

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Policy & Strategy
Committee**

AGENDA ITEM

4

MEETING DATE

18 March 2015

REPORT NUMBER

EFA/028/15

SUBJECT

Budget Review – January 2015

REPORT BY

The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

1. This paper reports on expenditure against budget as at 31 January 2015 and identifies major variances to the budget for the period. In addition the report considers the year end position for reserves and the potential carry forward of budget provision for expenditure from 2014/15 into 2015/16.

RECOMMENDATIONS

2. Members are asked to:
3. Note the review of income and expenditure against the budget;
4. Note the actual position with capital expenditure;
5. Agree the reduction in the level of two earmarked reserves;
6. Agree that budget provision for £1,765k of Capital expenditure is carried forward into 2015/16;
7. Agree that £147k of revenue underspending on the Workforce Transformation Programme is carried forward into 2015/16; and
8. Agree that the remaining underspend in 2014/15 be carried forward to 2015/16 and used to provide a budget for the costs of the Cultural Review.

BACKGROUND

9. This report reviews the actual expenditure against budget to 31 January 2015 for both revenue and capital expenditure. .
10. A summary of the net revenue expenditure for the ten months to 31 January is shown in the table below.

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	28,975	(1,074) ✓	-4%	-
Firefighters - Retained Duty System	4,831	190 ✓	4%	-
Control	1,421	42 ✓	3%	-
Support Staff	9,363	99 ✓	1%	59
Total Employment Costs	44,590	(743) ✓	-2%	59
Support Costs	1,620	(160) ✓	-9%	137
Premises & Equipment	8,400	(61) ✓	-1%	810
Other Costs & Services	2,621	(331) ✓	-11%	323
Ill health pension costs	1,672	1,567 ✓	++	-
Financing Items	1,691	49 ✓	3%	143
Operational income	(4,072)	(666) ✓	20%	4
Contribution to/(from) Reserves	-	124 ✓	0%	-
Total Other Costs	11,932	522 ✓	5%	1,417
Total Budget	56,523	(221) ✓	0%	1,477
Total Funding	(58,998)	(119) ✓	0%	-
Funding Gap / (Surplus)	(2,475)	(340)		1,477

11. More detailed figures are provided at page 7.

STAFFING

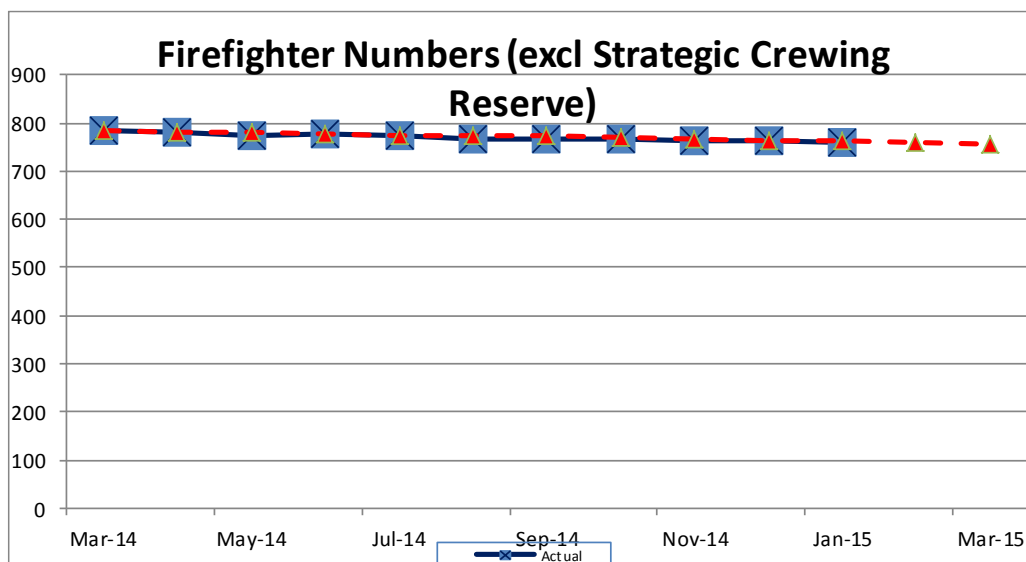
12. Overall employments costs are £743K under budget for the 10 months to 31 January. The underspend for, whole time fire-fighters is £1.074K (4%). For on-call firefighters, spend is 190K overspent and represent the additional costs of industrial action commencing on 9th December and some annual resilience payments made in December.
13. Whole-time fire-fighter numbers at 760.5 are close (-0.3%) to the budgeted level at the end of January after excluding the strategic crewing reserve. There are no plans to recruit more whole-time fire-fighters at the current time. The budget provided for 44 posts under strategic crewing reserve, this planned to be in the form of additional shift working. One impact of industrial action is that there is no current take up on additional shifts and this is the main factor contributing to the underspend on firefighters pay.
14. The staffing position at the end of January is summarised below (% figures rounded):

31 Jan 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	760.5	763.0	-2.5	0%
Strategic Crewing Reserve		44.0	-44.0	-100%
On-Call Firefighters - Headcount	479.0	514.0	-35.0	-7%
Control - FTE	36.0	37.0	-1.0	-3%
Support Staff - FTE	270.4	267.0	3.4	1%
Total	1,545.9	1,625.0	-79.1	-5%

15. The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 380.5 fire-fighters against a maximum station requirement of 454.

16. The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 7 at the end of January, the same as the position a year earlier. The number of fire-fighters over 50 with more than 25 years' service was 73 at the end of January

17. The graph below shows the numbers of whole-time fire-fighters compared to the budget for the month.



WATCH BASED FIREFIGHTERS

18. The numbers of Watch Based Fire-fighters compared to the target levels set by the Authority are shown below:

Date	Budgeted Rider Resource	Optimum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
31/12/2014	624	608	576	603.5	0.0	1.8
31/01/2015	624	608	576	600.5	0.0	2.2

19. Watch based numbers remain just below the optimum rider resilience level; the vacancies arise in the Strategic Crewing Reserve. Action, short of a strike by the Fire Brigades Union is preventing any additional shift working or voluntary overtime by firefighters. The additional shifts worked by on-call fire-

fighters, mainly at Dunmow are reported as Full Time Equivalent (FTE) posts in the table above.

NON PAY RELATED EXPENDITURE

20. Non-pay related expenditure includes the costs of firefighter injury payments where there is insufficient budget provision. Apart from this variance, support costs, mainly training are £160K (9%) underspent and other costs are £331K (11%) under budget, mainly on consultancy and home fire safety/sprinkler systems.

2014-15 FORECAST OUTTURN

21. The forecast for the year has been updated in conjunction with budget holders to reflect the expected out-turn for the year the forecast level; of saving is some £0.4m against the overall budget of £73.8m. This is after allowing for the additional £1.7m of injury payments which was not allowed for in the original budget for 2014-15.

Description	Current Full Year Budget £'000s	Nov Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	36,248	34,670	(1,578)	-4%
On-Call Fire-Fighters	5,736	5,502	(234)	-4%
Control	1,653	1,686	33	2%
Support Staff	11,129	11,083	(46)	0%
Total Employment Costs	54,766	52,942	(1,824)	-3%
Support Costs	2,182	2,124	(58)	-3%
Premises & Equipment	10,154	10,527	373	4%
Other Costs & Services	3,524	3,136	(388)	-11%
Ill health pension costs	201	1,937	1,736	++
Financing Items	8,706	8,726	20	0%
Operational income	(4,087)	(4,235)	(148)	4%
Contribution to/(from) Reserves	(2,175)	(1,807)	368	-17%
Total Other Costs	18,505	20,408	1,903	10%
Total Budget	73,271	73,350	79	0%
Total Funding	(73,271)	(73,770)	(499)	1%
Funding Gap / (Surplus)	0	(419)	(419)	++

22. Based on the headcount at the end of November and expected movement during the rest of this year we expect fire-fighters pay to be £1.6m underspent by the end of the year. The pay forecasts for both on-call and whole-time fire-fighters assume that there are no more additional strike costs and no further significant increase in operational needs.

23. The forecast underspend of £58K in support costs includes £118K for training, part of this underspend will be used for consultancy services to support the Workforce Transformation Programme, virements will be raised to transfer the budget to other costs and services which include consultancy costs. Premises and equipment shows a forecast overspend of £373K, this relates to utilities (£100K), rate increases (£55K) and fuel costs which are now forecast to be £60k over budget.

RESERVES POSITION AND TREATMENT OF YEAR END UNDERSPENDING

24. The Treasurer's report on the 2015/16 budget identified that £2.5m of the £9.9m of earmarked reserves would be reviewed in March 2015. These reserves and the proposed amendments are shown below:

Specific Reserves	Comment & Review	March 2014 Balance £'000s	March 2015 Balance £'000s
Retained Payroll – Demand Pressures	Main area of risk is retained pay budget. Reserve reduced to 10% of budget.	1,500	600
Taxbase and Collection Account Reserve	An area of risk since 2013/14. Initially set at 2.5% of precept income. Reduced to 1.25%	1,000	500

25. It is proposed that the £1.4m reduction in these two earmarked reserves is used to increase the earmarked reserve for infrastructure replacement to build up funding for major property refurbishments. The level of the general reserve remains within the tolerances set and is not under pressure as a balanced budget was agreed for 2015/16.

26. Some £147k of the remaining underspend relates to the costs of the Work Force Transformation Programme. A small number of specific activities in relation to the delivery of the outcomes from this programme will be completed in 2015/16 and approval is sought to carry forward the underspending to funds these costs which are not included in the 2015/16 budget. There are a number of potential uses for the balance of the forecast underspend for 2014/15 of £0.4m. It is proposed that this money is allocated to the Rolling Budgets reserve to provide funding in 2015/16 for the costs of the Cultural Review that the Authority has commissioned.

CAPITAL EXPENDITURE

27. Total capital expenditure and commitments to 31 January were £9.0m; this includes £1.4m for the Kelvedon Park Development and £1.5m for the solar panels on stations, other property projects account for £1.4m. The Information Technology spend and commitment of £2.1m mainly relates to the new Control mobilising system. We have also committed £0.9m on BA equipment and £1.4m on Appliances and other vehicles at 31 January, the first appliance is expected to be delivered by the end of the financial year.

	Revised Budget - 5/11/14 £'000s	Actual Spend To January 2014 £'000s	Commitments 2014/15 £'000s	Total Spend including Commitments £'000s	Revised Forecast January 2015 £'000s
Property					
New Premises					
Service Headquarters	2,185	1,167	206	1,374	2,185
Service Workshops	250	70	109	179	250
Other	-	-	-	-	-
Existing Premises					
Solar Panels	1,652	947	549	1,496	1,652
Asset Protection	1,600	463	613	1,076	1,400
Asset Improvement Works	-	122	6	129	-
Total Property	5,687	2,770	1,483	4,253	5,487
Equipment	1,596	933	59	992	1,468
Information Technology					
Projects > £250k	1,871	1,136	761	1,896	1,871
Projects < £250k	393	178	18	196	293
Total Information Technology	2,264	1,314	778	2,092	2,164
Vehicles					
New Appliances	1,060	131	1,269	1,400	1,400
Other Vehicles	781	191	105	296	582
Total Vehicles	1,841	321	1,374	1,696	1,982
Total Capital Expenditure	11,389	5,338	3,695	9,033	11,102

28. Expenditure on a number of approved capital projects will not be completed in the year because of delays caused by challenge or checks in the approval process or extended delivery timescales from suppliers. Approval is sought to carry forward a total of £1,765k comprising the following items:

- a. Fire Ground Radios – £68k;
- b. Thermal Image Camera – £375k;
- c. RPE Mask & Equipment - £78k;
- d. Wireless Incident Ground Camera - £118k;
- e. Minibus - £18k;
- f. Appliances - £1,221k
- g. Light Vans - £150k
- h. Off Road Vehicles - £75k

RISK MANAGEMENT IMPLICATIONS

29. The review of expenditure against the profiled budget is part of the overall financial control process of the Authority. In exceptional circumstances it allows for budget virements to ensure that underspending against budget heads can be utilised to fund expenditure against other priorities. If virements are not made there is a risk that the Authority will miss out on opportunities to improve performance and meet key objectives during the year. The Authority's reserves are at the upper end of their target range and the

Authority is able to fund short term fluctuations in activity from them when necessary.

30. The review of the management accounts is one control measure to mitigate the risk of overspending the Authority's budget for the year.

LEGAL IMPLICATIONS

31. There are no direct legal implications within this report.

USE OF RESOURCES

32. There are no use of resources implications within this report

ENVIRONMENTAL IMPLICATIONS

33. There are no environmental implications arising from this report

EQUALITY IMPLICATIONS

34. There are no equality implications arising from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
Appendix 1 – Expenditure compared to budget to 30 September 2014	
List of background documents (not attached):	
Proper Officer:	The Finance Director and Treasurer
Contact Officer:	The Finance Director and Treasurer, Mike Clayton Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

EXPENDITURE COMPARED TO BUDGET TO 31 JANUARY 2015

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	28,975	(1,074) ✓	-4%	-
On-Call Fire-Fighters	4,831	190 ✓	4%	-
Control	1,421	42 ✓	3%	-
Support Staff	9,363	99 ✓	1%	59
Total Employment Costs	44,590	(743) ✓	-2%	59
Training	512	(113) ✓	-18%	57
Employee Support Costs	563	(52) ✓	-8%	73
Travel & Subsistence	545	4 ✓	1%	8
Support Costs	1,620	(160) ✓	-9%	137
Property Maintenance	1,467	(476) ✓	-24%	142
Utilities	543	88 ✓	19%	3
Rent & Rates	1,188	50 ✓	4%	26
Equipment & Supplies	1,195	(16) ✓	-1%	114
Communications	1,279	91 ✓	8%	346
Information Systems	1,796	108 ✓	6%	124
Transport	932	93 ✓	11%	55
Premises & Equipment	8,400	(61) ✓	-1%	810
Establishment Expenses	911	(74) ✓	-8%	94
Insurance	420	(36) ✓	-8%	0
Professional Fees & Services	1,078	(232) ✓	-18%	229
Democratic Representation	121	(8) ✓	-6%	-
Agency Services	91	20 ✓	28%	-
Other Costs & Services	2,621	(331) ✓	-11%	323
III Health Pension costs	1,672	1,567 ✓	++	-
Lease & Interest Charges	1,691	49 ✓	3%	143
Financing Items	1,691	49 ✓	3%	143
Operational income	(4,072)	(666) ✓	20%	4
Contributions to/ (from) General Balance	-	124 ✓	0%	-
Total Net Financing Requirement	56,523	(221) ✓	0%	1,477
Revenue Support Grant	(11,962)	- ✓	0%	-
National Non-Domestic Rates	(13,894)	(126) ✓	0%	-
Council Tax Collection Account	(439)	- ✓	0%	-
Council Tax	(32,703)	7 ✓	0%	-
Total Funding	(58,998)	(119) ✓	0%	-