

meeting

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE & RESCUE AUTHORITY
FINANCE AND RESOURCES COMMITTEE**

date

12 JANUARY 2007

agenda item number

REPORT OF THE CHIEF FIRE OFFICER

BUDGET MONITORING REPORT - PERIOD 8 ENDED 30 NOVEMBER 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 November 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 underspend to date of -£261k. This is made up of an overspend to date on non pensions of £195k and an underspend to date on pensions of -£456k.

3.1.2 The projected out turn variance for the year 2006/07 is a -£1,708k underspend on the general account.

3.1.3 The underspend to date of -£261k and the projected underspend of -£1,708k are 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 -£289k. This is due to vacancies against the establishment. A re-costing exercise for the establishment of 569 employees has now been completed, and all the pay awards have been allocated from contingency. An outturn underspend of -£55k is assumed at this stage, based on the remainder of the year being at the full establishment of 569, and a reduction in the long service increment with effect from 1st October 2006. An earmarked reserve for the Continuing Professional Development scheme will be created at year end from the long service increment underspend

- 3.2.2 The Pension Employer's Contribution budget is underspent by -£423k to date. This is for two reasons: firstly the budget assumption was that Retained Duty fire-fighters would be joining the pension scheme, however this option is not yet available; secondly there is an underspend on Operational Pay due to vacancies, which impacts on pension contributions. The projected outturn variance of -£343k is consistent with the projected pay outturn for the wholetime establishment. When Retained Duty fire-fighters are given the option to join the new scheme, contributions will be backdated. It is assumed at this stage that all Retained staff will join the scheme, and an earmarked reserve will be created at year end from the underspend.
- 3.2.3 Part time Operational Pay is overspent by £58k to date, mainly due to a high level of turnouts this year so far. In July the turnouts were 143% higher in the month than the average monthly turnout for the last 6 months. It is expected that this higher than usual level of activity will not continue and an outturn projection of a £14k overspend has been made.
- 3.2.4 Control Pay is overspent by £18k to date, due to temporary staff covering long term sicknesses. An outturn overspend of £8k is assumed at this stage, based on the remainder of the year being staffed at the full establishment of 26 and 1 additional post.
- 3.2.5 Administration and Clerical Pay is underspent by -£31k to date, due to vacancies in the establishment. An outturn underspend of -£20k is assumed at this stage based on the remainder of the year being under established.
- 3.2.6 Premises costs are overspent by £132k to date. Within this, building maintenance is overspent by £161k. This is due to a review of building maintenance which has resulted in a move away from reactive maintenance towards routine, contracted maintenance. The outturn overspend of £50k reflects this change. A review of Station budgets will be carried out, to reflect this change in policy in the 2007/08 budget. Business Rates is underspent by -£19k to date, due to a rating reassessment which resulted in a rebate, and a temporary underspend for the year of -£25k. Rent of premises is expected to overspend by £37k by year end mainly due to the increasing demand for meeting space outside Headquarters.
- 3.2.7 Operational equipment is overspent by £76k to date, £38k being due to expenditure on protective clothing for new recruits. The outturn overspend of £27k assumes a total of 66 new recruits for 2006/07. These budgets are volatile and will be closely monitored and variances will be reported.
- 3.2.8 Supplies and Services is overspent by £25k to date. This mainly relates to computer equipment. Included in this overspend is a charge of £51k, which has arisen from the change in accounting policy re IT maintenance in the 2005/06 final accounts. Based on last year's outturn, expenditure is expected to remain within the budget for the year. Work is being carried out with the IT Project Officer to closely monitor this budget and any variances will be reported.
- 3.2.9 Transport is overspent by £46k to date. An outturn overspend of £51k is anticipated on fuel due to the increases in prices. Travelling expenses are once again overspending, and an outturn overspend of £39k is anticipated. Travel expense claims for non-uniformed employees are now being closely monitored.

3.2.10 Support Services is overspent by £40k to date. 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 was retained for the first quarter at a cost of £17k. There will be a corresponding underspend within Administrative Pay. An outturn overspend of £20k for Treasury Services is due to payment for the AXISE database, which was not included in the original budget.

3.2.11 Operating Lease Payments is showing an underspend to date of -£12k. A base budget review of both operating lease payments and capital charges has been completed and the projected outturns are now reported with the changed accounting treatment of fire appliances reflected (an underspend -£1,195k on Capital charges). This underspend is an issue for this year only as the provisional budget for 2007/08 already reflects the new base budget. The underspend on capital charges is due both to the changed accounting treatment of leased fire appliances and to underspends in previous years' capital programmes which have not been reflected in the original budget.

3.2.12 Station budgets are showing an overspend of £106k to date. They are monitored at a devolved level and budget managers are expected to spend within the budget allocated. The new Safety Services structure has been implemented, with responsibility for Station budgets moving to three Group Managers. Station Administrators are now monitoring and co-ordinating the budgets for the Group Managers and all Administrators have received appropriate training. The Finance Department is working with the Group Managers to review Station budgets and the outcome will be reported later in the year.

Station Maintenance is overspending to date although, as reported above, the Procurement Officer is moving towards contracted maintenance. It is assumed that Stations will be advised to carry out only essential repairs to bring expenditure back into line with the budget. An outturn overspend of £44k is anticipated on contract cleaning, and £12k is anticipated for other premises related cost of which £5k relates to contractual budgets for window cleaning and grounds maintenance. The budgets for these contracted services have been understated for some time and additional funding has been requested in the 2007/08 budget. Cleaning materials, uniforms and stationery are currently overspending. These will be monitored at station level and stops should be put on budgets if needed, to avoid overspending. The current overspend will continue to be monitored closely.

3.2.13 Pension costs relating to ill health retirements and injury awards are showing an underspend to date of -£33k. An assessment of the likely outturn position will be made later in the year when the Personnel Section advise on the likely number of ill health retirements to come.

3.2.14 Trading activities in total show a surplus of -£51k to date. This is mainly due to Commercial Training exceeding the budgeted income target, which existed prior to the new partnership arrangement. An estimated outturn surplus of -£32k is reported at this stage, which takes account of the payment of 50% of the surplus to NatFire. Fire Equipment Maintenance is exceeding the budgeted target income and this has been reflected in the 2007/08 budget. An outturn surplus of -£90k is reported.

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 -£27k and this has been reported. The Marketing and Fundraising post has been vacant for a period of time and is covered by a temporary member of staff. Work will be carried out with Safety Services to ascertain the anticipated income and project costs to be reported.

- 3.2.15 The underspend to date in total on IRMP1 and IRMP2 is -£322k. The estimated outturn of £167k assumes that various work streams will commence before the end of the year. The negative budget on Arson Taskforce has been adjusted for in 2007/08. The Community Fire Safety budget of £66k has been allocated into the base budget in 2007/08. The remaining pay contingency is £462k, but this includes £391k for the shift change project and a proportion of this is to be allocated to base budgets to cover approved new posts.
- 3.2.16 The pension account is showing a significant overspend to date of £2,008k. 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.
- 3.2.17 It is proposed that the overall forecast underspend of -£1,708k is used for the following purposes:
- 3.2.17.1 The original budget assumed that a contribution of £400k would be required from Balances to support budget expenditure. This is not required and the contribution can be eliminated, thereby preserving Balances at £2.0m.
 - 3.2.17.2 An additional contribution to Balances of £325k can be made. This will bring the level of Balances up to £2.4m, which is in excess of the level deemed to be necessary, but which will provide a "cushion" against unexpected events which may require Balances to be used.
 - 3.2.17.3 An earmarked reserve of £280k can be created for the likely future requirement to pay backdated employers contributions into the pension account for Retained Duty employees (see paragraph 3.2.2 above).
 - 3.2.17.4 An earmarked reserve of £75k can be created for the future requirement to make continuing professional development payments to operational employees (see paragraph 3.2.1 above).
 - 3.2.17.5 A contribution of £300k from the revenue budget to finance part of the 2006/07 capital programme can be made. This will be as an alternative to borrowing or leasing as a means of financing capital expenditure.
 - 3.2.17.6 An earmarked reserve of £200k can be created for future community safety initiatives.

4. 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.

5. FINANCIAL IMPLICATIONS

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

6. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

7. EQUALITY IMPACT ASSESSMENT

There are no equality issues arising from this report.

8. RECOMMENDATION

That the Committee recommend that the proposals for managing the forecast underspend, as detailed in paragraph 3.2.17, be submitted to the Fire and Rescue Authority for approval.

9. BACKGROUND PAPERS FOR INSPECTION

None.

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

<u>CATEGORY</u>	<u>Annual Budget</u>	<u>Current Profile</u>	<u>Actual to Date</u>	<u>Variance Profile</u>	<u>Estimated Outturn</u>	<u>Outturn Variance</u>
	£	£	£	£	£	£
	000's	000's	000's	000's	000's	000's
<u>EMPLOYEES</u>						
WHOLETIME OPERATIONAL PAY						
Pay	16,705	11,136	10,890	-246		
Nat Ins	1,307	871	916	45		
Overtime	191	164	238	74		
Bank Holidays	226	226	129	-97		
Other	140	93	28	-65		
	18,569	12,490	12,201	-289	18,515	-55
WHOLETIME PAYERS PENSION CONT						
Emp Cont to Pensions - old scheme	3,686	2,457	2,178	-279		
Emp Cont to Pensions - new scheme	317	184	40	-144		
	4,003	2,641	2,218	-423	3,660	-343
PART TIME OPERATIONAL						
Retaining Fees	934	545	401	-144		
Drills	505	295	359	64		
Turnout Fees	606	354	297	-57		
Tunout Hours	124	72	110	38		
Disturbance Allowance	75	44	98	54		
Holiday Back Pay	195	114	126	12		
Community Safety	67	39	102	63		
Attendance Fees	104	60	24	-36		
Other Work (inc. Aux Crewing)	241	182	212	30		
National Ins	129	75	109	34		
Super Annuation						
	2,980	1,780	1,838	58	2,994	14
CONTROL STAFF						
Pay	802	534	516	-18		
Nat ins	57	38	42	4		
Overtime	28	16	23	7		
Supn	68	46	71	25		
	955	634	652	18	963	8

	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
ADMIN, CLERICAL & COOKS						
Pay	3,146	2,107	2,125	18		
Nat ins	234	156	153	-3		
Overtime			14	14		
Supn	414	274	239	-35		
Pension Recharges			9	9		
Temp Admin Pay	45	30	2	-28		
Temp Admin NI	3	2		-2		
Temp Admin Sup	6	4		-4		
	3,848	2,573	2,542	-31	3,828	-20
OTHER EMPLOYEE EXPENSES						
Staff Training	369	223	182	-41	369	
Bounty Scheme	35	23	23		35	
Other	101	66	106	40	101	
	505	312	311	-1	505	
PREMISES						
Building Maintenance	367	214	375	161	417	50
Electricity	35	20	11	-9	35	
Gas	51	14	4	-10	51	
Rent Premises	63		14	14	100	37
Business Rates	465	370	351	-19	440	-25
Contract Cleaning	53	31	24	-7	53	
Other	78	56	58	2	78	
	1,112	705	837	132	1,174	62
OPERATIONAL EQUIPMENT						
Specialist Equipment	184	111	128	17	198	14
Breathing Apparatus	57	33	41	8	50	-7
Protective Clothing	73	44	82	38	100	27
Other	15	9	22	13	15	
	329	197	273	76	363	34

	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
OTHER SUPPLIES & SERVICES						
Comms Maint & Purch	36	18	13	-5	36	
Clothing Shoes & Uniforms	54	30	32	2	48	-6
Stationary	51	30	31	1	51	
Audit Fees	34	23	24	1	34	
Phones General	213	141	147	6	213	
Comms Licenses & Rentals	149	74	38	-36	149	
Computer Eqpt Purchase	523	359	433	74	523	
Insurances	543	543	476	-67	543	
Office Equipment	104	58	65	7	104	
Catering Contract/Equipment	58	34	51	17	58	
Consultancy Fees	113	89	97	8	138	25
Postage	32	22	15	-7	32	
Subsistence Allowance	46	27	30	3	46	
Travel- Home To Base	58	38	44	6	58	
Catering/Conferences & Members Expenses	37	23	17	-6	37	
Other	206	143	164	21	206	
	2,257	1,652	1,677	25	2,276	19
TRANSPORT						
Workshop Charges	571	333	343	10	570	-1
Fuel	240	140	186	46	291	51
Vehicle Leasing	91	53	21	-32	91	
Travelling Costs	276	165	188	23	315	39
Other	67	39	38	-1	54	-13
	1,245	730	776	46	1,321	76
SUPPORT SERVICES						
Treasury	105	76	96	20	125	20
Occupational Health	86	46	74	28	86	
Regional Mang Board Costs	66	39	3	-36	66	
Other	238	104	132	28	238	
	495	265	305	40	515	20

		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
CAPITAL FINANCING	Operating Lease Payments	297	296	284	-12	297	
	Finance Lease Ext & Term						
		297	296	284	-12	297	
INCOME	Fire Certificates	-6	-3		3	-6	
	Car Leasing Contribution	-58	-39	-30	9	-58	
	Store / Clothing Sales	-2	-1		1	-2	
	Special Services	-20	-13	1	14	-20	
	Meals & Refreshments	-15	-10	-6	4	-15	
	Environmental Income	-16	-11		11	-16	
	Other	-41	-22	-40	-18	-41	
		-158	-99	-75	24	-158	
HQ BUDGETS		36,437	24,176	23,839	-337	36,253	-185
ADMIN, CLERICAL & COOKS	Cooks Pay	125	83	90	7	125	
		125	83	90	7	125	
OTHER EMPLOYEES EXPENSES	Other	11	7	8	1	11	
		11	7	8	1	11	
PREMISES	Station Maintenance	54	29	59	30	60	6
	Electricity	65	38	32	-6	65	
	Gas	52	31	10	-21	52	
	Contract Cleaning	106	79	112	33	150	44
	Other	21	9	35	26	33	12
		298	186	248	62	360	62
OPERATIONAL EQUIPMENT	Protective Clothing	90	52	46	-6	90	
		90	52	46	-6	90	
OTHER SUPPLIES & SERVICES	Clothing Shoes & Uniforms	53	31	47	16	53	
	Stationary	6	4	34	30	6	
	Phones General	19	9	11	2	19	
	Other	67	41	33	-8	67	
		145	85	125	40	145	
INCOME	Other	-3	-2		2	-3	
		-3	-2		2	-3	
			666	411	517	106	728

		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
<u>STATIONS BUDGETS</u>							
ANNUAL PENSIONS							
	Injury Awards	239	180	207	27	239	
	Ill Health Deposit	356	237	91	-146	356	
	Ill Health Charges	251	167	253	86	251	
		846	584	551	-33	846	
TRADING ACCOUNTS							
	FEM	38	43	-55	-98	-52	-90
	PRINCE'S TRUST	42	52	72	20	15	-27
	COMMERCIAL TRAINING MARKETING & FUNDRAISING	-16	6	-22	-28	-48	-32
		-48	-55		55	-48	
		16	46	-5	-51	-133	-149
CAPITAL CHARGES							
	Depreciation and Interest	2,985				2,985	
	Asset Management Revenue	-719				-719	
	Minimum Revenue Provision	-439				-1,634	-1,195
	Appropriation						
	External Debt			92	92		
		1,827		92	92	632	-1,195
OTHER							
	External Interest	-150	-100	-135	-35	-150	
	Revenue - Balances / Unallocated	-400				-400	
	Government Grant	73				73	
	General Reserve						
	Base Budget Review Savings To Ear Marked Reserve	-59				-59	
	From Ear Marked Reserve	-329	-329	-329		-329	
	Surp/Deficit on Collection	-68	-45	-48	-3	-68	
		-933	-474	-512	-38	-933	
<u>IRMP 1</u>							
	Abandoned Vehicles	86				35	-51
	Arson Task Force	-93				-93	
	Community Fire Safety	66				66	
	Co-responder	109				45	-64
	Cross Border Incidents Corporate						
		168				53	-115

		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	
<u>IRMP 2</u>	Working with Young People	70				30	-40	
	DDA	10				10		
	Specialist Equipment	20				20		
	Fire Setters Intervention	54				54		
		154				114	-40	
<u>CONTINGENCY</u>	Pay Award Contingency	462				462		
	Community Fire Safety Contingency	84				84		
	Contingency Regional Control	20				20		
	Contingency Driving at Work	70					-70	
	IT Support 24/7	30				13	-17	
	I P D S							
		666				579	-87	
<u>TOTAL INCLUDING PENSIONS</u>			39,847	24,743	24,482	-261	38,139	-1,708
<u>PENSIONS</u>	Annual Pensions	4,849	3,225	2,769	-456	4,506	-343	
		4,849	3,225	2,769	-456	4,506	-343	
			34,998	21,518	21,713	195	33,633	-1,365

TOTAL EXCLUDING PENSIONS

PENSIONS ACCOUNT

		Pension Account 000s
INCOME	Pension Contributions Employers (Old Scheme)	-2,208
	Pension Contributions Employers (New Scheme)	-43
	Pension Contributions Employees (Old Scheme)	-1,125
	Pension Contributions Employees (New Scheme)	-33
	Ill Health Charges	-253
	Transfer Values Received	-83
	Refund of Contributions	-4
		-3,749

**Pension
Account
000s**

EXPENDITURE

Annual Pensions	3,520
Annual Pensions - Widows	183
Annual Pensions - Children	10
Pension Inc Payments	1,311
Pensions - Lump Sum	1,289
Transfer Values Paid	26
	6,339

GOVERNMENT GRANTS RECEIVED

NET DEFICIT / (SURPLUS) - BALANCE FROM / (TO) DCLG

-582
2,008