



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance & Resources Committee

BUDGET MONITORING REPORT – PERIOD 7 ENDED 31 OCTOBER 2007

Report of the Chief Fire Officer

Agenda No:

Date: 14 December 2007

Purpose of Report:

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

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1. BACKGROUND

Budget monitoring is a key aspect of financial management for the 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.

2. REPORT

SUMMARY

- 2.1 The budget monitoring statement is showing an overspend to date of £516k. This is made up of an overspend to date on non pensions of £484k and an overspend to date on pensions of £32k.
- 2.2 The projected out turn variance for the year is a -£619k underspend on the general account. However, most of this underspend (-£583k) is in relation to the operating leasing, IRMP and contingency budgets. Day to day revenue activities are not expected to significantly underspend.
- 2.3 The movement from an overspend to date of £516k to a projected underspend of -£619k is largely explained by the following factors:
 - Part time operational pay is currently overspending to date by £221k but projections assume activity levels for the rest of the year are in line with 2006/07, as there is no reliable way to predict future turnouts. This results in a projected overspend of £25k, a difference of £196k.
 - Building maintenance is overspent by £98k to date but the budget holder is aiming to contain expenditure within the annual budget, resulting in no variance at year end.
 - Operating lease payments are mainly charged at year end, so only a small variance of -£15k is showing to date. The projected underspend is -£409k, a difference of £394k.
 - Difficulties with Princes Trust income have resulted in a total overspend to date of £112k on Trading Accounts, although this variance is expected to reduce to nil by year end.
 - IRMP and contingency budgets do not show expenditure to date as these are allocated to mainstream budgets as workstreams commence. There is therefore no variance to date showing against these budgets, but a projected underspend by year end of -£174k.
- 2.4 The overspend to date of £516k and the projected underspend of -£671k are made up of several key variances. At the last Finance and Resources Committee meeting, Members asked for a tolerance level to be set to highlight the most significant variances. All variances greater than 10% of the profiled budget are now marked with a "X" in Appendix A.
- 2.5 The full Budget Monitoring Statement is given as Appendix A to this report.

SIGNIFICANT VARIANCES

- 2.6 Wholetime Pay is showing an overspend to date of £45k. 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 £119k, and if this continues at the current rate there will be an estimated outturn overspend of £197k. A review of overtime has taken place and key causes have been identified. The Performance and Coordination Team is now working towards resolving the problem. The overall outturn overspend of £213k has been estimated assuming that monthly salary costs for the remainder of the year continue at the recently agreed 571 establishment. It also includes payments for CPD, and the long service award payment delayed from 2006/07. The income which relates to wholetime posts, that are either funded from grants or outside organisations is now shown within the body of the monitoring report.
- 2.7 The Pension Employer's Contribution budget is underspent by -£94k to date. The projected outturn variance of -£40k is consistent with the projected outturn in respect of pensionable pay for wholetime employees, which is less than actual pay.
- 2.8 Part time Operational Pay is overspent by £221k, mainly due to turnouts, training and auxiliary crewing. The summer flooding impacted on turnouts and invoices totalling £15k have been raised for reimbursement from other Fire and Rescue Authorities for the costs incurred in supporting incidents outside of Nottinghamshire. The estimated outturn overspend of £25k, is based on the remainder of the year being consistent with the levels of activity for the previous year.
- 2.9 Control Pay is overspent by £19k to date. An estimated outturn overspend of £37k is assumed at this stage, based on the remainder of the year being paid at the actual establishment of 28. The overtime budget (included within the £37k) is currently overspending by £8k. If this continues at the current level for the remainder of the year the estimated overtime outturn overspend will increase to £12k. The establishment has been re-costed including national insurance and superannuation and the shortfall in the superannuation budget has been rectified for 2008/09.
- 2.10 Administrative Pay is underspent to date by -£108k. During the budget process, work has been carried out in conjunction with the Personnel Department to confirm the overall establishment, and the funding of posts. The estimated outturn underspend of -£289k, is due to several posts being vacant throughout the year. It is anticipated that some of the vacancies will be filled by the end of the year.
- 2.11 Other Employee Expenses is underspent by -£113k to date. Projected underspends totalling -£60k have been assumed for year end and reductions have been proposed for these areas in the 2008/09 budget.

- 2.12 Premises costs are overspent by £85k to date. Within this, building maintenance is overspent by £98k. Condition surveys have been carried out at stations and a contracted planned maintenance programme is now being formulated. Reactive building maintenance can be volatile and this budget is closely monitored by the budget holder. Rent of premises is showing an overspend of £11k due to the increase in hire of meeting rooms during the refurbishment of Headquarters. Other premises costs are currently overspending by £31k, mainly due to the refuse and water and sewerage budgets, and this has been addressed in the 2008/09 budget. Some rating revaluations have resulted in a saving on the Business Rates budget.
- 2.13 Operational equipment is overspent by £22k to date. The estimated outturn of -£28k relates to 2 areas: 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 wholetime and 24 retained personnel being recruited in the remainder of 2007/08 and this is a further saving.
- 2.14 Supplies and Services is underspent by -£18k. Work has been carried out with the Information and Communications Technology budget holder; savings have been identified and reflected in the outturn, and the 2008/09 budget. 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 £30k, so an outturn underspend of -£69k on insurance is projected. Catering and Equipment is showing an outturn overspend of £36k, £19k relates to the Service Development Centre and £17k relates to Headquarters. The Best Value review of catering is now being undertaken, so no new assumptions have been made in the 2008/09 budget.
- 2.15 Transport is overspent by £153k to date and there have been significant issues with above average inflation increases for fuel, tyres and maintenance charges. Work is currently being carried out with the budget holder to ascertain the likely overall outturn. Travelling expenses are once again overspending, and an outturn overspend of £155k is estimated at this stage. If the current level of expenditure continues to the end of the year for detachments to stations the estimated overspend will be £105k, and travel for internal courses estimated overspend will be £47k. The latter issue has been addressed in the budget for 2008/09.
- 2.16 Support Services is overspent in total by £46k to date. Treasury Service fees are expected to be £29k higher than the budget as a result of the need for increased support from the Pensions Administration team at the County Council relating to the new firefighters pension scheme. The Occupational Health budget contains 2 key variances. The first is an overspend against the budget for medical absence reporting, projected to be around £15k. The second is a one-off saving of -£55k due from Westfield Health relating to overpaid employer contributions dating back to 2004/05. The two projected variances total -£40k. Other Support Services is estimated to overspend by £20k at year end as a result of the higher number of committees following the review of governance arrangements and the resulting increase in fees charged by the City Council for committee administration.

- 2.17 Within Capital Financing, operating lease payments is showing an underspend to date of -£15k, due to a refund from a leasing agreement. 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 -£409k is due to slippage in the capital programme in 2006/07 and expected slippage in 2007/08.
- 2.18 Income is showing a surplus to date of -£219k, The projected outturn surplus of -£70k relates to non pay costs, that are either funded from grants or outside organisations. This surplus offsets some of the overspends within travel, subsistence and other employee related budgets.
- 2.19 Station budgets are showing an overspend of £77k 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.
- 2.20 Pension costs relating to ill health retirements and injury awards are showing an overspend to date of £126k. The projected estimated overspend of £168k, is based on actual to date plus estimates from the Personnel Department re ill health retirements for the remainder of the year.
- 2.21 Trading activities in total show a deficit of £112k to date. This is mainly due to Prince's Trust having contractual issues with Derby College, resulting in delays in internal verification of learning records, which delays production of invoices for payment. 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 remain within budget.
- 2.22 Other Costs are showing an estimated outturn underspend of -£100k, for External Interest earned. This is based on investing the Pension Top Up Grant, and the intention of borrowing from the Public Works Loan Board before the end of the year and investing the monies until required to fund capital expenditure.
- 2.23 The projected outturn underspend in total on IRMP1 and IRMP2 is -£150k. The estimated outturn expenditure of £149k assumes that various work streams will commence before the end of the year.
- 2.24 The Pension Account is showing a surplus balance to date of -£1,584k. 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.

3. FINANCIAL IMPLICATIONS

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

4. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

5. EQUALITY IMPACT ASSESSMENT

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

6. 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.

7. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

Frank Swann
CHIEF FIRE OFFICER

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

Appendix A

CATEGORY

Annual Budget	Current Profile	Actual to Date	Variance Profile	Estimated Outturn	Outturn Variance	Variance %	Alert
£	£	£	£	£	£		
000's	000's	000's	000's	000's	000's		

EMPLOYEES

WHOLETIME OPERATIONAL PAY

Pay	17,354	10,048	10,191	143			
Nat Ins	1,334	771	850	79			
Overtime	119	60	189	129			
Bank Holidays	236	148	113	-35			
Other	182	106	26	-80			
SUB TOTAL	19,225	11,133	11,369	236		2.1%	
Less							
Wholetime Salary Income			-161	-161			
Wholetime Grant Income			-30	-30			
WHOLETIME TOTAL	19,225	11,133	11,178	45	19,438	213	0.4%

WHOLETIME PAY ERS PENSION CONT

Emp Cont to Pensions - old scheme	3,349	1,954	1,956	2			
Emp Cont to Pensions - new scheme	212	124	28	-96			
	3,561	2,078	1,984	-94	3,521	-40	-4.5%

PART TIME OPERATIONAL

Retaining Fees	732	366	362	-4			
Drills	639	319	421	102			
Turnout Fees	452	225	264	39			
Tunout Hours	154	77	96	19			
Disturbance Allowance	151	76	87	11			
Holiday Back Pay	218	109	108	-1			
Community Safety	169	93	95	2			
Attendance Fees	40	20	22	2			
Other Work (Incl Aux Crewing)	170	84	114	30			
National Ins	150	75	83	8			
Super Annuatiuon	211	105	142	37			
District Support	19	10	7	-3			
SUB TOTAL	3,105	1,559	1,801	242			15.5%
Less							
Retained Salary Income			-3	-3			
Retained Grant Income			-18	-18			
PART TIME TOTAL	3,105	1,559	1,780	221	3,131	25	14.2%

CONTROL STAFF

Pay	821	479	461	-18			
Nat ins	57	33	38	5			
Overtime	28	14	22	8			
Supn	68	40	66	26			
SUB TOTAL	974	566	587	21			3.7%
Less							
Control Salary Income							
Control Grant Income			-2	-2			
CONTROL TOTAL	974	566	585	19	1,011	37	3.4%

	Annual	Current	Actual to	Variance	Estimated	Outturn	Variance	
	Budget	Profile	Date	Profile	Outturn	Variance	%	Alert
ADMIN, CLERICAL & COOKS								
Pay	3,758	2,144	2,142	-2				
Nat ins	262	152	155	3				
Overtime			25	25				
Supn	471	272	254	-18				
Pension Recharges			9	9				
SUB TOTAL	4,491	2,568	2,585	17			0.7%	
less								
Admin Salary Income			-110	-110				
Admin Grant Income			-15	-15				
ADMIN TOTAL	4,491	2,568	2,460	-108	4,202	-289	-4.2%	
OTHER EMPLOYEE EXPENSES								
Staff Training	512	249	163	-86	462	-50		
Bounty Scheme	35	20	10	-10	25	-10		
Other	157	90	73	-17	157			
	704	359	246	-113	644	-60	-31.5%	X
PREMISES								
Building Maintenance	446	260	358	98	446			
Electricity	36	18	22	4	36			
Gas	52	26	13	-13	52			
Rent Premises	63		11	11	75	12		
Business Rates	472	330	293	-37	443	-29		
Contract Cleaning	53	27	18	-9	53			
Other	78	39	70	31	99	21		
	1,200	700	785	85	1,204	4	12.1%	X
OPERATIONAL EQUIPMENT								
Specialist Equipment	221	112	152	40	210	-11		
Breathing Apparatus	147	147	160	13	162	15		
Protective Clothing	131	78	38	-40	88	-43		
Other	27	18	27	9	38	11		
	526	355	377	22	498	-28	6.2%	
OTHER SUPPLIES & SERVICES								
Comms Maint & Purch	36	18	7	-11	15	-21		
Clothing Shoes & Uniforms	48	23	21	-2	48			
Stationary	64	32	27	-5	64			
Audit Fees	52	17	28	11	47	-5		
Phones General	129	83	75	-8	117	-12		
Mobiles	89	55	55		89			
Comms Licenses & Rentals	293	77	49	-28	249	-44		
Computer Eqpt Purchase	524	403	388	-15	505	-19		
Insurances	567	426	426		498	-69		
Office Equipment	108	57	46	-11	108			
Catering Contract/Equipment	58	29	58	29	94	36		
Consultancy Fees	188	92	95	3	188			
Postage	31	18	10	-8	31			
Subsistence Allowance	46	27	41	14	70	24		
Travel- Home To Base	58	34	42	8	72	14		
Catering/Conferences & Members Expenses	34	18	24	6	34			
Other	492	293	292	-1	492			
	2,817	1,702	1,684	-18	2,721	-96	-1.1%	

		Annual	Current	Actual to	Variance	Estimated	Outturn	Variance	
		Budget	Profile	Date	Profile	Outturn	Variance	%	Alert
TRANSPORT	Workshop Charges	600	300	340	40	600			
	Fuel	270	135	173	38	270			
	Vehicle Leasing	91	45	42	-3	91			
	Travelling Costs	299	150	227	77	454	155		
	Other	92	58	59	1	92			
			1,352	688	841	153	1,507	155	22.2%
SUPPORT SERVICES	Treasury	111	28	37	9	140	29		
	Occupational Health	86	43	70	27	46	-40		
	Regional Mang Board Costs	129	103	108	5	134	5		
	Other	152	88	93	5	172	20		
			478	262	308	46	492	14	17.6%
CAPITAL FINANCING	Operating Lease Payments	616	9	-6	-15	207	-409		
	Finance Lease Ext & Term	130	107	107		130			
		746	116	101	-15	337	-409	-12.9%	X
INCOME	Fire Certificates								
	Car Leasing Contribution	-58	-34	-30	4	-58			
	Store / Clothing Sales	-2	-1		1	-2			
	Special Services	-20	-12	-2	10	-20			
	Meals & Refreshments	-15	-9	-12	-3	-15			
	Environmental Income	-16	-10		10	-16			
	Other	-38	-17	-63	-46	-108	-70		
		-149	-83	-107	-24	-219	-70	28.9%	X
HQ BUDGETS		39,030	22,003	22,222	219	38,487	-544	1.0%	
ADMIN, CLERICAL & COOKS	Cooks Pay	125	73	75	2	125			
		125	73	75	2	125			
OTHER EMPLOYESS EXPENSES	Other	11	6	8	2	11			
		11	6	8	2	11			
PREMISES	Station Maintenance	54	24	28	4	60	6		
	Electricity	66	33	27	-6	65	-1		
	Gas	52	26	34	8	52			
	Contract Cleaning	153	77	80	3	150	-3		
	Other	28	12	36	24	33	5		
		353	172	205	33	360	7		
OPERATIONAL EQUIPMENT	Protective Clothing	93	46	46		90	-3		
		93	46	46		90	-3		
OTHER SUPPLIES & SERVICES	Clothing Shoes & Uniforms	53	26	36	10	53			
	Stationary	32	19	43	24	58	26		
	Phones General	19	9	12	3	19			
	Other	62	37	38	1	62			
		166	91	129	38	192	26		
INCOME	Other	-3	-2		2	-3			
		-3	-2		2	-3			
STATIONS BUDGETS		745	386	463	77	775	30	19.9%	X

	Annual	Current	Actual to	Variance	Estimated	Outturn	Variance	
	Budget	Profile	Date	Profile	Outturn	Variance	%	Alert
ANNUAL PENSIONS								
Injury Awards/Gratuity Lump Sum	296	197	291	94	415	119		
Injury Award Increase	148	86	99	13	148			
Ill Health Deposit	490	355	355		507	17		
Employee Pension Cont								
Transfer values recd								
Transfer values paid								
Pension lump Sum	85	85	83	-2	85			
Pension Payments from Rev			21	21	32	32		
	1,019	723	849	126	1,187	168	17.4%	X
TRADING ACCOUNTS								
FEM	7	32	-51	-83	7			
PRINCE'S TRUST	-97	-30	142	172	-97			
COMMERCIAL TRAINING	-20	5	-14	-19	-20			
COMMERCIAL TRAINING POST			-1	-1				
MARKETING & FUNDRAISING	-35	-43		43	-35			
	-145	-36	76	112	-145			
CAPITAL CHARGES								
Depreciation and Interest								
Permanent Impairments								
Permanent Impairments reversal								
Asset Management Revenue								
Minimum Revenue Provision	413				413			
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	344	127	127		344			
	757	127	127		757		0.0%	
OTHER								
External Interest/Discount	-150	-88	-115	-27	-250	-100		
Provision	25				25			
Revenue - Balances / Unallocated	-50				-50			
Government Grant	73				73			
General Reserve								
Base Budget Review Savings	-13				-13			
To Ear Marked Reserve								
From Ear Marked Reserve	-349	-349	-349		-349			
Surp/Deficit on Collection	-68	-40	-41	-1	-68			
	-532	-477	-505	-28	-632	-100	5.9%	

	Annual Budget	Current Profile	Actual to Date	Variance Profile	Estimated Outturn	Outturn Variance	Variance %	Alert
<u>IRMP 1</u>								
Abandoned Vehicles	36				14	-22		
Arson Task Force								
Community Fire Safety	25				10	-15		
Co-responder	101				42	-59		
Cross Border Incidents								
Corporate								
	162				66	-96		
<u>IRMP 2</u>								
Working with Young People	32				32			
DDA	10				10			
Specialist Equipment	20				10	-10		
Fire Setters Intervention	75				31	-44		
	137				83	-54		
<u>CONTINGENCY</u>								
Pay Award Contingency	250				250			
Community Fire Safety Contingency	175		10	10	175			
Contingency Regional Control					20	20		
Contingency Driving at Work	45				18	-27		
IT Support 24/7	30				13	-17		
I P D S								
	500		10	10	476	-24		
<u>TOTAL INCLUDING PENSIONS</u>	41,673	22,726	23,242	516	41,054	-619	2.3%	
PENSIONS								
Annual Pensions	4,579	2,800	2,832	32	4,708	129		
	4,579	2,800	2,832	32	4,708	129	1.1%	
<u>TOTAL EXCLUDING PENSIONS</u>	37,094	19,926	20,410	484	36,346	-748	2.4%	

PENSIONS ACCOUNT

	Pension Account 000's
Pension Account Deficit 2006-2007	1,838
Grant Received 2007-2008	-1,838
	0
INCOME	
Pension Contributions Employers (Old Scheme)	-1,956
Pension Contributions Employers (New Scheme)	-171
Pension Contributions Employees (Old Scheme)	-1,001
Pension Contributions Employees (New Scheme)	-103
Ill Health Charges	-355
Transfer Values Received	-21
Refund of Contributions	112
	-3,495
EXPENDITURE	
Annual Pensions	3,235
Annual Pensions - Widows	169
Annual Pensions - Children	11
Pension Inc Payments	1,249
Pensions - Lump Sum	150
Transfer Values Paid	56
	4,870
GOVERNMENT GRANTS RECEIVED	-2,959
NET DEFICIT / (SURPLUS) - BALANCE FROM / (TO) DCLG	-1,584