

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY	
	FINANCE AND RESOURCES COMMITTEE	
date	12 October 2007	agenda item number

REPORT OF THE CHIEF FIRE OFFICER

BUDGET MONITORING REPORT - PERIOD 5 ENDED 31 AUGUST 2007

1. PURPOSE OF REPORT

To report to Members on the financial performance of the Service in the year 2007/08 to the end of August 2007. This report analyses significant variances and highlights areas of concern.

2. BACKGROUND

Budget monitoring is a key aspect of financial management for the Fire & Rescue Authority. Regular reporting of spending against budget 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 £614k. This is made up of an overspend to date on non pensions of £514k and an overspend to date on pensions of £100k.

3.1.2 The projected out turn variance for the year is a -£420k underspend on the general account. However, there is an underlying projected overspend of £429k relating to revenue activities, which is masked by underspends on the operating leasing and IRMP budgets. In addition, there may be an overspend on ill health charges, which cannot be quantified at this stage and has not been reflected in the projected outturn.

3.1.3 The overspend to date of £614k and the projected underspend of -£420k 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 showing an overspend to date of £42k. The budget is based on an establishment of 569 posts. During 2007/08 the actual number of wholetime staff being paid has risen to 584, which includes 5 posts funded from external sources. The overtime budget has already overspent against the annual budget of £117k, and this overspend is being analysed. It is known that some of the costs arose during the summer flooding incidents and the Authority will be able to claim back the costs of assisting other Fire and Rescue Services. The overall outturn overspend of £277k has been estimated assuming that monthly salary costs for

the remainder of the year continue at the July level. It also includes an estimate for CPD payments, for which the total cost has not yet been calculated. The income which relates to whole-time posts, that are either funded from grants or outside organisations is now shown within the body of the monitoring report. The shortfall in funding to cover the Chief Fire Officer secondment is reflected in the projected outturn. The one-off earmarked reserve of £35k to support overtime has not yet been allocated.

- 3.2.2 The Whole-time Pay establishment will be re-costed when it has been finalised following this year's organisational restructure, and pay budgets will be devolved to managers. The Finance and Personnel Departments are working together to improve management information to support monitoring of pay budgets.
- 3.2.3 The Pension Employer's Contribution budget is underspent by -£13k to date. The projected outturn variance of -£82k is consistent with the projected outturn in respect of pensionable pay for whole-time employees.
- 3.2.4 Part time Operational Pay is overspent by £171k, mainly due to a high level of turnouts this year in respect of the summer flooding. An element of this overspend will be reimbursed by other Fire and Rescue Services, where costs were incurred in supporting incidents outside of Nottinghamshire, however the actual amount to be reimbursed is in the process of being calculated. This will be reported in the next monitoring report. For now, an estimated projected overspend of £171k has been assumed.
- 3.2.5 Control Pay is underspent by -£1k to date, an estimated outturn of £996k is based on the actual pay for July. The current establishment will be re-costed when the establishment has been finalised and virements will be carried out to correct the superannuation budget. The estimated outturn overspend is £22k. This is mainly due to the overtime budget. If this continues at the present rate there will be an overspend of £12k.
- 3.2.6 Administrative Pay is overspent to date by £17k. Work is currently being undertaken in conjunction with the Personnel Department to confirm the overall administrative pay establishment, identifying vacant posts and temporary staff. The estimated outturn overspend of £139k has been calculated assuming that monthly pay continues at the July level. The Director of Human Resources post is being covered by a contractor, and these costs are shown within the consultant's fees budget and therefore not reflected in the Administrative pay overspend.
- 3.2.7 Premises costs are overspent by £7k to date. Within this, building maintenance is overspent by £36k. Condition surveys have been carried out at stations and work is being carried out in conjunction with the budget holder to ascertain the estimated outturn, this will be reported in the next budget monitoring report. Rent of Premises is showing an overspend of £12k due to the increase in hire of meeting rooms during the refurbishment of Headquarters.
- 3.2.8 Operational equipment is underspent by -£11k to date. The estimated outturn of -£42k is mainly due to 2 factors: in 2006/07 a net increase of £35k budget was approved for the integrated clothing project, however this project is not expected to be implemented by the end of 2007/08, resulting in a one off saving of -£35k. The projected outturn for protective personal equipment is based on 24 whole-time and 24 retained being recruited in the remainder of 2007/08. This results in a projected underspend of -£8k.
- 3.2.9 Supplies and Services are overspent by £22k. This mainly relates to catering and hospitality. Work is being carried out to investigate this and the results will be reported. Other Supplies and Services are currently overspending by £56k. Within this, the publicity budget is overspent by £11k due to a charge relating to 2006/07

in respect of IRMP consultation. The budget for finance lease interest is still shown within capital financing, resulting in an overspend to date of £46k in respect of finance lease interest. A permanent virement will be carried out to correct this. An insurance premium reduction of £99k this year in respect of the motor policy is partly being used to fund the environmental audit work costing approximately £40k, so an outturn net underspend of -£59k on insurance is projected.

- 3.2.10 Transport is overspent by £94k to date. Work is currently being carried out with the budget holder to ascertain the overall outturn. Travelling expenses are once again overspending, and an outturn overspend of £61k is anticipated if the current level of expenditure continues to the end of the year. Travel expense claims for non-uniformed employees are now being closely monitored.
- 3.2.11 Support Services is overspent by £42k to date. £6k relates to Treasury Services fees being higher than anticipated due to an increase in pensions administration work following the Firefighters pension scheme changes. The projected outturn overspend is £22k. £6k is due to absence reporting costs and this is the subject of an ongoing project. Work is in progress with Westfield Health to recover overpaid employer contributions dating back to 2004/05. Current estimates show that around £40k will be refunded and this will be a one-off saving. Other Support Services is currently overspent by £17k. This relates to legal expenses and appeal hearings which were not included in the original budget - the budget will be closely monitored and variances will be reported.
- 3.2.12 Operating Lease Payments is showing an overspend to date of £85k, due to finance lease extension payments, which are not budgeted for, but are an inevitable consequence of delays in procuring fire appliances. A review of both operating lease payments and capital charges has been carried out and the projected outturns are now reported. The projected estimated underspend of -£699k is due to slippage in the capital programme in 2006/07 and expected slippage in 2007/08.
- 3.2.13 Station budgets are showing an overspend of £65k to date. They are monitored at a devolved level and budget managers are expected to spend within the budget allocated. "Stops" should be put on budgets if needed, to avoid continued 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 £114k. It will be difficult to make an assessment of the likely outturn position until later in the year when the Personnel Department will be able to advise on likely numbers of ill health retirements.
- 3.2.15 Trading activities in total show a deficit of £69k to date. This is mainly in the area of Prince's Trust, where Derby College has changed processes resulting in delays of internal verifications of learning records. This in turn delays receipt of income from the college. The phasing of expenditure and income will be reviewed, however it is anticipated that the overall position will be that the Princes Trust will make a surplus. The Marketing and Fundraising budget will be reviewed during the budget process.
- 3.2.16 The projected outturn underspend in total on IRMP1 and IRMP2 is -£150k. The estimated outturn of £215k assumes that various work streams will commence before the end of the year.
- 3.2.17 The pension account is showing a surplus balance to date of -£2,171k. The grant that was received on the 1st August 2007 reimbursed the Authority for the actual deficit for 2006/07, and 80% of the estimated outturn for 2007/08. Assumptions around pensions are volatile and estimates have changed in the light of

experience. If pensions expenditure and income continues as at present, it is expected that a refund of grant will need to be made to CLG at the end of the year.

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 Members note the contents of this report.

9. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER

CONTACT OFFICER	
Name :	Neil Timms Head of Finance & Resources
Tel. No :	0115 967 0880
E-mail :	neil.timms@notts-fire.gov.uk

MONITORING STATEMENT "N" - 1st APRIL 2007 TO 31st AUGUST 2007

Appendix A

	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	17,185	7,103	7,216	113		
Nat Ins	1,334	552	583	31		
Overtime	117	41	144	103		
Bank Holidays	230	120	89	-31		
Other	143	63	13	-50		
SUB TOTAL	19,009	7,879	8,045	166		
Less						
Wholetime Salary Income			-105	-105		
Wholetime Grant Income			-19	-19		
WHOLETIME TOTAL	19,009	7,879	7,921	42	19,286	277
WHOLETIME PAY ERS PENSION CONT						
Emp Cont to Pensions - old scheme	3,349	1,395	1,399	4		
Emp Cont to Pensions - new scheme	212	88	71	-17		
	3,561	1,483	1,470	-13	3,479	-82
PART TIME OPERATIONAL						
Retaining Fees	934	311	235	-76		
Drills	559	260	297	37		
Turnout Fees	606	202	182	-20		
Tunout Hours	124	42	76	34		
Disturbance Allowance	75	25	61	36		
Holiday Back Pay	195	64	60	-4		
Community Safety	67	22	66	44		
Attendance Fees	104	35	16	-19		
Other Work (Incl Aux Crewing)	51	17	79	62		
National Ins	129	43	57	14		
Super Annuatiuon	161	54	111	57		
District Support			6	6		
SUB TOTAL	3,005	1,075	1,246	171		
Less						
Retained Salary Income						
Retained Grant Income						
PART TIME TOTAL	3,005	1,075	1,246	171	3,176	171
CONTROL STAFF						
Pay	821	345	321	-24		
Nat ins	57	24	27	3		
Overtime	28	9	13	4		
Supn	68	28	46	18		
SUB TOTAL	974	406	407	1		
Less						
Control Salary Income			-1	-1		
Control Grant Income			-1	-1		
CONTROL TOTAL	974	406	405	-1	996	22
ADMIN, CLERICAL & COOKS						
Pay	3,461	1,470	1,528	58		
Nat ins	238	100	110	10		
Overtime			20	20		
Supn	423	177	180	3		

	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
Pension Recharges			5	5		
Temp Admin Pay	35	15		-15		
Temp Admin NI	3	1		-1		
Temp Admin Sup	6	2		-2		
SUB TOTAL	4,166	1,765	1,843	78		
less						
Admin Salary Income			-36	-36		
Admin Grant Income			-25	-25		
ADMIN TOTAL	4,166	1,765	1,782	17	4,305	139
OTHER EMPLOYEE EXPENSES						
Staff Training	512	169	110	-59	512	
Bounty Scheme	35	15	2	-13	25	-10
Other	157	64	55	-9	157	
	704	248	167	-81	694	-10
PREMISES						
Building Maintenance	458	190	226	36	458	
Electricity	36	12	13	1	36	
Gas	52	17	11	-6	52	
Rent Premises	63		6	6	75	12
Business Rates	472	236	201	-35	472	
Contract Cleaning	53	18	11	-7	53	
Other	78	30	42	12	78	
	1,212	503	510	7	1,224	12
OPERATIONAL EQUIPMENT						
Specialist Equipment	221	92	110	18	210	-11
Breathing Apparatus	147	147	148	1	148	1
Protective Clothing	131	60	28	-32	88	-43
Other	27	9	11	2	38	11
	526	308	297	-11	484	-42
OTHER SUPPLIES & SERVICES						
Comms Maint & Purch	36	9	5	-4	36	
Clothing Shoes & Uniforms	46	15	17	2	46	
Stationary	64	22	3	-19	64	
Audit Fees	52	17	19	2	52	
Phones General	218	90	92	2	218	
Comms Licenses & Rentals	293	74	49	-25	293	
Computer Eqpt Purchase	503	327	284	-43	503	
Insurances	597	372	372		538	-59
Office Equipment	108	33	26	-7	108	
Catering						
Contract/Equipment	58	19	50	31	58	
Consultancy Fees	158	66	77	11	158	
Postage	31	13	7	-6	31	
Subsistence Allowance	46	15	29	14	46	
Travel- Home To Base	58	24	26	2	58	
Catering/Conferences & Members Expences	34	10	16	6	34	
Other	271	112	168	56	271	
	2,573	1,218	1,240	22	2,514	-59
TRANSPORT						
Workshop Charges	600	200	220	20	600	
Fuel	270	90	117	27	270	61
Vehicle Leasing	91				91	
Travelling Costs	299	124	150	26	360	
Other	67	22	43	21	67	
	1,327	436	530	94	1,388	61
SUPPORT SERVICES						
Treasury	111	28	37	9	133	22

	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
Occupational Health	86	36	49	13	46	-40
Regional Mang Board						
Costs	129	69	72	3	129	
Other	152	64	81	17	152	
	478	197	239	42	460	-18
CAPITAL FINANCING						
Operating Lease Payments	797	9	4	-5	12	-785
Finance Lease Ext & Term			90	90	86	86
	797	9	94	85	98	-699
INCOME						
Fire Certificates						
Car Leasing Contribution	-58	-24	-20	4	-58	
Store / Clothing Sales	-2	-1		1	-2	
Special Services	-20	-8	-1	7	-20	
Meals & Refreshments	-15	-6	-9	-3	-15	
Environmental Income	-16	-7		7	-16	
Other	-38	-11	-54	-43	-38	
	-149	-57	-84	-27	-149	
HQ BUDGETS	38,183	15,470	15,817	347	37,955	-228
ADMIN, CLERICAL & COOKS						
Cooks Pay	125	52	52		125	
	125	52	52		125	
OTHER EMPLOYEE EXPENSES						
Other	11	5	6	1	11	
	11	5	6	1	11	
PREMISES						
Station Maintenance	54	15	21	6	54	
Electricity	66	22	21	-1	66	
Gas	52	17	26	9	52	
Contract Cleaning	153	51	59	8	153	
Other	28	6	16	10	28	
	353	111	143	32	353	
OPERATIONAL EQUIPMENT						
Protective Clothing	93	31	31		93	
	93	31	31		93	
OTHER SUPPLIES & SERVICES						
Clothing Shoes & Uniforms	53	18	29	11	53	
Stationary	32	13	27	14	32	
Phones General	19	5	10	5	19	
Other	70	30	31	1	70	
	174	66	97	31	174	
INCOME						
Other	-3	-1		1	-3	
	-3	-1		1	-3	
STATIONS BUDGETS ANNUAL PENSIONS	753	264	329	65	753	
Injury Awards	296	148	233	85	296	
Ill Health Deposit	148	62	75	13	148	
Ill Health Charges	490	355	355		490	
Employee Pension Cont						
Transfer values recd						
Transfer values paid						
Pension lump Sum	83	83	83		83	
Pension Payments from Rev			16	16		
	1,017	648	762	114	1,017	
TRADING ACCOUNTS						
FEM	9	32	-13	-45	9	
PRINCE'S TRUST	-102	12	98	86	-102	

	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
	COMMERCIAL TRAINING	-21	8	-14	-22	-21
	COMMERCIAL TRAINING POST			-2	-2	
	MARKETING & FUNDRAISING	-35	-45		45	-35
		-149	7	69	62	-149
CAPITAL CHARGES	Depreciation and Interest	454				454
	Permanent Impairments					
	Permanent Impairments reversal					
	Asset Management Revenue					
	Minimum Revenue Provision	392				392
	Appropriation					
	Amortisation of intangible fixed assets					
	Write down of deferred charges					
	Loss on disposal of fixed assets					
	Amortisation of government grants deferred					
	Gain on disposal of fixed assets					
	Amortisation of intangible fixed assets (reversal)					
	Depreciation (reversal)					
	Government grant deferred amortisation (reversal)					
	Write down of deferred charges (reversal)					
	Net gain/loss on disposal of fixed assets (reversal)					
	External Debt					
		846				846
OTHER	External Interest/Discount Provision	-150	-63	-44	19	-150
		8				8
	Revenue - Balances / Unallocated	-50				-50
	Government Grant	73				73
	General Reserve					
	Base Budget Review Savings	-13	-6		6	-13
	To Ear Marked Reserve					
	From Ear Marked Reserve	-150	-150	-150		-150
	Surp/Deficit on Collection	-68	-28	-27	1	-68
		-350	-247	-221	26	-350
<u>IRMP 1</u>	Abandoned Vehicles	36				21
	Arson Task Force					-15
	Community Fire Safety	53				30
	Co-responder	101				60
	Cross Border Incidents					-23
	Corporate					-41
		190				111
						-79
<u>IRMP 2</u>	Working with Young People	70				40
	DDA	10				10
	Specialist Equipment	20				11
						-9

	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
Fire Setters Intervention	75				43	-32
CONTINGENCY	175				104	-71
Pay Award Contingency	719				719	
Community Fire Safety Contingency	189				189	
Contingency Regional Control						
Contingency Driving at Work	70				40	-30
IT Support 24/7	30				18	-12
I P D S						
	1,008				966	-42
TOTAL INCLUDING PENSIONS PENSIONS	41,673	16,142	16,756	614	41,253	-420
Annual Pensions	4,577	2,131	2,231	100	4,496	-81
	4,577	2,131	2,231	100	4,496	
TOTAL EXCLUDING PENSIONS	37,096	14,011	14,525	514	36,757	-339

PENSIONS ACCOUNT

	Pension Account 000's
Pension Account Defecit 2006-2007	1,838
Grant Recived 2007-2008	-1,838
	<u>0</u>
INCOME	
Pension Contributions Employers (New Scheme)	-1,398
Pension Contributions Employees (Old Scheme)	-184
Pension Contributions Employees (New Scheme)	-710
Ill Health Charges	-102
Transfer Values Received	-355
Refund of Contributions	32
	-2,717
EXPENDITURE	
Annual Pensions	
Annual Pensions - Widows	2,422
Annual Pensions - Children	130
Pension Inc Payments	7
Pensions - Lump Sum	941
Transfer Values Paid	4
	3,504
GOVERNMENT GRANTS RECEIVED	-2,958
NET DEFICIT / (SURPLUS) - BALANCE FROM / (TO) DCLG	-2,171