

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audi, Governance &
Review Committee**

AGENDA ITEM

8

MEETING DATE

7 October 2015

REPORT NUMBER

EFA/090/15

SUBJECT

Budget Review – August 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 31 August 2015 and identifies major variances to the budget for the period. The report also reviews the forecast outturn for 2015/16 and reports the approval of some significant budget virements.

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. Note the budget virements summarised in the paper; and
4. Note the actual position with capital expenditure;

BACKGROUND

This report reviews the actual expenditure against budget to 31 August 2015 for both revenue and capital expenditure. .

A summary of the net revenue expenditure for the two months to 31 August is shown in the table below.

Description	YTD			
	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	Commitments £'000s
Firefighters	13,828	(199) ✓	-1%	-
On-Call Fire-Fighters	1,973	155 ✓	9%	-
Control	537	(43) ✓	-7%	-
Support Staff	4,662	258 ✓	6%	74
Total Employment Costs	21,000	171 ✓	1%	74
Support Costs	778	(77) ✓	-9%	131
Premises & Equipment	4,124	(105) ✓	-2%	754
Other Costs & Services	1,471	27 ✓	2%	545
Ill health pension costs	821	(13) ✓	-2%	-
Financing Items	750	(4) ✓	-1%	0
Operational income	(1,976)	(261) ✓	15%	0
Contribution to/(from) Reserves	-	(211) ✓	0%	-
Total Other Costs	5,968	(643) ✓	-10%	1,431
Total Budget	26,968	(472) ✓	-2%	1,505
Total Funding	(31,846)	(0) ✓	0%	-
Funding Gap / (Surplus)	(4,878)	(473)		1,505

More detailed figures are provided at page 9.

STAFFING

Overall employments costs are £171K (1%) above budget for the 5 months to 31 August

The underspend for whole time fire-fighters is £199K (1%), the major element here is a reduction in employers pension contributions following the introduction of the new firefighters pension scheme from 1st April 2015 (£175K). The employers' contribution rates for the firefighter's pension scheme were not announced until after the budget was finalised.

For on-call firefighters, spend is £155K over budget, The industrial action on 13/14th June and 6th August accounts for additional resilience costs of £158k.

The impact of the changed employers contribution rates for the firefighters pension scheme will result in lower contributions overall and therefore produce an underspending against budget in 2015-16.

The £258K 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 considering virements to deals with this position.

Whole-time fire-fighter numbers at 729.0 are 11.0 (1%) under phased budget at the end of August, the main reason for this is a high number of retirements and leavers (14 in total) during April. There are no plans to recruit more whole-time fire-fighters at the current time.

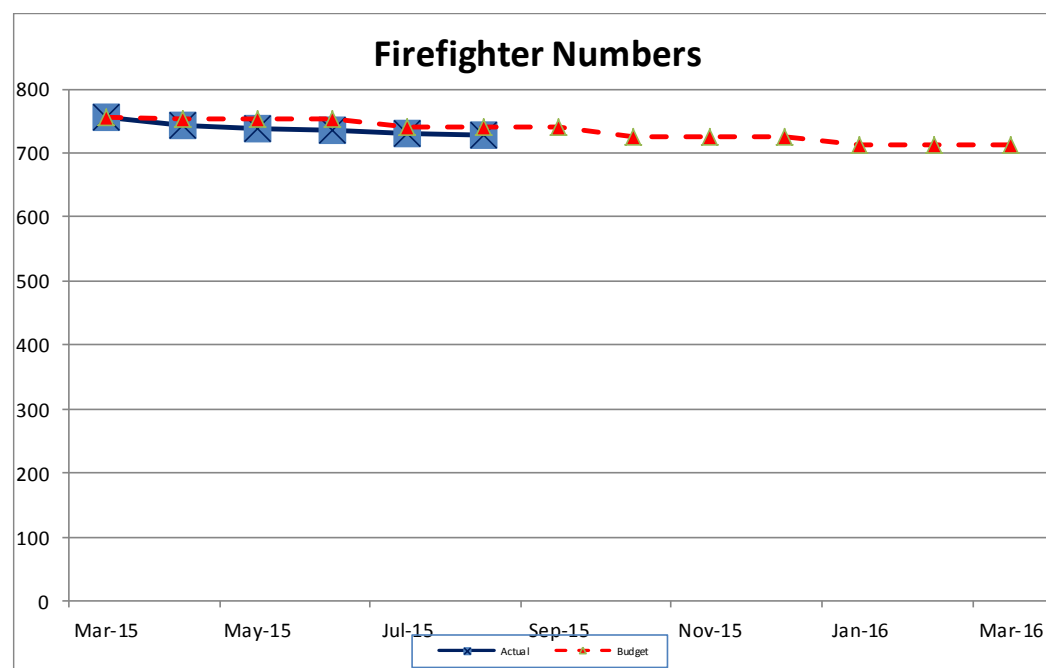
The staffing position at the end of August is summarised below (% figures rounded):

31 Aug 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	729.0	740.0	-11.0	-1%
On-Call Firefighters - Headcount	472.0	514.0	-42.0	-8%
Control - FTE	34.0	34.0	0.0	0%
Support Staff - FTE	258.0	262.0	-4.0	-2%
Total	1,493.0	1,550.0	-57.0	-4%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 375 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 by the year end.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 7 at the end of August; 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 79 at the end of August.

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)
31/07/2015	611	608	576	577.5	0.0	3.2
31/08/2015	611	608	576	576.0	0.0	3.2

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 late summer. 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 £172k underspent for the 5 months to 31 August; in addition operational income is £261K better than budget.

Support costs are £77K (9%) underspent overall, clothing (£31K), occupation health (£27K) and travelling/subsistence (£66K) are all underspent, contributions to the pension fund for financial strain relate to support staff early retirements and are £63k overspent.

Premises and equipment is £105K (2%) underspend, the main elements are a slower than budget take up on property maintenance partially offset by higher electricity costs.

Operational income is £261k better than budget; the main reasons for this are higher secondment recharging (£89K) and higher government grants for business rates support than budgeted for (£196K).

FORECAST 2015-16

The forecast for the year reflects the projection forward of staff costs based on expected staff headcount and budget holders forecasts of outturn expenditure. The forecast included in the finance report for July has now been updated to take account of continuing industrial action up to and including the 1st September. The updated forecast shows that we are now expecting a small underspend of c. £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 £.07m 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 is summarised below.

Description	Current Full Year Budget £'000s	July Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	33,293	32,961	(332)	-1%
On-Call Fire-Fighters	5,208	5,624	416	8%
Control	1,401	1,334	(67)	-5%
Support Staff	10,611	11,096	485	5%
Total Employment Costs	50,513	51,015	501	1%
Support Costs	2,140	1,901	(239)	-11%
Premises & Equipment	10,151	10,231	81	1%
Other Costs & Services	3,444	3,788	344	10%
Ill health pension costs	2,000	2,000	-	0%
Financing Items	7,879	7,879	(0)	0%
Operational income	(4,116)	(4,552)	(436)	11%
Contribution to/(from) Reserves	506	226	(280)	-55%
Total Other Costs	22,002	21,472	(530)	-2%
Total Budget	72,515	72,487	(28)	0%
Total Funding	(71,827)	(71,828)	(0)	0%
Funding Gap / (Surplus)	688	660	(28)	

The main factor contributing to the underspend on firefighters pay is a reduction in employers pension contributions following the introduction of the new firefighters pension scheme from 1st April 2015. The employers' contribution rates for the firefighter's pension scheme were not announced until after the budget was finalised.

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.

Support staff pay is forecast to be £485K (5%) overspent for the year, there are two main contributory factors, firstly we have included £250K for the impact of implementing the recommendations of a job evaluation report, whilst this has yet to be agreed by Members of the Fire Authority it is included in this forecast to be prudent. The other main factor is additional support costs in ICT to support the ongoing Control mobilisation project.

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.

JOB EVALUATION

The Service Job Evaluation Project under the Workforce Transformation Programme sought to review the current Green Book job evaluation provision to ensure value for money and time efficiencies and made recommendations for Green Book Job Evaluation going forward. The Project Report reviewed the current arrangements for Green Book Job Evaluation and outlines the current issues. It assesses the findings

of information gathered from other Fire and Rescue Services and job evaluation providers and makes fact based recommendations for the future approach of Green Book job evaluation.

In summary the Project Report identified that the average number of job evaluations undertaken was 27 per year, with an average expenditure of £9k per annum. This cost excludes management time. Under the current arrangements for external evaluations this figures has risen to £15k per annum.

Of the three job evaluation schemes identified within the Project Report, the most commonly used by Local Government was the Hay scheme. It can be applied to the full range of Green Book roles and provides a disciplined, methodology and process which makes as near objective decisions as practical. This methodology will continue to be used.

Currently the Service experiences difficulties recruiting to specialist roles within a number of departments including HR, Health & Safety, ICT and Performance Management & Improvement. The Service's support staff turnover rate is 19% compared to an average public sector turnover rate of 9%. In addition, in 2014/15 the Service spent £1m on temporary and agency staff to cover vacancies and other short term requirements.

Hay Management Group undertook a comparison of the Service's current pay policy against Hay Group market data. This piece of work identified that not all of our Green Book pay is competitive. These findings suggest that the current pay policy does not align with the market value of some specialist roles. The comparison found that the pay policy is between lower quartile to the median for grades up to PO1 and that the pay policy becomes less competitive from PO2 onwards, with pay at M1, M2 and M3 benchmarked between the lower decile and lower quartile of the market.

In recognition that the pay policy is not competitive the Strategic Management Board agreed with the recommendation from the Director of HR and Organisational Development that the Service addresses the pay policy issues in the coming year. A recent study by Oxford Economics suggests an average cost to recruit a single employee is £31k. This is made up of recruitment costs, hiring temporary workers before the replacement starts, management time spent interviewing, recruitment agency fees, advertising the new role and HR time spent processing replacement and costs from lost output as new employees take 28 weeks to reach optimum productivity.

Hay Management Group will be used to provide support and advice on the design of new pay and grading structures. Hay Management Group estimated the cost to bring Green Book employees to the public and not for profit market median is in the region of £450,000 (7% of pay bill). The potential cost on the pay-bill has not been included within the budget for 2015/16 and approval from Members for a virement to cover this additional cost is required, based on a 1 October 2015 implementation date. The balance of the additional cost will be built into the 216/17 budget.

BUDGET VIREMENTS

A number of factors reflected in the forecast shown above required the formal approval of the Policy & Strategy Committee for budget virements. The approval was given at their meeting on 23 September. These are:

1. A virement of £360k to reduce the pensions budget for wholetime firefighters to reflect the 2015/16 employer pension contribution rate:
2. A virement of £250k to support staff costs to reflect the impact in 2015/16 of the job evaluation review for "Green Book" staff; and
3. A virement of £192k for the costs of backfilling posts seconded to the 2020 programme.

CAPITAL EXPENDITURE

Capital expenditure spent and committed for the 5 months to 31 August 2015 is shown in the table below.

Total capital expenditure is £6.3m, the largest item included is £3.7m for new appliances. The figure also includes £290K for Solar Panels and £395K for asset protection. The equipment spend and commitment of £667K includes Thermal imaging Cameras (£344K) and Heavy rescue equipment (£241K)

The investment of £1,016K in information technology relates to replacing the MIS system for Community Safety, the water section and Fleet Workshops.

	Original Budget 2015/16 £'000s	Approved Changes £'000s	Revised Budget - 18/3/15 £'000s	Total Spend including Commitments £'000s
Property				
New Premises				
Solar Panels	-	291	291	290
Asset Protection	2,170	-	2,170	395
Total Property	2,170	291	2,461	685
Equipment	736	639	1,375	667
Information Technology				
Projects > £250k	1,300	-	1,300	910
Projects < £250k	200	-	200	106
Total Information Technology	1,500	-	1,500	1,016
Vehicles				
New Appliances	3,161	1,221	4,382	3,697
Other Vehicles	608	243	851	273
Total Vehicles	3,769	1,464	5,233	3,970
Total Capital Expenditure	8,175	2,394	10,569	6,338

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 within 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 31 August 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 31 AUGUST 2015

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	13,828	(199)	-1%	-
On-Call Fire-Fighters	1,973	155	9%	-
Control	537	(43)	-7%	-
Support Staff	4,662	258	6%	74
Total Employment Costs	21,000	171	1%	74
Training	240	(21)	-8%	21
Employee Support Costs	333	10	3%	108
Travel & Subsistence	204	(66)	-24%	2
Support Costs	778	(77)	-9%	131
Property Maintenance	751	(202)	-21%	416
Utilities	256	58	29%	0
Rent & Rates	629	30	5%	0
Equipment & Supplies	593	(4)	-1%	78
Communications	572	44	8%	79
Information Systems	916	(3)	0%	148
Transport	407	(27)	-6%	33
Premises & Equipment	4,124	(105)	-2%	754
Establishment Expenses	384	(137)	-26%	119
Insurance	230	17	8%	-
Professional Fees & Services	752	149	25%	359
Democratic Representation	59	(6)	-9%	-
Agency Services	46	4	9%	67
Other Costs & Services	1,471	27	2%	545
III Health Pension costs	821	(13)	-2%	-
Lease & Interest Charges	750	(4)	-1%	0
Financing Items	750	(4)	-1%	0
Operational income	(1,976)	(261)	15%	0
Contributions to/ (from) General Balance	-	(211)	0%	-
Total Net Financing Requirement	26,968	(472)	-2%	1,505
Revenue Support Grant	(9,386)	(0)	0%	-
National Non-Domestic Rates	(6,389)	-	0%	-
Council Tax Collection Account	(332)	-	0%	-
Council Tax	(15,739)	-	0%	-
Total Funding	(31,846)	(0)	0%	-