

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Policy & Strategy
Committee**

AGENDA ITEM

4

MEETING DATE

04 November 2015

REPORT NUMBER

EFA/093/15

SUBJECT

Budget Review – September 2015

REPORT BY

The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

This paper reports on expenditure against budget as at 30 September 2015 and identifies major variances to the budget for the period. The report also reviews the forecast outturn for 2015/16.

RECOMMENDATIONS

Members are asked to:

1. Note the review of income and expenditure against the budget;
2. Note the forecast position for 2015/16;
3. Agree the capital budget virement of £301k for bring forward the purchase of thermal image cameras; and
4. Note the actual position with capital expenditure;

BACKGROUND

This report reviews the actual expenditure against budget to 30 September 2015 for both revenue and capital expenditure. The budget reported against reflects the virements made in the year to date, including those agreed by the committee in September 2015.

A summary of the net revenue expenditure for the six months to 30 September is shown in the table below.

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	16,643	(27) ✓	0%	-
On-Call Fire-Fighters	2,630	412 ✓	19%	-
Control	662	(35) ✓	-5%	-
Support Staff	5,567	255 ✓	5%	65
Total Employment Costs	25,502	605 ✓	2%	65
Support Costs	921	(29) ✓	-3%	91
Premises & Equipment	5,045	(30) ✓	-1%	656
Other Costs & Services	1,945	141 ✓	8%	907
Ill health pension costs	984	(16) ✓	-2%	-
Financing Items	897	(7) ✓	-1%	0
Operational income	(2,441)	(383) ✓	19%	0
Contribution to/(from) Reserves	-	(433) ✓	0%	-
Total Other Costs	7,351	(757) ✓	-9%	1,654
Total Budget	32,854	(152) ✓	0%	1,719
Total Funding	(37,606)	(0) ✓	0%	-
Funding Gap / (Surplus)	(4,752)	(152) ✓	3%	1,719

More detailed figures are provided at page 6.

STAFFING

Overall employments costs are £605K (2%) above budget for the 6 months to 30 September.

The underspend for whole time fire-fighters is £27K (0.2%).

For on-call firefighters, spend is £412K over budget, The industrial action between 13th June and 1st September accounts for additional resilience costs of £385k and is the main reason for the overspend. This high cost reflects the decision of the Fire Brigades Union to only call managers out on strike. Firefighters not on strike attended training sessions.

The £255K (5%) overspend on support staff pay mainly relates to casual and temporary staff for specific project work in the HR, Community Safety and Property departments. Budget holders are currently finalising virements to help deal with this position.

Whole-time fire-fighter numbers at 730 are 10 (1%) under budget at the end of September, the main reason for this is a high number of retirements and leavers (14 in total) during April 2015. There are no plans to recruit more whole-time fire-fighters.

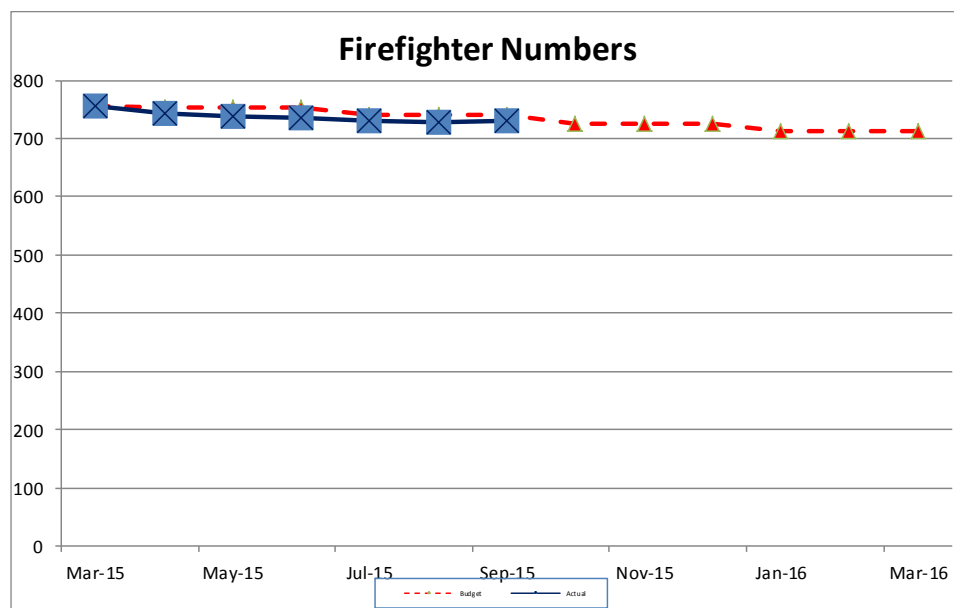
The staffing position at the end of September is summarised below (% figures rounded):

30 Sep 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	730.0 ✓	740.0	-10.0	-1%
On-Call Firefighters - Headcount	469.0 ✓	514.0	-45.0	-9%
Control - FTE	34.0	34.0	0.0	0%
Support Staff - FTE	258.2	262.0	-3.8	-1%
Total	1,491.2	1,550.0	-58.8	-4%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 373 fire-fighters against a maximum station requirement of 454. Changes to the recruitment process for on-call firefighters are being made and an increase in the number of on-call firefighters is expected.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 7 at the end of September; we have experienced higher retirement rates in the first months of the year than anticipated in the budget. The number of fire-fighters over 50 with more than 25 years' service was 82 at the end of September.

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



WATCH BASED FIREFIGHTERS

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)
31/08/2015	624	600	576	576.0	0.0	3.2
30/09/2015	624	600	576	577.0	0.0	2.0

Watch based numbers are below the optimum rider resilience level; this level will reduce when the final stage of the withdrawal of Rescue Tenders is completed in the autumn. Action, short of a strike by the Fire Brigades Union as part of the national dispute over pensions 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

Non pay expenditure is £374k underspent for the 6 months to 30 September; in addition operational income is £383K better than budget.

Support costs are £29K (5%) underspent overall, clothing (£43K), occupation health (£38K) and travelling/subsistence (£78K) are all underspent, contributions to the pension fund for financial strain relate to support staff early retirements and are £58k overspent. Training is also £72K overspent.

Premises and equipment is £30K (1%) underspend, the main elements are a slower than budget take up on property maintenance partially offset by higher electricity costs and rates (£118K underspend), transport (mainly petrol £42K underspent) and an overspend ICT projects (£130K).

Other costs and services are £141K overspent, this comprises Consultancy spend which is £101K (20%) over budget. This overspend mainly comprises additional support costs for the control project (£24K), property projects (£31K), HR workforce planning project and pensions audit (£40K). Budget holders will need to exercise strict control over consultancy costs if we are to avoid an overspend by the end of the year.

In addition to Consultancy the other area contributing to the overspend on other costs and services is other local authority services which includes recharges of £47K from Essex County Council for support to the Communications team. A virement to cover this from within total budget provision is being prepared and will be reflected in the October report.

Operational income is £383k better than budget; the main reasons for this are higher recharges for officers on secondment (£124K) and higher government grants for business rates support than budgeted for (£264K).

FORECAST 2015-16

The first forecast for the year was included in the August Finance report, whilst the forecast has not been updated a number of budget virements have been processed as a result of management actions arising from the forecast exercise. The net result is that the total forecast for the Authority still shows the same budget and the expected small underspend of £28K for the year.

The budget agreed by the Fire Authority in February was £71.8m; in addition, a number of earmarked reserves were created last year to enable funding of specific expenditure in 2015-16. These reserves included £0.7m relating to workforce planning, solar panel installation at stations and the costs of the cultural review currently being undertaken. The total net expenditure budget for the year therefore stands at £72.5m.

The outturn forecast including a summary of budget virements to date, is summarised below.

Description	Original Full Year Budget £'000s	Virements £'000s	Current Full Year Budget £'000s	July Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	33,311	(378)	32,933	32,961	28	0%
On-Call Fire-Fighters	5,208	-	5,208	5,624	416	8%
Control	1,401	-	1,401	1,334	(67)	-5%
Support Staff	10,433	496	10,929	11,096	167	2%
Total Employment Costs	50,353	118	50,471	51,015	544	1%
Support Costs	1,993	4	1,997	1,901	(96)	-5%
Premises & Equipment	10,151	-	10,151	10,231	81	1%
Other Costs & Services	3,354	165	3,519	3,788	269	8%
Ill health pension costs	2,000	-	2,000	2,000	-	0%
Financing Items	7,588	291	7,879	7,879	(0)	0%
Operational income	(4,116)	-	(4,116)	(4,552)	(436)	11%
Contribution to/(from) Reserves	506	110	616	226	(390)	-63%
Total Other Costs	21,474	570	22,044	21,472	(572)	-3%
Total Budget	71,827	688	72,515	72,487	(28)	0%
Total Funding	(71,827)	-	(71,827)	(71,828)	(0)	0%
Funding Gap / (Surplus)	-	688	688	660	(28)	

On call fire-fighters pay is forecast to be £416K overspent, £375K of this relates to the impact of resilience payments as a result of industrial action for the period from the 13th June to 1st September. No further forecast is made for the effects of any further industrial action not yet announced as it is not possible to predict during the remaining part of the year. We currently aim to fund the costs of industrial action within the budget approved by the Fire Authority in February.

The support staff pay forecasts include funding the impact of implementing the recommendations of a job evaluation report at a cost in 2015-16 of £250K. The other main factors are additional support costs for project 2020 (£145k) and Workforce Planning, b/fwd from last year c£50K.

Premises and equipment shows a forecast overspend of £81K, this mainly relates to utilities where the savings from solar panels have not reached the levels included in the budget.

Operational income is forecast to be better than budget, in particular secondment income is forecast to be c.£190K better than the budget of £100K, and business rates support is forecast to be £250K better than the budget of £220K.

To meet budget pressures associated with the continuation of the control project, additional costs for the 2020 programme and the response to the Cultural Review officers are reviewing the forecast spend to identify in-year savings to release further funding in the current year for these activities. Other funding needs arising from a review of the management structure would require the use of reserves. There is the potential to utilise the capital receipts reserve of £2.0m to reduce capital financing charges and use the savings achieved to fund other budget virements.

CAPITAL EXPENDITURE

Capital expenditure spent and committed for the 6 months to 30 September 2015 is shown in the table below.

Total capital expenditure is £6.6m, the largest item included is £3.7m for new appliances. The figure also includes £290K for Solar Panels and £535K for asset protection. The equipment spend and commitment of £667K comprises thermal

imaging cameras (£344K), heavy rescue equipment (£261K) and gas tight suit replacement (£62K)

The investment of £1,102K in information technology relates to replacing the MIS system for Safer Communities, the water section and Fleet Workshops.

Within the forecast one virement requires Member approval – to bring forward £301k of planned spend on thermal image cameras to the current year.

	Budget £'000s	Actual Spend To September 2015 £'000s	Commitments £'000s	Total Spend including Commitments £'000s	Forecast 2015 £'000s
Property					
Solar Panels	291	-	290	290	291
Asset Protection	2,170	235	300	535	2,170
Total Property	2,461	235	591	826	2,461
Equipment	1,375	660	6	667	1,274
Information Technology					
Projects > £250k	1,300	253	739	992	1,178
Projects < £250k	200	46	65	110	-
Total Information Technology	1,500	299	804	1,102	1,178
Vehicles					
New Appliances	4,382	1,120	2,578	3,698	4,000
Other Vehicles	851	150	590	740	1,087
Total Vehicles	5,233	1,270	3,168	4,438	5,087
Total Capital Expenditure	10,569	2,464	4,569	7,033	10,000

RISK MANAGEMENT IMPLICATIONS

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.

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

There are no direct legal implications within this report.

USE OF RESOURCES

There are no use of resources implications within this report

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report

EQUALITY IMPLICATIONS

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 2015	
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 30 SEPTEMBER 2015

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	16,643	(27)	0%	-
On-Call Fire-Fighters	2,630	412	19%	-
Control	662	(35)	-5%	-
Support Staff	5,567	255	5%	65
Total Employment Costs	25,502	605	2%	65
Training	303	73	32%	37
Employee Support Costs	364	(25)	-6%	51
Travel & Subsistence	254	(78)	-23%	3
Support Costs	921	(29)	-3%	91
Property Maintenance	910	(234)	-20%	420
Utilities	319	81	34%	0
Rent & Rates	755	36	5%	0
Equipment & Supplies	716	(1)	0%	32
Communications	720	86	14%	(0)
Information Systems	1,147	44	4%	165
Transport	478	(43)	-8%	39
Premises & Equipment	5,045	(30)	-1%	656
Establishment Expenses	519	(100)	-16%	86
Insurance	277	21	8%	(0)
Professional Fees & Services	1,024	222	28%	753
Democratic Representation	71	(7)	-9%	-
Agency Services	55	5	9%	67
Other Costs & Services	1,945	141	8%	907
III Health Pension costs	984	(16)	-2%	-
Lease & Interest Charges	897	(7)	-1%	0
Statutory Provision for Capital Financing	-	-	0%	-
Financing Items	897	(7)	-1%	0
Operational income	(2,441)	(383)	19%	0
Contributions to/ (from) General Balances	-	(433)	0%	-
Total Net Financing Requirement	32,854	(152)	0%	1,719
Revenue Support Grant	(10,374)	(0)	0%	-
National Non-Domestic Rates	(7,641)	-	0%	-
Council Tax Collection Account	(401)	-	0%	-
Council Tax	(19,189)	-	0%	-
Total Funding	(37,606)	(0)	0%	-