

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE &amp; RESCUE AUTHORITY</b>	
	<b>FINANCE AND RESOURCES COMMITTEE</b>	
date	<b>13 April 2007</b>	agenda item number

### REPORT OF THE CHIEF FIRE OFFICER

#### BUDGET MONITORING REPORT - PERIOD 11 ENDED 28 FEBRUARY 2007

#### 1. PURPOSE OF REPORT

To report to Members on the financial performance of the Service in the year 2006/07 to the end of February 2007. 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 £1,496k. This is made up of an overspend to date on non pensions of £2,079k and an underspend to date on pensions of -£583k.
- 3.1.2 The projected out-turn variance for the year 2006/07 is a -£291k underspend on the general account. The main reason for the difference between the current overspend and the projected year end underspend is the accounting entries relating to capital, which only impact on the revenue account during the accounts closure process.
- 3.1.3 The overspend to date of £1,496k and the projected underspend of -£291k 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 -£162k. 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 -£96k 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 1

October 2006. An earmarked reserve of £75k for Continuing Professional Development payments has been created from the underspend.

- 3.2.2 The Employer's Pension Contribution budget is underspent by -£611k 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 -£362k 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 of £280k has been created from the underspend.
- 3.2.3 Part time Operational Pay is overspent by £29k to date, mainly due to a high level of turnouts in the summer of 2006. This overspend has been reducing as the year has progressed and an outturn projection of a -£8k underspend has been made.
- 3.2.4 Control Pay is overspent by £30k to date, due to temporary staff covering long term sicknesses. An outturn overspend of £23k is assumed at this stage, based on the remainder of the year being staffed at the full establishment of 26.
- 3.2.5 Administration and Clerical Pay is overspent by £24k to date. An outturn underspend of -£13k is assumed at this stage based on the remainder of the year being under established.
- 3.2.6 Other Employee expenses is overspent by £38k to date. An outturn overspend of £28k is assumed at this stage, this is primarily due the Westfield Health scheme budget being understated; this issue has been addressed in the 2007/2008 budget. A reimbursement will be made to the brigade in respect of the Westfield scheme at the end of the financial year, and the outturn reflects this.
- 3.2.7 Premises costs are overspent by £192k to date. Within this, building maintenance is overspent by £229k. 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 £206k reflects this change. Building maintenance is a volatile budget. 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 -£37k to date, due to a rating reassessment which resulted in a rebate, and a temporary underspend for the year of -£25k. An outturn overspend of £28k for Rent of Premises is expected by year end mainly due to the increasing demand for meeting space outside Headquarters.
- 3.2.8 Operational equipment is overspent by £167k to date, £88k being due to expenditure on protective clothing for new recruits. The outturn overspend of £108k assumes a total of 66 new recruits for 2006/07. The Breathing Apparatus budget is overspending against the estimated outturn. This is mainly due to total care maintenance invoices from previous years totalling £23k being charged to the current year. These budgets are volatile and will be closely monitored.
- 3.2.9 Supplies and Services is overspent by £10k to date. Other Supplies and Services are overspent by £55k, due to the advertising budget having to meet the increasing demands in recruitment drives.

- 3.2.10 Transport is overspent by £123k to date. An outturn overspend of £51k is anticipated on fuel. 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.
- 3.2.11 Support Services is overspent by £201k 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. Other Support Services is currently overspent by £166k this relates to legal expenses and appeal hearings which were not included in the original budget, this budget will be closely monitored and variances will be reported.
- 3.2.12 Operating Lease Payments is showing an underspend to date of -£44k. 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 - £1,182k 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.
- 3.2.13 Station budgets are showing an overspend of £39k 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. An outturn overspend of £44k is anticipated on contract cleaning, and £12k is anticipated for other premises related costs 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 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.
- 3.2.14 Pension costs relating to ill health retirements and injury awards are showing an overspend to date of £28k. An assessment of the likely outturn position will be made when the Personnel Section confirms the likely number of ill health retirements for this year.
- 3.2.15 Trading activities in total show a surplus of -£128k to date. This is mainly due to Fire Equipment Maintenance exceeding the budgeted income target, and this has been reflected in 2007/2008 budget. An outturn 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. The Marketing and Fundraising post has been vacant for a period of time and has been 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, although this is unlikely to be reflected in the accounts until 2007/2008.

3.2.16 Other charges show an overspend of £1,217k to date. This is due a contribution of £325k being made to balances, and the creation of three earmarked reserves totalling £555k for the backdated employers contribution into the pensions scheme for Retained Duty employees, continual professional development payments for operational employees, and future community safety initiatives.

3.2.17 The underspend to date in total on IRMP1 and IRMP2 is -£304k. The estimated outturn of £16k 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 £51k has been allocated into the base budget in 2007/08. The remaining pay contingency is £420k, but this includes £391k for modernisation projects and a proportion of this is to be allocated to base budgets to cover approved new posts.

3.2.18 The pension account is showing a significant overspend to date of £2,601k. A revised estimate of the pension account outturn has recently been sent to CLG. 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 CLG.

#### **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**

An initial assessment has revealed there are no equality issues arising from this report.

#### **8. RECOMMENDATIONS**

That Members note the contents of this report.

**9. BACKGROUND PAPERS FOR INSPECTION**

None.

Frank Swann  
**CHIEF FIRE OFFICER**

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APPENDIX A

MONITORING STATEMENT "N" - 1st APRIL 2006 TO 28th February 2007

CATEGORY

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

EMPLOYEES

WHOLETIME OPERATIONAL PAY

Pay	16,744	15,349	15,104	-245	
Nat Ins	1,307	1,198	1,268	70	
Overtime	191	180	329	149	
Bank Holidays	226	226	199	-27	
Other	140	129	20	-109	
	18,608	17,082	16,920	-162	18,513 -96

WHOLETIME PAY ERS PENSION CONT

Emp Cont to Pensions - old scheme	3,686	3,379	2,986	-393	
Emp Cont to Pensions - new scheme	317	290	72	-218	
	4,003	3,669	3,058	-611	3,641 -362

PART TIME OPERATIONAL

Retaining Fees	934	778	578	-200	
Drills	505	421	539	118	
Turnout Fees	606	505	387	-118	
Tunout Hours	124	103	143	40	
Disturbance Allowance	75	62	129	67	
Holiday Back Pay	195	163	196	33	
Community Safety	67	56	134	78	
Attendance Fees	104	86	31	-55	
Other Work (Incl Aux Crewing)	271	260	285	25	
National Ins	129	107	148	41	
Super Annuatiuon					
	3,010	2,541	2,570	29	3,002 -8

<b>CONTROL STAFF</b>	Pay	802	735	713	-22		
	Nat ins	57	53	59	6		
	Overtime	28	23	35	12		
	Supn	68	63	97	34		
		955	874	904	30	978	23
<b>ADMIN, CLERICAL &amp; COOKS</b>	Pay	3,156	2,896	2,971	75		
	Nat ins	234	214	213	-1		
	Overtime			20	20		
	Supn	414	379	334	-45		
	Pension Recharges			13	13		
	Temp Admin Pay	35	32	2	-30		
	Temp Admin NI	3	3		-3		
	Temp Admin Sup	6	5		-5		
		3,848	3,529	3,553	24	3,835	-13
<b>OTHER EMPLOYEE EXPENSES</b>	Staff Training	369	310	293	-17	309	
	Bounty Scheme	35	32	30	-2	35	
	Other	101	91	148	57	129	28
		505	433	471	38	473	28
<b>PREMISES</b>	Building Maintenance	384	323	552	229	590	206
	Electricity	35	29	26	-3	35	
	Gas	51	42	11	-31	51	
	Rent Premises	63		17	17	91	28
	Business Rates	465	463	426	-37	440	-25
	Contract Cleaning	53	44	40	-4	53	
	Other	78	68	89	21	95	17
		1,129	969	1,161	192	1,355	226
<b>OPERATIONAL EQUIPMENT</b>	Specialist Equipment	184	156	198	42	198	14
	Breathing Apparatus	57	48	94	46	95	38
	Protective Clothing	71	61	125	64	127	56
	Other	15	12	27	15	15	
		327	277	444	167	435	108

<b>OTHER SUPPLIES &amp; SERVICES</b>	Comms Maint & Purch	36	27	17	-10	36	
	Clothing Shoes & Uniforms	54	44	69	25	66	12
	Stationary	51	43	44	1	51	
	Audit Fees	34	31	37	6	48	14
	Phones General	213	194	214	20	213	
	Comms Licenses & Rentals	149	111	46	-65	149	
	Computer Eqpt Purchase	551	508	498	-10	551	
	Insurances	543	543	478	-65	543	
	Office Equipment	104	84	92	8	104	
	Catering Contract/Equipment	58	48	76	28	87	29
	Consultancy Fees	113	107	130	23	138	25
	Postage	32	30	21	-9	32	
	Subsistence Allowance	46	39	42	3	46	
	Travel- Home To Base	58	53	59	6	63	5
	Catering/Conferences & Members Expences	37	32	26	-6	37	
	Other	220	198	253	55	264	44
	<b>2,299</b>	<b>2,092</b>	<b>2,102</b>	<b>10</b>	<b>2,428</b>	<b>129</b>	
<b>TRANSPORT</b>	Workshop Charges	571	475	497	22	570	-1
	Fuel	240	201	219	18	291	51
	Vehicle Leasing	91	76	133	57	91	
	Travelling Costs	276	234	267	33	315	39
	Other	67	56	49	-7	54	-13
		<b>1,245</b>	<b>1,042</b>	<b>1,165</b>	<b>123</b>	<b>1,321</b>	<b>76</b>
<b>SUPPORT SERVICES</b>	Treasury	105	53	96	43	125	20
	Occupational Health	86	68	112	44	116	30
	Regional Mang Board Costs	66	55	3	-52	66	
	Other	238	115	281	166	238	
		<b>495</b>	<b>291</b>	<b>492</b>	<b>201</b>	<b>545</b>	<b>50</b>
<b>CAPITAL FINANCING</b>	Operating Lease Payments	297	297	253	-44	297	
	Finance Lease Ext & Term			86	86		
		<b>297</b>	<b>297</b>	<b>339</b>	<b>42</b>	<b>297</b>	



<b>INCOME</b>	Fire Certificates	-6	-5		5	-6	
	Car Leasing Contribution	-58	-54	-40	14	-58	
	Store / Clothing Sales	-2	-2		2	-2	
	Special Services	-20	-18	1	19	-1	19
	Meals & Refreshments	-15	-14	-12	2	-15	
	Environmental Income	-16	-15		15		16
	Other	-41	-35	-70	-35	-72	-31
		-158	-143	-121	22	-154	4
<b><u>HQ BUDGETS</u></b>							
	<b>36,563</b>	<b>32,953</b>	<b>33,058</b>	<b>105</b>	<b>36,669</b>	<b>165</b>	
<b>ADMIN, CLERICAL &amp; COOKS</b>	Cooks Pay	125	114	120	6	125	
		125	114	120	6	125	
<b>OTHER EMPLOYESS EXPENSES</b>	Other	11	10	12	2	13	2
		11	10	12	2	13	2
<b>PREMISES</b>	Station Maintenance	54	44	51	7	60	6
	Electricity	65	54	42	-12	65	
	Gas	52	44	43	-1	52	
	Contract Cleaning	106	88	143	55	150	44
	Other	21	14	31	17	33	12
		298	244	310	66	360	62
<b>OPERATIONAL EQUIPMENT</b>	Protective Clothing	93	78	55	-23	90	-3
		93	78	55	-23	90	-3
<b>OTHER SUPPLIES &amp; SERVICES</b>	Clothing Shoes & Uniforms	53	44	33	-11	53	
	Stationary	6	5	29	24	6	
	Phones General	19	14	12	-2	19	
	Other	69	60	35	-25	69	
		147	123	109	-14	147	
<b>INCOME</b>	Other	-3	-2		2	-3	
		-3	-2		2	-3	
<b><u>STATIONS BUDGETS</u></b>							
	<b>671</b>	<b>567</b>	<b>606</b>	<b>39</b>	<b>732</b>	<b>61</b>	

<b>ANNUAL PENSIONS</b>	Injury Awards	239	239	365	126	341	102
	Ill Health Deposit	356	326	137	-189	126	-230
	Ill Health Charges	251	230	318	88	368	117
	Pension Payments from Rev			3	3	3	3
		<b>846</b>	<b>795</b>	<b>823</b>	<b>28</b>	<b>838</b>	<b>-8</b>
<b>TRADING ACCOUNTS</b>	FEM	38	52	-66	-118	-52	-90
	PRINCE'S TRUST	72	85	62	-23	105	33
	COMMERCIAL TRAINING	-16	2	-36	-38	-48	-32
	MARKETING & FUNDRAISING	-48	-51		51	-48	
		<b>46</b>	<b>88</b>	<b>-40</b>	<b>-128</b>	<b>-43</b>	<b>-89</b>
<b>CAPITAL CHARGES</b>	Depreciation and Interest	2,985				2,985	
	Asset Management Revenue	-719		60	60	-750	-31
	Minimum Revenue Provision	-483	-40		40	-1,634	-1,151
	Appropriation						
	External Debt			126	126		
	<b>1,783</b>	<b>-40</b>	<b>186</b>	<b>226</b>	<b>601</b>	<b>-1,182</b>	
<b>OTHER</b>	External Interest/Discount Provision	-150	-138	-190	-52	-200	-50
	Revenue - Balances / Unallocated	-400	-400	325	725	325	725
	Government Grant	73				73	
	General Reserve						
	Base Budget Review Savings	-13	-12		12	-13	
	To Ear Marked Reserve			555	555	555	555
	From Ear Marked Reserve	-411	-411	-435	-24	-435	-24
	Surp/Deficit on Collection	-68	-62	-61	1	-68	
	<b>-969</b>	<b>-1023</b>	<b>194</b>	<b>1217</b>	<b>237</b>	<b>1206</b>	
<b><u>IRMP 1</u></b>	Abandoned Vehicles	86				7	-79
	Arson Task Force	-93				-93	
	Community Fire Safety	51				4	-47
	Co-responder	106				8	-98
	Cross Border Incidents						
	Corporate						

		150				-74	-224
<b><u>IRMP 2</u></b>	Working with Young People	70				6	-64
	DDA	10	10		-10	10	
	Specialist Equipment	20				20	
	Fire Setters Intervention	54	50		-50	54	
		154	60		-60	90	-64
<b><u>CONTINGENCY</u></b>	Pay Award Contingency	420	-39	22	61	420	
	Community Fire Safety Contingency	84		8	8	84	
	Contingency Regional Control						
	Contingency Driving at Work	70					-70
	IT Support 24/7	30				3	-27
	I P D S						
		604	-39	30	69	507	-97
<b><u>TOTAL INCLUDING PENSIONS</u></b>		<b>39,848</b>	<b>33,361</b>	<b>34,857</b>	<b>1,496</b>	<b>39,557</b>	<b>-291</b>
<b><u>PENSIONS</u></b>	Annual Pensions	4,849	4,464	3,881	-583	4,479	-370
		4,849	4,464	3,881	-583	4,479	-370
<b><u>TOTAL EXCLUDING PENSIONS</u></b>			<b>34,999</b>	<b>28,897</b>	<b>30,976</b>	<b>2,079</b>	<b>35,078</b>
							<b>79</b>

## **PENSIONS ACCOUNT**

	Pension Account 000's
<b>INCOME</b>	
Pension Contributions Employers (Old Scheme)	-3,035
Pension Contributions Employers (New Scheme)	-72
Pension Contributions Employees (Old Scheme)	-1,557
Pension Contributions Employees (New Scheme)	-56
Ill Health Charges	-318
Transfer Values Received	-83

Refund of Contributions	-4
	-5,125

**EXPENDITURE**

Annual Pensions	4,722
Annual Pensions - Widows	223
Annual Pensions - Children	13
Pension Inc Payments	1,724
Pensions - Lump Sum	1,600
Transfer Values Paid	26
	8,308

**GOVERNMENT GRANTS RECEIVED**

	-582
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**NET DEFICIT / (SURPLUS) - BALANCE FROM / (TO) DCLG**

	2,601
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