

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance &
Review Committee**

AGENDA ITEM

7

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/014/16

SUBJECT

Budget Review – November 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 November 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. Note the actual position with capital expenditure;

BACKGROUND

This report reviews the actual expenditure against budget to 30 November 2015 for both revenue and capital expenditure.

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

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	22,047	(30)	0%	-
On-Call Fire-Fighters	3,395	377	13%	-
Control	863	(67)	-7%	-
Support Staff	7,457	(66)	-1%	48
Total Employment Costs	33,762	215	1%	48
Support Costs	1,242	(21)	-2%	143
Premises & Equipment	6,744	(174)	-3%	866
Other Costs & Services	2,636	(169)	-6%	210
Ill health pension costs	1,368	35	3%	-
Financing Items	1,187	(19)	-2%	12
Operational income	(3,286)	(257)	8%	0
Contribution to/(from) Reserves	-	(174)	0%	-
Total Other Costs	9,890	(779)	-7%	1,231
Total Budget	43,652	(563)	-1%	1,279
Total Funding	(49,499)	(58)	0%	-
Funding Gap / (Surplus)	(5,846)	(621)		1,279

More detailed figures are provided at page 7.

STAFFING

Overall employments costs are £215K (1%) above budget for the 8 months to 30 November.

The underspend for whole time fire-fighters is £30K (0.1%). For on-call firefighters, spend is £377K over budget. The industrial action between 13th June and 1st September accounts for additional resilience costs of £385k and is the reason for the overspend.

The £66K (1%) underspend on support staff pay is after the finalisation of a number of virements requested by budget holders to deal with specific project work particularly in the ICT, Community Safety and Property departments.

Whole-time fire-fighter numbers at 724 are 2 (0.3%) under the phased budget at the end of November. The rate of firefighter headcount reduction has slowed over the past 4 months with a net reduction of 7.5 compared to 24 for the first 4 months of the year. There are no plans to recruit more whole-time fire-fighters at the current time.

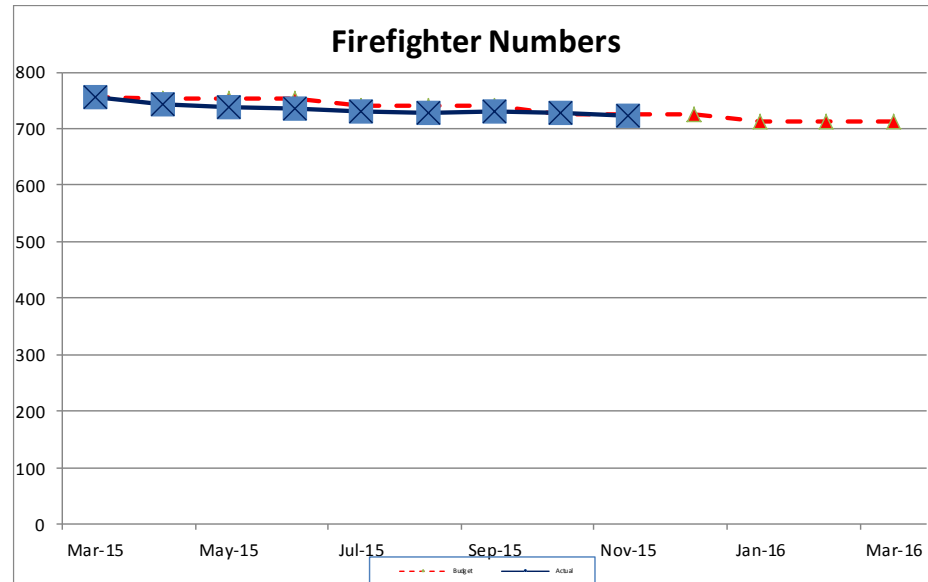
The staffing position at the end of November is summarised below (% figures rounded):

30 Nov 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	724.0	726.0	-2.0	0%
On-Call Firefighters - Headcount	480.0	514.0	-34.0	-7%
Control - FTE	33.5	34.0	-0.5	-1%
Support Staff - FTE	259.1	262.0	-3.0	-1%
Total	1,496.6	1,536.0	-39.5	-3%

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 8 at the end of November. The number of fire-fighters over 50 with more than 25 years' service was 83 at the end of November.

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)
31/10/2015	624	600	576	573.0	0.0	2.7
30/11/2015	624	600	576	570.0	0.0	2.6

Watch based numbers are marginally below the critical minimum rider requirement. In part this anticipates the reduction in the requirement when Rescue Tenders are withdrawn in early 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 £522k underspent for the 8 months to 30 November; in addition operational income is £257K better than budget. Support costs are £21K (2%) underspent overall, clothing (£16K), occupation health (£32K) and travelling/subsistence (£101K) are all underspent, contributions to the pension fund for financial strain relate to support staff early retirements and are £52k overspent. Training is also £87K overspent.

Premises and equipment is £174K (3%) underspend, the main elements are a slower than budget take up on property maintenance partially offset by higher rent and rates. Operational income is £257k better than budget; the main reason is higher government grants for business rates support than budgeted for (£147K).

FORECAST 2015-16

The first forecast for the year was presented to Members in September. The forecast has been updated to reflect some significant changes, particularly for Programme 2020, the Cultural Review, the Expert Advisory Panel and ICT. 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. These virements have now been processed and are reflected in the table below. The net result is that the total forecast expenditure for the Authority shows an expected overspend of £92K (0.13%) for the year. I am confident that expenditure will be controlled to eliminate this forecast overspend.

The budget agreed by the Fire Authority in February was £71.8m; in addition, the Authority has agreed to make use of reserves to fund specific expenditure in 2015-16. These reserves total £0.9m relating to expenditure carried forward from 2014/15, sprinkler systems and the costs of the cultural review and independent Expert Advisory Panel. 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	Outturn Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	33,311	(494)	32,817	32,976	159	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	952	11,386	11,392	6	0%
Total Employment Costs	50,353	458	50,811	51,326	514	1%
Support Costs	1,993	4	1,997	1,981	(16)	-1%
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	(297)	209	-	(209)	0%
Total Other Costs	21,474	442	21,916	21,494	(423)	-2%
Total Budget	71,827	900	72,727	72,819	92	0%
Total Funding	(71,827)	-	(71,827)	(71,828)	(0)	0%
Funding Gap / (Surplus)	-	900	900	992	92	

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.

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 £7.2m, the largest item included is £3.7m for new appliances. The figure also includes £1,255K for asset protection. The equipment spend and commitment of £665K comprises thermal imaging cameras (£344K), heavy rescue equipment (£259K) and gas tight suit replacement (£62K)

The investment of £1,146K in information technology relates to replacing the management information system for Safer Communities, 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	Forecast 2015 £'000s
Property					
Solar Panels	-	291	291	-	-
Asset Protection	2,170	-	2,170	1,255	2,170
Total Property	2,170	291	2,461	1,255	2,170
Equipment	736	538	1,274	665	1,274
Information Technology					
Projects > £250k	1,300	(122)	1,178	1,146	1,178
Projects < £250k	200	(200)	-	-	-
Total Information Technology	1,500	(322)	1,178	1,146	1,178
Vehicles					
New Appliances	3,161	839	4,000	3,698	4,000
Other Vehicles	608	479	1,087	411	1,087
Total Vehicles	3,769	1,318	5,087	4,109	5,087
Total Capital Expenditure	8,175	1,825	10,000	7,175	9,709

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 November 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 NOVEMBER 2015

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	22,047	(30)	0%	-
On-Call Fire-Fighters	3,395	377	13%	-
Control	863	(67)	-7%	-
Support Staff	7,457	(66)	-1%	48
Total Employment Costs	33,762	215	1%	48
Training	398	87	28%	39
Employee Support Costs	491	(6)	-1%	97
Travel & Subsistence	353	(102)	-22%	6
Support Costs	1,242	(21)	-2%	143
Property Maintenance	1,237	(168)	-12%	478
Utilities	393	(5)	-1%	1
Rent & Rates	1,038	80	8%	0
Equipment & Supplies	946	(10)	-1%	89
Communications	966	(12)	-1%	(0)
Information Systems	1,553	(27)	-2%	258
Transport	612	(32)	-5%	40
Premises & Equipment	6,744	(174)	-3%	866
Establishment Expenses	731	(62)	-8%	68
Insurance	373	32	10%	-
Professional Fees & Services	1,364	(136)	-9%	75
Democratic Representation	94	(9)	-9%	-
Agency Services	74	6	9%	67
Other Costs & Services	2,636	(169)	-6%	210
III Health Pension costs	1,368	35	3%	-
Lease & Interest Charges	1,187	(19)	-2%	12
Financing Items	1,187	(19)	-2%	12
Operational income	(3,286)	(257)	8%	0
Contributions to/ (from) General Balance	-	(174)	0%	-
Total Net Financing Requirement	43,652	(563)	-1%	1,279
Revenue Support Grant	(12,350)	(0)	0%	-
National Non-Domestic Rates	(10,181)	-	0%	-
Council Tax Collection Account	(602)	(57)	0%	-
Council Tax	(26,366)	-	0%	-
Total Funding	(49,499)	(58)	0%	-