

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY	
date	16 December 2005	agenda item number

REPORT OF THE CHIEF FIRE OFFICER

BUDGET MONITORING STATEMENT – PERIOD ENDED 31 OCTOBER 2005

1 PURPOSE OF REPORT

To report to the Fire Authority on the financial performance of the Service in the year 2005/2006 up to the end of October 2005. This report analyses major variances and raises any areas of concern with Authority Members.

2. OVERALL POSITION SUMMARY

- 2.1 The budget monitoring statements show that the Service is currently under spending by some £603,000 against the profile of expenditure up to the end of October 2005. This is made up broadly of an under spending on the general account of £1,191,000 and an overspend on pensions of £588,000. There are a number of significant variances within the overall statement as well as areas which require further explanation.
- 2.2 This report is slightly different to those presented previously in that it attempts to provide a view of the expected out-turn given current knowledge. The full budget monitoring statement is given as Appendix A to this report.
- 2.3 Members are asked to consider the strategic issues associated with the current financial planning climate. The Office of the Deputy Prime Minister (ODPM) has set out expectations relating to the developing regional agenda (Regional Control/New Dimension/Resilience, Procurement etc.), as well as those associated with reform of the service. Members must identify through the production and delivery of Integrated Risk Management Plans (IRMP) how community risk is being reduced by the introduction of new and effective services.
- 2.4 The Authority is also aware of the need to produce efficiency statements in support of “Gershon” savings. Uncertainty surrounding grant settlements and the volatility of Pension Schemes add to the complexities of budget management.
- 2.5 In addition to the requirement to assess and maintain appropriate levels of balances and reserves, the Authority must consider the pump priming requirements of IRMP transition in relation to new strategies and delivery options. It is against this backdrop that Members are asked to consider this report.

3. SIGNIFICANT VARIANCES

- 3.1 Wholetime pay is showing an underspending of £470,000. Considerable efforts are being made to recruit to vacant posts within the Service and also to re-establish the training reserve. It is anticipated that this underspend will not continue to rise significantly beyond this quarter and the anticipated out-turn on this budget is expected to be of the order of £483,000 underspent.
- 3.2 Retained pay is showing an underspend of £19,000 up to October, but this is expected to turn to a slight overspend of £21,000 if current levels of activity continue until the year end.
- 3.3 Pay in Fire Control shows, as it does an overspend of £46,000. This is anticipated to rise to £60,000 by the year end. Issues relating to long term absence are a major factor. This budget will continue to be monitored closely.
- 3.4 Administrative, clerical and cooks pay is showing an underspend of some £20,000 from a position of underspending by £39,000 in July. As posts continue to be filled this underspend is expected to reduce to under £10,000 by the year end.
- 3.5 Building maintenance and premises is showing an overspend of some £170,000, however investigations show that this continues to be due to backlog from 2005/6 being dealt with during the first half year. The budget is expected to show a slight underspend of £29,000 by the end of the year.
- 3.6 Operational Equipment is currently overspending by £106,000 and examination has revealed that is also due to some front loading and also a requirement to purchase new "gas tight" suits to replace a number of those in service. This overspend is expected to reduce to £44,000 by the year end.
- 3.7 Supplies and Service continues to overspend by £231,000 although this is expected to reduce to £152,000 towards the year end. There are a number of reasons for this overspend, most notably expansions to the Wide Area Network, some additional charges for VMDS and increased use of consultants. Other areas which present difficulties are to be addressed in the budget process for 2006/7.
- 3.8 Transport is showing an overspend of £64,000, although this is expected to reduce to about £27,000 by the end of the year. The primary reason for this is the contract for tyres which is running at £36,000 and was not included in the original budget.
- 3.9 The budget for support services requires significant review in that it is under significant pressure due to increased activity in Occupational Health and also in legal fees. The basis for legal fees is currently under review and a significant increase to this budget will be required in 2006/7. This overspend is anticipated to reduce to £67,000 by the end of the year
- 3.10 The leasing budget is again underspending by £650,000 due to delays in the capital programme especially for vehicle replacements. This underspend will reduce to £319,000 by the year end if current planned procurements proceed.
- 3.11 Trading activities are again holding up well showing a surplus of £108,000 over budget. This is in no small part due to the continued out-performance of FEM which has beaten its income target by £145,000. Commercial Training has been slow, but

this is anticipated to pick up shortly. The year end figure is expected to show a surplus over the budget of some £95,000.

- 3.12 External Interest earned again continues to improve due to recent changes in cash management arrangements. This is currently £33,000 ahead of target and this will improve to £60,000 by the year end.
- 3.13 Whilst the above two items contribute significantly to the underspend it should be noted that they have occurred because of over performance against budgets rather than under performance.
- 3.14 Members may recall at the September meeting of the Fire Authority that a request was made for the items which had been previously referred to as “contingency “ to be broken down within the budget monitoring statement. This has now been done under the three main headings of IRMP 1, IRMP 2 and Contingency (showing breakdown by item).
- 3.14 Overall these items are currently underspending by £754,000 and it is anticipated that this underspend will rise to £1,138,000 by the year end. There are however a number of areas where savings in these areas are to be used to support the introduction IRMP objectives. Some are to be deleted in the 2006/7 budget as being no longer required.
- 3.15 The Pensions budget, which showed an overspend of £385,000 in July is now showing an overspend of £588,000 and continues to give a genuine cause for concern. Despite having made provision for a large number of retirements it is clear that actual levels are exceeding these estimates. In an average year the Authority would expect to provide for 22 staff to retire. In reality however, 27 staff have retired during the first half year. This will slow considerably in the second half year but nevertheless this indicates a significant increase in retirements probably encouraged by the fact that the optimum benefit from the firefighters pay award is now available as both pension and lump sum commutation. This budget will continue to be monitored closely and discussed as part of the 2006/7 budget proposals.

4. OVERALL POSITION

- 4.1 The financial position of the Authority at present is fairly dynamic with a number of factors requiring careful management. The projected overspend on the pensions budget continues to give rise to concern and it has been important that spending in other areas has either been curtailed or delayed to enable the Authority to meet these obligations without recourse to overall revenue overspends.
- 4.2 Projected changes to the firefighters pension scheme and particularly the way that this is going to be funded present particular problems for the revenue budget for 2006/7, which are to be discussed during the budget setting process. However these issues also “knock on” into the thinking around the use of balances and reserves to support pensions shortfalls in 2005/6. It is considered that taking a longer view of this and other issues will allow the Authority to manage within its revenue budget for 2005/6 and move forward from a stable platform in 2006/7.

5. FINANCIAL IMPLICATIONS

The financial implications are set out in full in the body of the report.

6. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

7. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is itself a key risk management control measure as are the management actions that are stimulated by such reporting.

9. RECOMMENDATIONS

That Members note the contents of this report.

9. BACKGROUND PAPERS FOR INSPECTION

None.

Paul Woods
CHIEF FIRE OFFICER

BUDGET MONITORING STATEMENT - 1st APRIL 2005 TO 31st October 2005

<u>CATEGORY</u>		Annual Budget	Current Profile	Actual to Date	Variance Profile	Estimated Outturn	Outturn Variance
		£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
<u>EMPLOYEES</u>							
WHOLETIME OPERATIONAL PAY							
	Pay	16,426	9,522	9,044	-478		
	Nat Ins	1,307	758	749	-9		
	Overtime	107	54	71	17		
	Bank Holidays	226	135	101	-34		
	Other	140	81	115	34		
		18,206	10,550	10,080	-470	17,723	-483
PART TIME OPERATIONAL							
	Retaining Fees	1,068	534	344	-190		
	Drills	457	228	265	37		
	Turnout Fees	714	357	366	9		
	Other (1556,1557,1550,1551)	361	181	285	104		
	Nat Ins	93	46	67	21		
		2,693	1,346	1,327	-19	2,714	21
CONTROL STAFF							
	Pay	802	464	475	11		
	Nat ins	57	33	40	7		
	Overtime	28	14	26	12		
	Supn	68	40	56	16		
		955	551	597	46	1,015	60
ADMIN, CLERICAL & COOKS							
	Pay	2,448	1,396	1,397	1		
	Nat ins	192	109	115	6		
	Overtime			10	10		
	Supn	277	158	167	9		
	Temp Admin Pay	91	52	13	-39		
	Temp Admin NI	5	3		-3		
	Temp Admin Sup	7	4		-4		
		3,020	1,722	1,702	-20	3,010	-10
OTHER EMPLOYEE EXPENSES							
	Staff Training	437	220	188	-32	378	-59
	Bounty Scheme	35	20	16	-4	39	4
	Other	87	49	81	32	128	41
		559	289	285	-4	545	-14
PREMISES							
	Building Maintenance	367	184	335	151	367	
	Electricity	35	18	17	-1	22	-13
	Gas	51	25	7	-18	51	
	Rent Premises	63		5	5	63	
	Business Rates	448	261	281	20	419	-29
	Contract Cleaning	53	27	23	-4	63	10
	Other	78	39	56	17	81	3
		1,095	554	724	170	1,066	-29
OPERATIONAL EQUIPMENT							
	Specialist Equipment	175	90	176	86	187	12

	Breathing Apparatus	57	29	28	-1	35	-22
	Protective Clothing Hydrant Maintenance	50	25	49	24	107	57
	Other	40	22	19	-3	37	-3
		322	166	272	106	366	44
OTHER SUPPLIES & SERVICES	Comms Maint & Purch Clothing Shoes & Uniforms	36	18	15	-3	36	
	Stationary	75	38	23	-15	75	
	Audit Fees	36	19	45	26	63	27
	Phones General	34	34	29	-5	40	6
	Fire Precautions	213	115	160	45	253	40
	Comms Licenses & Rentals			1	1	1	1
	Computer Eqpt Purchase	205	52	152	100	232	27
	Insurances	295	171	76	-95	295	
	Office Equipment Catering	543	543	452	-91	453	-90
	Contract/Equipment	64	33	70	37	104	40
	Consultancy Fees	58	29	35	6	69	11
	Postage	63	37	97	60	98	35
	Subsistence Allowance	12	7	15	8	31	19
	Travel- Home To Base Catering/Conferences & Members Expences	26	13	25	12	46	20
	Other	28	16	35	19	60	32
		25	14	10	-4	20	-5
		186	104	234	130	175	-11
		1,899	1,243	1,474	231	2,051	152
TRANSPORT	Workshop Charges	525	263	280	17	516	-9
	Fuel	235	118	139	21	256	21
	Vehicle Leasing	91	45	46	1	91	
	Vehicle Purchase						
	Travelling Costs	236	122	136	14	223	-13
	Insurance - Vehicles						
	Other	31	15	26	11	59	28
		1,118	563	627	64	1,145	27
SUPPORT SERVICES	Treasury	105				96	-9
	IT Services	15					-15
	Occupational Health	26	6	33	27	48	22
	Other	69	7	139	132	138	69
		215	13	172	159	282	67
CAPITAL FINANCING	Operating Lease Payments	1,690	986	336	-650	1,371	-319
		1,690	986	336	-650	1,371	-319
INCOME	Fire Certificates	-16	-7	-1	6	-16	
	Other Fess & Income			-1	-1		
	Fire Saftey Course Income						
	Car Leasing						
	Contribution	-58	-34	-29	5	-58	
	Store / Clothing Sales	-2	-1		1	-2	

	Special Services	-20	-12	-1	11	-20	
	Meals & Refreshments	-15	-9	-13	-4	-23	-8
	Environmental Income	-16	-10		10		16
	Other	-26	-11	-16	-5	-26	
		-153	-84	-61	23	-145	8
HQ BUDGETS		31,619	17,899	17,535	-364	31,143	-476
ADMIN, CLERICAL & COOKS	Cooks Pay	125	73	75	2	125	
		125	73	75	2	125	
OTHER EMPLOYEES EXPENSES	Other	11	6	8	2	11	
		11	6	8	2	11	
PREMISES	Station Maintenance	54	24	41	17	54	
	Electricity	65	32	28	-4	65	
	Gas	52	26	26		52	
	Contract Cleaning	106	53	60	7	106	
	Other	21	8	30	22	21	
		298	143	185	42	298	
OPERATIONAL EQUIPMENT	Protective Clothing	90	45	39	-6	90	
		90	45	39	-6	90	
OTHER SUPPLIES & SERVICES	Clothing Shoes & Uniforms	53	26	24	-2	53	
	Stationary	6	3	23	20	6	
	Phones General	19	9	10	1	19	
	Other	68	36	44	8	68	
		146	74	101	27	146	
INCOME	Other	-3	-2		2	-3	
		-3	-2		2	-3	
STATIONS BUDGETS		667	339	408	69	667	
ANNUAL PENSIONS	Injury Awards	239	159	159			
	Transfer Values Paid	233	117	128	11		
	Pension Lump Sums	1,396	814	1,065	251		
	Annual Pensions Widows	202	135	137	2		
	Annual Pensions	4,106	2,737	2,876	139		
	Gratuities						
	Pension Increase Act	1,759	1,173	1,141	-32		
		7,935	5,135	5,506	371	8,419	484
TRANSFER VALUES ECT	Transfer Values Received	-285	-143	-25	118		
	Pension Contributions	-1,895	-1,106	-1,008	98		
		-2,180	-1,249	-1,033	216	-1,796	384
TRADING ACCOUNTS	FEM	52	125	-20	-145	-14	-66
	PRINCE'S TRUST	44	32	9	-23	33	-11
	COMMERCIAL TRAINING	21	25	33	8	-30	-51
	MARKETING & FUNDRAISING	3	-26	26	52	36	33
		120	156	48	-108	25	-95
CAPITAL CHARGES	Depreciation and Interest	1,014				1,014	

	Asset Management Revenue	-1,014				-1,014		
	Minimum Revenue Provision	154				154		
	Appropriation	8				8		
	External Debt	193	58	58		157		-36
		355	58	58		319		-36
OTHER	External Interest Provision	-70	-41	-74	-33	-130		-60
	Revenue - Balances / Unallocated	300				300		
	Government Grant							
	General Reserve							
	Surp/Deficit on Collection	-93	-56	-56		-93		
		137	-97	-130	-33	77		-60
IRMP 1	Abandoned Vehicles	149	87		-87	74		-75
	Aerial Appliances	47	27		-27	24		-23
	Arson Task Force	-63				-63		
	Community Fire Safety	218	33		-33	190		-28
	Co-responder	129	75		-75	64		-65
		480	222		-222	289		-191
IRMP 2	Working with Young People	70	41		-41	30		-40
	Immediate Appointment of CFS staff	150	88		-88	63		-87
	Cross Border Incidents	-15	-9		9	-6		9
	Regional Management Board	50				50		
	Performance Management	10	6		-6	10		
	DDA Specialist	10	10		-10	5		-5
	Equipment	100	58		-58	41		-59
		375	194		-194	193		-182
CONTINGENCY	Pay Award Contingency	111				20		-91
	Community Fire Safety	88						-88
	Contingency Build Up	40	23		-23	20		-20
	Contingency Regional Control	20	12		-12	20		
	Contingency Driving at Work	70	41		-41			-70
	IT Support 24/7	30	18		-18	12		-18
	Co-responder	20	12		-12			-20
	I P D S	48	28		-28			-48
	Retained I P D S	350	204		-204			-350
		777	338		-338	72		-705
TOTAL INCLUDING PENSIONS			40,285	22,995	22,392	-603	39,408	-877
PENSIONS	Annual Pensions	7,935	5,135	5,507	372	8,419		484
	Transfer Values							
	Etc	-2,181	-1,248	-1,032	216	-1,796		385
		5,754	3,887	4,475	588	6,623		869
TOTAL EXCLUDING PENSIONS			34,531	19,108	17,917	-1,191	32,785	1,746

24/11/2005

