whereas the actual proportion is 65%. As the employer contributions are 21.3% for the 1992 scheme compared to 11% for the 2006 scheme, this has also resulted in an underspend. The total forecast underspend on pension contributions is £160k.
- The budget assumes that all wholetime employees are paid at competent rates, whereas there are currently 27 people paid at development rates. This would equate to a forecast underspend of £148k

2.4 **Retained Pay:** In 2013/14, the Retained pay budget underspent by a total of £395k. The 2014/15 budget has been reduced by £200k, but it is likely that a further underspend will occur this year. The current position is an underspend to date of £34k, and this is projected to be an outturn underspend of around **£214k** at this stage.

2.5 **Non-Uniformed Pay:** the variance to date after two months is a £48k underspend, which is forecast to be a £234k underspend by the end of the year (including the £15k Princes Trust forecast underspend referred to below). Around £3k of this underspend to date is due to the job evaluation contingency, which has not yet been used. The remainder is due either to a few instances where employees are working fewer hours than their established FTE or to establishment vacancies which are assumed to be continuing throughout the year due to the current recruitment freeze.

2.6 **Prince's Trust:** the budget for Prince's Trust activity was calculated last year at the time when Central College was providing funding for students and the activity was expected to break even. Since then there has been changes to the funding process which saw a significant fall in funding per student and a move away from Central College to West Nottinghamshire College. The budget was recalculated and presented in summary to the Policy and Strategy Committee in April, showing an annual deficit of £92k. The Princes' Trust Manager has already sought to make further savings and it is felt that the activity could run in its present format at a deficit of £86k per annum. CMB has approved virements to correct the budget in line with Members' decision to continue running the activity at a deficit for the time being.

2.7 The Princes' Trust expenditure budgets are showing an underspend to the end of May of around £12k. Most of this (£10k) relates to pay, which is

underspending because one Team Leader is on maternity leave and, whilst her post is backfilled by a Support Worker, the Support Worker post has not been backfilled. This situation is likely to continue until July, so the estimated outturn underspend on pay is £15k.

- 2.8 A substantial amount of Princes' Trust income due for the 2013/14 financial year had not been received as at 31st March 2014. This income, amounting to £338k, has been accrued for in 2013/14 in anticipation of the income being received in 2014/15. So far £139k has been received in the current year with another £84k due to be received shortly. Both of these sums relate to 2013/14, so a further £115k is also due from the Colleges in respect of last year's teams. The Princes' Trust Manager is progressing the documentation required to trigger the payments.
- 2.9 The 5 teams which ran from January / February through to April / May have all completed. The income relating to these teams has been apportioned over the 2013/14 and 2014/15 financial years and it is now clear that there will be a shortfall in budgeted income for 2014/15 amounting to around £29k. This is for two reasons: Firstly, the number of students recruited to the 5 teams in total was 60, whereas 70 students (14 per team) are budgeted for. Secondly, the proportion of 16-18 year old students recruited was 18%, whereas 24% was assumed when the budget was set (this age group attracts the higher level of funding). The budgeted retention rate of 83% was achieved, with 50 students completing the courses out of the 60 students who started.
- 2.10 The net variances explained above will increase the budgeted deficit of £86k, resulting in a forecast total deficit for the activity of £100k. This forecast will be updated as the year progresses, and assumes that all other budgeted assumptions for the remainder of the year remain valid.
- 2.11 **Fleet Maintenance:** it has emerged that some of the appliances in the fleet have suffered metal erosion of the flow meter and pump casings. The causes of this are being investigated but it is thought to be due to the way bulk foam is being used. Initial indications are that repairs and labour will amount to around £40k, which cannot be contained within the fleet maintenance budget for planned and ad-hoc works to the fleet. This expenditure will initially be charged to fleet maintenance and the position reviewed later in the year.
- 2.12 **Business Rates:** The Service benefited from some successful rateable value appeals last year, with rebates received during 2013/14. The budget was set prior to these appeals being concluded, so a further underspend is anticipated for the current year of around £50k. This variance will be reviewed later in the year as and when a new rateable value for the rebuilt Retford Fire Station becomes apparent.
- 2.13 **Insurance:** Overall, the insurance premium budget is expected to overspend this year by £24k, following the insurance tender earlier this year. The premiums paid include a low claim rebate, so there is a possibility that this position may worsen if more claims are processed than expected by the insurers.

2.14 **Industrial Action:** there were no periods of industrial action in April, but there were 3 strike periods at the start of May with a further two announced for June. Expenditure to the end of May was £20k with not all costs yet reported. There is no budget for industrial action therefore all net expenditure will be an overspend against the budget however the total costs will be met from reserves if necessary.

2.15 The table below shows the position of the revenue budget as at the end of May 2014.

REVENUE BUDGET Expenditure Category	Annual Budget £000's	Budget Profile to May 2014 £000's	Actual including Commitments to May 2014 £000's	Variance to May 2014 £000's	Forecast Outturn £000's	Outturn to Budget Variance £000's	Outturn to Budget Variance %
Employees	34,011	5,445	5,382	-63	33,452	-559	-2%
Premises-Related Expenditure	2,158	345	270	-75	2,117	-41	-2%
Transport-Related Expenditure	1,935	606	578	-28	1,975	40	2%
Supplies & Services	3,620	736	706	-30	3,641	21	1%
Third Party Payments	125	17	19	2	125	0	0%
Support Services	194	0	46	46	194	0	0%
Sales Fees & Charges	-122	-18	-13	6	-122	0	0%
Other Income	-1,333	-165	150	314	-1,218	115	-9%
Capital Financing Costs	2,304	160	76	-84	2,304	0	0%
Total Net Revenue Expenditure	42,892	7,126	7,214	88	42,468	-424	-1%

CAPITAL PROGRAMME

2.16 A capital programme for 2014/15 of £4,364k was approved by Members and to this has been added a budget of £1,091k for the remaining expenditure expected on the Tri-Service Control and Mobilising system for which a capital grant was received in 2012/13. This brings the total capital programme budget for the year to £5,455k.

2.17 There was a significant amount of slippage in the 2013/14 capital programme and the budget for this will be carried forward and added to the 2014/15 capital programme. The amount of slippage has not been finalised and approved by Members at the time of writing this report so it is described as "estimated slippage 2013/14" and amounts to around £5,758k. In total this then gives an estimated available capital budget of £11,213k for the year.

2.18 At this early stage in the year, very little has been spent so far – some £359k. Detailed estimates of capital expenditure on estates projects expected during

this year have been provided by the Head of Estates and Procurement and this work is reflected in the estimated outturns. The same exercise will take place with the remaining capital budget holders and estimated outturns will be reported in due course, with the current working assumption being that projects will spend in line with the budget.

- 2.19 Two capital grants have already been received: the grant for the Tri-Service Control and Mobilising system (£1,091k remaining) and the general capital grant of £1,087k. In addition, the capital receipts reserve holds some £2,135k arising from the sale of assets over the past two years. These monies will be used first to finance the capital programme, with remaining expenditure to be financed by a combination of unused borrowing, cash generated by the minimum revenue provision charge and new borrowing if required of up to £5,250k as approved within the Authority's Prudential limits.
- 2.20 **Transport:** In addition to completing the appliance building started in 2013/14, procurement will commence for three new rescue pumps and associated equipment this year as well as a number of light vehicles.
- 2.21 **Equipment:** The radios currently in use on the incident ground are now many years old and are planned to be replaced this year.
- 2.22 **Estates:** The rebuilt Retford Fire Station will be completed and occupied this year and it is hoped that land can be purchased on which to build a replacement for Central Fire Station. This land purchase has been subject to delays outside of the Authority's control and has impacted on the ability to commence the station rebuild project. Some expenditure will take place on professional fees this year leading up to the letting of the contract to build the replacement for Central. In addition, a number of feasibility studies will take place to look at options for rebuilding or refurbishing some of the older fire stations – for now the cost of these studies is shown in the outturn, although whether or not the costs will be capitalisable depends upon whether or not the studies contribute directly to a capital project. If the costs are treated as revenue costs, then they will be financed from the capital earmarked reserve. The outcome of the studies will be reported in due course for decisions on future major property projects.
- 2.23 **ICT:** In addition to the usual equipment replacement programme, there are three key projects due to take place in 2014/15: the purchase of a Microsoft Enterprise licence (which is now likely to be treated as a revenue expense, as indicated to Members in the February Budget report); the replacement of the telephone system; the replacement of the storage area network.
- 2.24 **Human Resources:** the project to implement a replacement HR system went live in May for core aspects of the system. Phase two of the project is now underway.
- 2.25 **Control:** the project to implement a regional Control and mobilising system has suffered some delays but is expected to go live in September 2014.

2.26 **Finance:** a project to replace the current payroll system is planned to start later this year, with most costs falling into 2015/16.

2.27 The table below shows the position of the capital programme as at the end of May 2014.

CAPITAL PROGRAMME	2014/15 Approved Budget	Estimated 2013/14 Slippage	2014/15 Virements	2014/15 Revised Budget	Actual to Date	Remaining Budget to be Spent	Estimated Outturn	Estimated Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT								
Rescue Pump Replacement	910			910	7	903	910	
Special Appliances		1,301		1,301		1,301	1,301	
Appliance Equipment	36			36		36	36	
Light Vehicle Replacement	138	306		443		443	443	
	1,084	1,607	0	2,691	7	2,684	2,690	-1
EQUIPMENT								
Radio Replacement	250			250		250	250	
	250	0	0	250	0	250	250	0
ESTATES								
Retford Fire Station Rebuild	0	800	996	1,796	261	1,535	1,796	
Central Fire Station Rebuild			232	232	55	177	232	
Central Fire Land Purchase		411	189	600		600	600	
Refurbishment and Rebuilding	2,310	2,200	-1,567	2,943		2,943		
Feasibility Studies			150	150		150	150	
Retention Payments:								
- Blidworth FS		25		25		25		
- Edwinstowe FS		31		31		31	20	
- Sustainable Technology Project		15		15	1	14		
	2,310	3,483	0	5,793	318	5,475	2,798	-2,995
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30			30		30	30	
Business Expansion	25	6		31	9	22	31	
Replacement Equipment	85			85		85	85	
Microsoft Software Licences	200			200		200	200	
Telephone PABX Replacement	250			250		250	250	
SAN & Back Up Replacement	100			100		100	100	
Microsoft Infrastructure			7	7	7	0	7	
Business Process Automation		345	-7	339		339	339	
CFRMIS Ops Intel Database		47		47		47	47	
	690	398	0	1,088	16	1,073	1,089	1
HUMAN RESOURCES								
HR System Replacement		270		270	18	252	270	
	0	270	0	270	18	252	270	0
CONTROL								
Tri-Service Control & Mobilising System	1,091			1,091			1,091	
	1,091	0	0	1,091	0	1,091	1,091	0
FINANCE								
Payroll System Replacement	30			30		30	30	
	30	0	0	30	0	30	30	0
Grand Total	5,455	5,758	0	11,213	359	10,854	8,218	-2,995

To Be Financed By :

Capital Grant - General	-1,088		-1,088	-1,088
Capital Grant - TriService Control	-1,091		-1,091	-1,091
Capital Receipts	-2,385		-2,385	-2,135
Unused Borrowing b/f		-910	-910	
New Borrowing		-3,009	-3,009	
Internal Financing	-891	-1,839	-2,730	
Total	-5,455	-5,758	-11,213	-4,314

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.

5. EQUALITIES 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. RECOMMENDATIONS

That Members note the contents of this report

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

None.

John Buckley
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