

# ESSEX FIRE AUTHORITY

## Essex County Fire & Rescue Service



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MEETING

**Audit, Governance &  
Review Committee**

AGENDA ITEM

**11**

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MEETING DATE

20 April 2016

REPORT NUMBER

**EFA/063/16**

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SUBJECT

**Budget Review – January 2016**

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REPORT BY

The Finance Director & Treasurer

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PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

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### SUMMARY

This paper reports on expenditure against budget as at 31 January 2016 and identifies major variances to the budget for the period. The report also updates the position regarding 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; and
3. Note the actual position with capital expenditure;

### BACKGROUND

This report reviews the actual expenditure against budget to 31 January 2016 for both revenue and capital expenditure.

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

Description	YTD			
	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	Commitments £'000s
Firefighters	27,663	141	1%	-
Firefighters - Retained Duty System	4,381	402	10%	-
Control	1,065	(98)	-8%	-
Support Staff	9,341	(42)	0%	81
<b>Total Employment Costs</b>	<b>42,450</b>	<b>403</b>	<b>1%</b>	<b>81</b>
Support Costs	1,584	(27)	-2%	86
Premises & Equipment	8,283	(327)	-4%	705
Other Costs & Services	3,187	(176)	-5%	304
Ill health pension costs	1,695	29	2%	-
Financing Items	1,465	(42)	-3%	6
Operational income	(4,097)	(370)	10%	0
Contribution to/(from) Reserves	-	(259)	0%	-
<b>Total Other Costs</b>	<b>12,117</b>	<b>(1,173)</b>	<b>-9%</b>	<b>1,101</b>
<b>Total Budget</b>	<b>54,567</b>	<b>(770)</b>	<b>-1%</b>	<b>1,182</b>
<b>Total Funding</b>	<b>(60,961)</b>	<b>-</b>	<b>0%</b>	<b>-</b>
<b>Funding Gap / (Surplus)</b>	<b>(6,394)</b>	<b>(770)</b>		<b>1,182</b>

More detailed figures are provided at page 8.

## STAFFING

Overall employments costs are £403K (1%) above budget for the 10 months to 31 January.

The overspend for, whole time fire-fighters is £141K (0.5%). For on-call firefighters, spend is £402K (10%) over budget. The industrial action between the 13th June and 1st September accounts for additional resilience costs of £385K and is the main reason for the overspend.

The £42K (0.5%) underspend on support staff pay is after finalisation of a number of virements requested by budget holders to deal with specific project work particularly in the HR, ICT, Community Safety and Property Departments.

Whole-time fire-fighter numbers at 720 are 7 (1.0%) over phased budget at the end of January. The rate of firefighter headcount reduction has slowed over the past 6 months with a net reduction of 11.5 compared to 24.0 for the first 4 months of the year. The offer of early exit options to a number of managers is expected to bring the staffing position in line with budget at the end of the financial year.

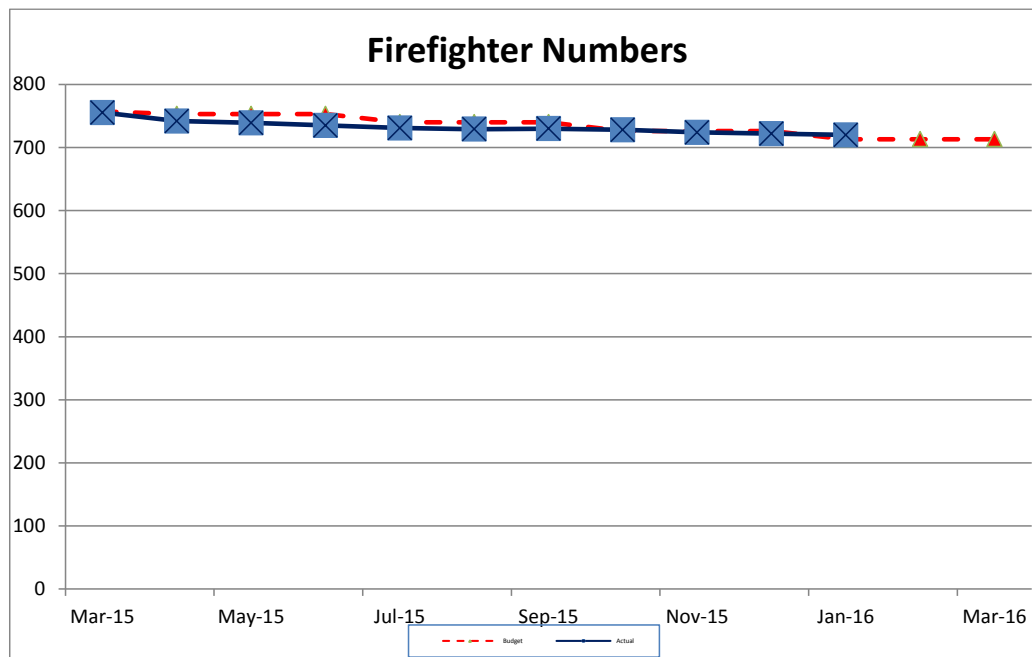
The staffing position at the end of November is summarised below (% figures rounded):

31 Jan 2016	Actual	Budget	Variance	
Wholetime Firefighters - FTE	720.0	713.0	7.0	1%
On-Call Firefighters - Headcount	480.0	514.0	-34.0	-7%
Control - FTE	32.4	34.0	-1.6	-5%
Support Staff - FTE	262.1	256.5	5.6	2%
Total	1,494.6	1,517.5	-23.0	-2%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 380 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 9 at the end of January. The number of fire-fighters over 50 with more than 25 years' service was 92 at the end of January.

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	OptJmum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
31/12/2015	624	600	576	566.0	0.0	2.6
31/01/2016	624	600	576	566.0	0.0	2.9

Watch based numbers were below the critical minimum rider requirement. This anticipates the reduction in the requirement when Rescue Tenders were withdrawn in early February 2016. The management of the shortfall is helped by low levels of leave at this time of year and a planned approach to appliance availability for the second appliance at low activity fire stations. 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 £803k underspent for the 10 months to 31 January; in addition operational income is £370K better than budget.

Support costs are £27K (2%) underspent overall, clothing (£26K), occupation health (£45K) and travelling/subsistence (£136K) are all underspent, contributions to the pension fund for financial strain relate to support staff early retirements and are £95k overspent. Redundancy costs are £30K overspent and training is £61K overspent.

Premises and equipment is £327K (4%) underspend, the main element is a slower than budget take up on property maintenance costs partially offset by higher rent and rates. Operational income is £370k better than budget; the main reason for this is higher government grants for business rates support than budgeted for.

## FORECAST 2015-16

The forecast for the year has been updated to reflect some significant changes, particularly for Programme 2020, the Cultural Review and the Expert Advisory Panel. Budget holders have been working in conjunction with Finance to prepare budget virements to re-allocate resources as a result of changes to priorities and methods of delivery.

The forecast includes £916k for the costs of early exit payments that will be funded from reserves. It is proposed that the total requirement for funding from reserves will be achieved through the use of the capital receipts reserve to reduce the provision for capital financing in the forecast.

The budget agreed by the Fire Authority in February 2015 was £71.8m; in addition, the Authority has agreed to make use of reserves to fund specific expenditure in 2015-16. These reserves total £1.9m relating to expenditure carried forward from 2014/15, sprinkler systems, the costs of the cultural review, the independent Advisory Panel and the costs of early exit options. The total net expenditure budget for the year therefore stands at £72.7m.

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

Description	Original Full Year Budget £'000s	Virements £'000s	Current Full Year Budget £'000s	November Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	33,311	(494)	32,817	32,976	159	0%
Firefighters - Retained Duty System	5,208	-	5,208	5,624	416	8%
Control	1,401	-	1,401	1,334	(67)	-5%
Support Staff	10,433	952	11,386	11,392	6	0%
<b>Total Employment Costs</b>	<b>50,353</b>	<b>458</b>	<b>50,811</b>	<b>51,326</b>	<b>514</b>	<b>1%</b>
Support Costs	1,993	1,004	2,997	2,897	(100)	-3%
Premises & Equipment	10,151	161	10,311	10,263	(48)	0%
Other Costs & Services	3,354	591	3,945	4,106	161	4%
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)	(308)	(4,424)	(4,735)	(311)	7%
Contribution to/(from) Reserves	506	(2,197)	(1,691)	-	1,691	0%
<b>Total Other Costs</b>	<b>21,474</b>	<b>(458)</b>	<b>21,016</b>	<b>22,410</b>	<b>1,393</b>	<b>7%</b>
<b>Total Budget</b>	<b>71,827</b>	<b>-</b>	<b>71,827</b>	<b>73,735</b>	<b>1,908</b>	<b>3%</b>
<b>Total Funding</b>	<b>(71,827)</b>	<b>-</b>	<b>(71,827)</b>	<b>(71,828)</b>	<b>(0)</b>	<b>0%</b>
<b>Funding Gap / (Surplus)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,908</b>	<b>1,908</b>	<b>++</b>

The main reasons for the budget virement of £494K on firefighters pay are a reduction in employer's pension contributions following the introduction of the new firefighter's pension scheme from 1st April 2015 and the transfer of community safety work originally budgeted for under firefighters pay but now being carried out by support staff. In the context of the pension virement it should be noted that the employers' contribution rates for the firefighter's pension scheme were not announced until after the budget for 2015-16 was agreed by the Authority in February.

On call fire-fighters pay is forecast to be £416K overspent, £385K 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 2015.

The support staff pay budget virements include funding the implementation of job evaluation proposals at a cost in 2015-16 of £250K. The other main factors are additional support costs for Programme 2020 (£227k), additional ICT project work (£203K) and safer communities work originally budget under firefighters pay (£272K).

Operational income is forecast to be better than budget, the main factor is that business rates support is forecast to be £260K better than the budget.

## **CAPITAL EXPENDITURE**

Capital expenditure spent and committed for the 8 months to 30 November 2015 is shown in the table below.

Total capital expenditure is £7.5m, the largest item included is £3.7m for new appliances. The figure also includes £41K for Solar Panels and £1.7m for asset protection. The equipment spend and commitment of £803K includes Thermal imaging Cameras (£344K), Heavy rescue equipment (£259K), gas tight suit replacement (£62K) and exercise treadmills (£138K). The credit on services headquarters relates to accruals and provisions made at year end released as no longer required.

The investment of £1,162K 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 - 4/11/15 £'000s	Total Spend including Commitments £'000s	Forecast 2016 £'000s
<b>Property</b>					
New Premises					
Service Headquarters	-	-	-	(406)	-
Service Workshops	-	-	-	-	-
Other	-	-	-	-	-
Existing Premises					
Solar Panels	-	291	291	41	-
Asset Protection	2,170	-	2,170	1,681	2,170
Asset Improvement Works	-	-	-	(2)	-
<b>Total Property</b>	<b>2,170</b>	<b>291</b>	<b>2,461</b>	<b>1,314</b>	<b>2,170</b>
<b>Equipment</b>	<b>736</b>	<b>538</b>	<b>1,274</b>	<b>803</b>	<b>1,410</b>
<b>Information Technology</b>					
Projects > £250k	1,300	(122)	1,178	1,159	1,178
Projects < £250k	200	(200)	-	3	30
<b>Total Information Technology</b>	<b>1,500</b>	<b>(322)</b>	<b>1,178</b>	<b>1,162</b>	<b>1,208</b>
<b>Vehicles</b>					
New Appliances	3,161	839	4,000	3,698	4,000
Other Vehicles	608	479	1,087	524	1,087
<b>Total Vehicles</b>	<b>3,769</b>	<b>1,318</b>	<b>5,087</b>	<b>4,222</b>	<b>5,087</b>
<b>Total Capital Expenditure</b>	<b>8,175</b>	<b>1,825</b>	<b>10,000</b>	<b>7,502</b>	<b>9,875</b>

## 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.

<b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>List of appendices attached to this paper:</b>	
Appendix 1 – Expenditure compared to budget to 31 January 2016	
<b>List of background documents (not attached):</b>	
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: <a href="mailto:mike.clayton@essex-fire.gov.uk">mike.clayton@essex-fire.gov.uk</a>

## EXPENDITURE COMPARED TO BUDGET TO 31 JANUARY 2016

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	27,663	141	1%	-
On-Call Fire-Fighters	4,381	402	10%	-
Control	1,065	(98)	-8%	-
Support Staff	9,341	(42)	0%	81
<b>Total Employment Costs</b>	<b>42,450</b>	<b>403</b>	<b>1%</b>	<b>81</b>
Training	469	61	15%	31
Employee Support Costs	674	48	8%	50
Travel & Subsistence	441	(136)	-24%	5
<b>Support Costs</b>	<b>1,584</b>	<b>(27)</b>	<b>-2%</b>	<b>86</b>
Property Maintenance	1,577	(189)	-11%	384
Utilities	458	(39)	-8%	1
Rent & Rates	1,297	99	8%	0
Equipment & Supplies	1,147	(48)	-4%	88
Communications	1,172	(17)	-1%	(0)
Information Systems	1,878	(69)	-4%	183
Transport	754	(64)	-8%	49
<b>Premises &amp; Equipment</b>	<b>8,283</b>	<b>(327)</b>	<b>-4%</b>	<b>705</b>
Establishment Expenses	866	(123)	-12%	88
Insurance	461	35	8%	-
Professional Fees & Services	1,649	(85)	-5%	150
Democratic Representation	118	(12)	-9%	-
Agency Services	92	8	9%	67
<b>Other Costs &amp; Services</b>	<b>3,187</b>	<b>(176)</b>	<b>-5%</b>	<b>304</b>
<b>III Health Pension costs</b>	<b>1,695</b>	<b>29</b>	<b>2%</b>	<b>-</b>
Lease & Interest Charges	1,465	(42)	-3%	6
<b>Financing Items</b>	<b>1,465</b>	<b>(42)</b>	<b>-3%</b>	<b>6</b>
Operational income	(4,097)	(370)	10%	0
Contributions to/ (from) General Balance	-	(259)	0%	-
<b>Total Net Financing Requirement</b>	<b>54,567</b>	<b>(770)</b>	<b>-1%</b>	<b>1,182</b>
Revenue Support Grant	(14,325)	-	0%	-
National Non-Domestic Rates	(12,686)	-	0%	-
Council Tax Collection Account	(682)	-	0%	-
Council Tax	(33,268)	-	0%	-
<b>Total Funding</b>	<b>(60,961)</b>	<b>-</b>	<b>0%</b>	<b>-</b>