

REPORT OF THE CHIEF FIRE OFFICER

BUDGET MONITORING REPORT - PERIOD 5 ENDED 31 AUGUST 2006

1. PURPOSE OF REPORT

To report to the Finance and Resources Committee on the financial performance of the Service in the year 2006/07 to the end of August 2006. This report analyses significant variances and highlights areas of concern.

2. BACKGROUND

Budget monitoring is a key aspect of financial management for the Authority. Regular reporting of spending against budget to Strategic Management Team and to Members is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities.

3. REPORT

3.1 SUMMARY

3.1.1 The budget monitoring statement is showing an overspend to date of £83k. This is made up of an overspend to date on non pensions of £299k and an underspend to date on pensions of -£216k.

3.1.2 The projected out turn variance for the year 2006/07 is a £16k overspend on the general account.

3.1.3 The overspend to date of £83k is made up of several key variances.

3.1.4 The full Budget Monitoring Statement is given as Appendix A to this report.

3.2 SIGNIFICANT VARIANCES

3.2.1 Wholetime Pay is underspent to date by -£102k. This is due to a combination of factors, namely vacancies against the establishment and the conversion of uniformed posts to non-uniformed posts. A re-costing exercise is being carried out to reflect the revised establishment, including increments and pay awards. As there is a significant underspend, the pay award has not yet been allocated from contingency. This allocation will be done when the re-costed establishment has been finalised. An outturn underspend of -£120k has been assumed at this stage.

3.2.2 The Pension Employer's Contribution budget is underspent by -£292k to date. This is for two reasons: the budget assumption was that Retained Duty firefighters would be joining the pension scheme, however this option is not yet available; there is an underspend on Operational Pay due to vacancies, which impacts on pension contributions. The projected outturn variance of -£26k is based on the projected outturn underspend of -£120k on Operational Pay multiplied by the employer's contribution rate for the old scheme. When Retained Duty firefighters are given the option to join the new scheme, contributions will be backdated so no outturn projection relating to this element of the underspend to date can be made at this stage.

- 3.2.3 Part time Operational Pay is overspent by £157k to date, mainly due to the turnouts in April 2006 being above the previous year's overall average. In July the turnouts increased by 143% based on the average of the last 6 months. This 4 month period also contained two Bank Holidays for which an overtime premium is paid. An outturn projection of a £137k overspend has been made.
- 3.2.4 Premises costs are overspent by £76k to date. Building maintenance is overspent by £34k. This budget is volatile, but is not expected to exceed its budgeted target by the end of the year. Rent of premises overspent in 2005/06 and it is showing an overspend of £8k to date. It is likely that there will be a requirement to rent meeting rooms whilst the HQ refurbishment work takes place, so an outturn overspend of £37k has been estimated. Business Rates is overspent by £30k, however an outstanding rating reassessment has taken place and will result in a rebate, which should result in a temporary underspend of approximately -£25k. This has been reported as a projected outturn underspend.
- 3.2.5 Operational equipment is overspent by £53k to date. This is mainly due to expenditure on protective clothing, which is a vulnerable, frontline budget. Therefore the budget will be monitored closely and the estimated outturn will be reported for the next quarter.
- 3.2.6 Supplies and Services is overspent by £117k to date. This mainly relates to computer maintenance and licences. Included in this overspend is a charge of £51k, which has arisen from the change in accounting policy re IT maintenance and licences in the 2005/06 final accounts. The phasing of this budget will be reviewed and reflected in the next quarter. Based on last year's outturn, expenditure is expected to remain within the budget for the year.
- 3.2.7 Transport is overspent by £61k to date. An year end underspend of -£22k is anticipated on workshop charges but fuel costs are overspending by £41k to date. An outturn overspend of £51k has been assumed at this stage. Travelling expenses are again overspending, although expenditure on tyres and adhoc repairs is likely to underspend by -£13k.
- 3.2.8 Support Services – Other is overspent by £76k to date. Of this, £66k relates to legal expenses including two compensation payments totalling £42k. In addition the budget for public relations costs was converted to a pay budget this year but, due to delays in recruitment, the public relations service from the County Council has been retained for the first quarter at a cost of £12k. There will be a corresponding underspend within Administrative Pay, for which a temporary virement will be made. The projected outturn overspend of £42k reflects the compensation awards made, for which there is no budget provision.
- 3.2.9 Operating Lease Payments is showing an underspend of -£181k. A review of both operating lease payments and capital charges is to be carried out during the budget process to reflect the change in accounting treatment of fire appliance leases.
- 3.2.10 Station budgets are showing an overspend of £140k to date. Station budgets are monitored at a devolved level and are expected to spend within the budget allocated. The new Safety Services structure has recently been implemented, with responsibility for Station budgets moving to three Group Managers. The Finance Section is about to carry out a base budget review in conjunction with the Group Managers and the outcome will be reported later in the year. The current overspend will continue to be monitored closely.
- 3.2.11 Pension costs relating to ill health and injury are showing an overspend to date of £77k. It will be difficult to make an assessment of the likely outturn position until later in the year because the number of ill health retirements to come is, as yet, unknown.
- 3.2.12 Trading activities in total show a surplus of £92k to date. This is mainly due to Commercial Training exceeding the budgeted income target, which existed prior to the new partnership arrangements. The unit has already committed to 149 students on future courses between July and September. In July 198 delegates were trained with the estimate for August being 37. An estimated outturn surplus of £39k is reported at this stage. The Princes Trust has now appointed two additional Team Leaders. The income

for the additional teams will be reflected when the current courses have been completed. The phasing of the expenditure and income will be reviewed, however it is anticipated that the overall position will be that the Princes Trust will make a surplus of £29k and this has been reported.

3.2.13 The underspend to date, in total, on IRMP1 and IRMP2 is -£324k and on contingency items is -£1,068k. The budgets will be allocated upon the commencement of the workstreams and the effective dates of the pay awards. £972k relates to pay awards, with actual expenditure in the main body of the report reflecting the firefighters' pay award with effect from 1st July 2006. The contingency budget will be allocated on completion of the base budget review for the revised establishment structure.

3.2.14 The pension account is showing a significant overspend to date of £987k. A revised estimate of the pension account outturn has recently been sent to the DCLG. There are various reasons for the overspend against the original budget, but the main reason is the reduction in the employer's contribution rate after the original guidance was issued, which has the effect of reducing income to the pensions account thereby increasing the level of subsidy required from the DCLG.

4. FINANCIAL IMPLICATIONS

The financial implications are set out within the body of the report.

5. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

6. EQUALITY IMPACT ASSESSMENT

There is no impact on equality issues 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 a key risk management control measure as are the management actions which are stimulated by such reporting. Formal action planning is not necessarily considered to be the appropriate response to budget variances. Instead finance division staff work collaboratively with budget holders towards improving financial performance.

8. RECOMMENDATIONS

That the contents of this report are noted.

9. BACKGROUND PAPERS FOR INSPECTION

None.

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Appendix A

MONITORING STATEMENT "N" - 1st APRIL 2006 TO 31st AUGUST 2006

<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	16,552	6,895	6,747	-148		
	Nat Ins	1,318	549	567	18		
	Overtime	66	22	93	71		
	Bank Holidays	227	113	109	-4		
	Other	140	58	19	-39		
		18,303	7,637	7,535	-102	18,183	-120
WHOLETIME PAYERS PENSION CONT	Emp Cont to Pensions - old scheme	3,686	1,536	1,375	-161		
	Emp Cont to Pensions - new scheme	317	132	1	-131		
		4,003	1,668	1,376	-292	3,977	-26
PART TIME OPERATIONAL	Retaining Fees	1,090	365	229	-136		
	Drills	457	152	205	53		
	Turnout Fees	799	260	333	73		
	Other (1556,1557,1550,1551)	361	120	251	131		
	Nat Ins	93	31	67	36		
		2,800	928	1,085	157	2,937	137
CONTROL STAFF	Pay	838	344	331	-13		
	Nat ins	57	24	27	3		
	Overtime	28	9	12	3		
	Supn	68	28	43	15		
		991	405	413	8	992	
ADMIN, CLERICAL & COOKS	Pay	2,967	1,236	1,278	42		
	Nat ins	226	94	94			
	Overtime			6	6		
	Supn	357	149	147	-2		
				4	4		
	Temp Admin Pay	91	38	6	-32		
	Temp Admin NI	5	2		-2		
	Temp Admin Sup	6	3		-3		
		3,652	1,522	1,535	13	3,654	
OTHER EMPLOYEE EXPENSES	Staff Training	349	116	119	3	349	
	Bounty Scheme	35	15	17	2	35	
	Other	157	64	66	2	157	
		541	195	202	7	541	
PREMISES	Building Maintenance	367	122	156	34	367	
	Electricity	35	12	8	-4	35	
	Gas	51	4	2	-2	51	
	Rent Premises	63		8	8	100	37
	Business Rates	465	194	224	30	440	-25
	Contract Cleaning	53	18	20	2	53	
	Other	78	30	38	8	78	
		1,112	380	456	76	1,124	12

	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
	71	17	38	21	71	
	40	15	15		40	
	350	114	167	53	350	
OTHER SUPPLIES & SERVICES	36	9	6	-3	36	
Comms Maint & Purch	54	18	14	-4	38	-16
Clothing Shoes & Uniforms	51	18	11	-7	51	
Stationary	34	14	18	4	34	
Audit Fees	213	88	80	-8	213	
Phones General	293	48	37	-11	293	
Comms Licenses & Rentals	348	145	245	100	348	
Computer Eqpt Purchase	543	472	475	3	543	
Insurances	104	32	38	6	104	
Office Equipment	58	19	37	18	58	
Catering	73	31	40	9	73	
Contract/Equipment	32	13	11	-2	32	
Consultancy Fees	46	15	19	4	46	
Postage	58	24	28	4	58	
Subsistence Allowance	37	11	9	-2	37	
Travel- Home To Base	189	83	89	6	189	
Catering/Conferences & Members Expences	2,169	1,040	1,157	117	2,153	-16
Other	545	182	207	25	523	-22
TRANSPORT	240	80	121	41	291	51
Workshop Charges	91	30	16	-14	91	
Fuel	276	96	111	15	315	39
Vehicle Leasing	67	22	16	-6	54	-13
Travelling Costs	1,219	410	471	61	1,274	55
Other	105	53	45	-8	105	
SUPPORT SERVICES	86	25	36	11	86	
Treasury	66	22	-1	-23	66	
Occupational Health	114	37	113	76	156	42
Regional Mang Board Costs	371	137	193	56	413	42
Other	1,555	387	206	-181	1,555	
CAPITAL FINANCING	1,555	387	206	-181	1,555	
Operating Lease Payments	-6	-2		2	-6	
INCOME	-58	-24	-21	3	-58	
Fire Certificates	-2	-1		1	-2	
Car Leasing Contribution	-20	-8		8	-20	
Store / Clothing Sales	-15	-6	-1	5	-15	
Special Services	-16	-7		7	-16	
Meals & Refreshments	-41	-12	-32	-20	-41	
Environmental Income	-158	-60	-54	6	-158	
Other	36,908	14,763	14,742	-21	36,995	84
HQ BUDGETS	125	52	58	6	125	
ADMIN, CLERICAL & COOKS	125	52	58	6	125	
Cooks Pay	11	5	5		11	
OTHER EMPLOYESS EXPENSES						

<u>CATEGORY</u>		Annual Budget £ 000's	Current Profile £ 000's	Actual to Date £ 000's	Variance Profile £ 000's	Estimated Outturn £ 000's	Outturn Variance £ 000's
	Electricity	65	22	14	-8	65	
	Gas	52	17	8	-9	52	
	Contract Cleaning	106	53	72	19	106	
	Other	21	4	13	9	21	
		298	111	187	76	298	
OPERATIONAL EQUIPMENT	Protective Clothing	90	30	44	14	90	
		90	30	44	14	90	
OTHER SUPPLIES & SERVICES	Clothing Shoes & Uniforms	53	18	40	22	53	
	Stationary	6	2	15	13	6	
	Phones General	19	5	24	19	19	
	Other	67	25	14	-11	67	
		145	50	93	43	145	
INCOME	Other	-3	-1		1	-3	
		-3	-1		1	-3	
<u>STATIONS BUDGETS</u>		666	247	387	140	666	
ANNUAL PENSIONS	Injury Awards	239	120	141	21	239	
	Ill Health Deposit	356	148	253	105	356	
	Ill Health Charges	251	105	56	-49	251	
		846	373	450	77	846	
TRADING ACCOUNTS	FEM	32	32	-34	-66	32	
	PRINCE'S TRUST	44	42	36	-6	15	-29
	COMMERCIAL TRAINING	-9	13	-45	-58	-48	-39
	MARKETING & FUNDRAISING	3	-37	1	38	3	
		70	50	-42	-92	2	-68
CAPITAL CHARGES	Depreciation and Interest	1,228				1,228	
	Asset Management Revenue	-1,014				-1,014	
	Minimum Revenue Provision	154				154	
	Appropriation	8				8	
	External Debt	193				193	
		569				569	
OTHER	External Interest Provision	-150	-63	-85	-22	-150	
	Revenue - Balances / Unallocated	-400				-400	
	Government Grant	73				73	
	General Reserve						
	Base Budget Review Savings	-59				-59	
	Ear Marked Reserve						
	Surp/Deficit on Collection	-68	-28	-27	1	-68	
		-604	-91	-112	-21	-604	
<u>IRMP 1</u>	Abandoned Vehicles	86				86	
	Arson Task Force	-93				-93	
	Community Fire Safety	68				68	
	Co-responder	109				109	
	Cross Border Incidents Corporate						
		170				170	

	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
Specialist Equipment	20				20	
Fire Setters Intervention	54				54	
	154				154	
<u>CONTINGENCY</u>						
Pay Award Contingency	862				862	
Community Fire Safety Contingency	86				86	
Contingency Regional Control	20				20	
Contingency Driving at Work	70				70	
IT Support 24/7	30				30	
I P D S						
	1,068				1,068	
<u>TOTAL INCLUDING PENSIONS</u>	39,847	15,342	15,425	83	39,866	16
PENSIONS						
Annual Pensions	4,849	2,041	1,825	-216	4,823	-26
	4,849	2,041	1,825	-216	4,823	-26
<u>TOTAL EXCLUDING PENSIONS</u>	34,998	13,301	13,600	299	35,043	42

PENSIONS ACCOUNT

	Pension Account
	000's
INCOME	
Pension Contributions Employers (Old Scheme)	-1,381
Pension Contributions Employers (New Scheme)	-7
Pension Contributions Employees (Old Scheme)	-696
Pension Contributions Employees (New Scheme)	-11
Ill Health Charges	-309
Transfer Values Received	-40
Refund of Contributions	-4
	-2,448
EXPENDITURE	
Annual Pensions	2,320
Annual Pensions - Widows	121
Annual Pensions - Children	7
Pension Inc Payments	942
Pensions - Lump Sum	611
Transfer Values Paid	16
	4,017
GOVERNMENT GRANT RECEIVED	-582
NET DEFICIT / (SURPLUS) - BALANCE FROM / (TO) DCLG	987