



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE MONITORING REPORT – TO 30 NOVEMBER 2008

Report of the Chief Fire Officer

Date: 09 January 2009

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2008/09 to the end of November 2008. This report analyses significant variances against the original budget.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

Tel : 0115 967 0880

Email : neil.timms@notts-fire.uov.uk

**Media Enquiries
Contact :** Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

- 1.1 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.
- 1.2 The format of the statement has changed this year, following work undertaken by the Finance Department to simplify the presentation of financial data and focus attention on those areas of the budget with the greatest risk of over or under spending. Additional information is now included, so that Members can see the level of unspent grant which has not yet been allocated to fund revenue expenditure.

2. REPORT

SUMMARY

- 2.1 The budget monitoring statement for November 2008 is showing an underspend to date of -£520k.
- 2.2 The projected out turn variance for the year is an underspend of -£1,005k, however, the forecasted outturn is still an estimate, and will be revised in the light of new information as the year progresses.
- 2.3 The underspend to date of -£520k and the projected underspend of -£1,005k are made up of several key variances. All variances greater than 10% of the profiled budget are marked with an "X" in Appendix A, although explanations of variances are only given where variances are over £10k.
- 2.4 The predicted underspend is significant as it represents approximately 2% of the revenue budget. As reported to Finance and Resources Committee in October, a large proportion of this underspend relates to pay and pension costs. A more detailed explanation is given below.
- 2.5 The full Revenue Budget Monitoring Statement is given as Appendix A to this report.

SIGNIFICANT VARIANCES

- 2.6 Wholetime Operational Pay: is showing an underspend to date of -£353k. This is a reduced underspend compared to last quarter, following the approval of Finance and Resources Committee to fund £525k of project expenditure from the surplus in the pay budget. The underspend has arisen in several areas: the wholetime operational pay budget is based on the approved establishment of 571, assuming that all employees are paid at competent rates of pay. There are currently a number of employees who are paid at development rates of pay and this has resulted in an underspend to

date of -£104k. During the period up to November 2008, the average number of employees in post has been 566.6 including 4.5 seconded posts which are supported by external funding. These latter posts may have been covered by employees acting up, but there has not been an additional 4.5 posts employed, resulting in an underspend to date of -£178k.

- 2.7 As from November 2008 the establishment strength will be at 560.1 but this position is anticipated to fall to 552.1 during December. The estimated outturn includes 12 additional new starters that are expected to be recruited in February 2009 from other Services. The saving to date arising from the vacancies in the establishment is estimated at -£209k to date with a further underspend of -£115k for the remainder of the year.
- 2.8 The budget for 2008/09 includes funding for several new initiatives – i.e a full time addition to the staffing pool and operational support officers. The addition to the staffing pool is not yet in post, and the additional operational support officer posts are unlikely to be filled before February 2009, resulting in an estimated outturn underspend of -£157k
- 2.9 The estimated outturn underspend of -£1,005k assumes that no additional firefighter trainees are appointed over and above the intake in August 2008, however it does include the anticipated 12 transferees to be appointed by February 2009. The external funding for seconded posts will continue to the end of the financial year, giving an additional underspend of -£89k. In addition if the number of employees in development remain the same for the remainder of the financial year this will result in an additional underspend of -£86k. No assumptions have been made for retirements between now and the financial year end, but if there are any retirements, this will further increase the underspend.
- 2.10 The underspends in the pay budget are impacting on the budget for employer's National Insurance contributions, which is estimated to underspend by -£71k by year end.
- 2.11 Partially offsetting all of the underspends listed above is the amount of funding approved from the pay budget underspend to finance one-off projects – this amounts to £525k .
- 2.12 Admin and Support Staff: is showing an underspend to date of -£127k. The underspend has arisen due to a number of posts being vacant during the year. Partially offsetting this is the cost of several temporary staff who have been appointed to either cover established posts or to support sections with one off projects. The forecast underspend of -£83k assumes that some of the vacancies will be filled during the remainder of the year.
- 2.13 Staff Training: is showing an overspend to date of £16k, but is expected to be contained within budget for the year. The overspend has arisen in two areas: 100% course fees have been paid for bursary students, but 50% reimbursements via payroll deductions will occur throughout the year; the short courses and conferences budget is overspent to date but will be monitored throughout the year and pulled back into line with the budget as necessary.

- 2.14 Employees Other Pension Costs: is showing an underspend to date of -£7k, The budget was based on an assumption of three upper and three lower tier ill health retirements in the year. The forecast outturn underspend of -£199k is based on there being no ill health retirements up to August 2008, one retirement in October 2008, and a possible additional one by the end of the financial year. These will all be upper tier retirements.
- 2.15 Premises costs: is showing an overspend to date of £123k. The overspend has arisen due to several large projects being completed in the first quarter. These include the replacement of the gates at Carlton fire stations, the gym at Bingham, installation of the fire alarm cabling at Headquarters and Service Development Centre and an office refurbishment at Central. Reactive building repairs only will be carried out after completion of these projects, and the budget will be closely monitored.
- 2.16 Direct Transport Costs: is showing an underspend to date of -£25k. This heading within the monitoring statement contains the budget for fuel which is proving difficult to monitor and predict due to the high increases in fuel costs followed by significant decreases, both within the year. It is estimated that with a level of usage consistent with that in 2007/08, the fuel budget of £295k will overspend by £69k by the end of the year if the price of fuel remains at its current level.
- 2.17 Car Allowances and Travel: is showing an underspend to date of -£30k. The budgets within this heading generally overspent in 2007/08, and a base budget review was conducted for some headings, although not for others. It is difficult to estimate the forecast outturn in this area, as travel does vary. At this stage it is estimated that the detachments travel budget will overspend by £93k and the home to base travel budget will overspend by £54k by end of the financial year. Offsetting these to some extent is the training travel budget and the other travel budgets which are estimated to underspend by -£89k by year end resulting in an estimated outturn overspend of £58k.
- 2.18 Insurance Costs: is showing an underspend to date of -£16k. The premiums budget includes £43k, for the provided car scheme which has yet to commence, and is not anticipated to before the end of the financial year. However, offsetting this underspend is the overspend on the existing insurance premium of £16k resulting in a net underspend of -£27k. The existing insurance premium overspend has been addressed during the 2009/10 budget process.
- 2.19 Office Equipment, Furniture and Expenses: is showing an underspend to date of -£43k. This is made up of underspends to date on office equipment (-£31k), stationery (-£4k) and postages (-£8k). At this stage, the budget is expected to be fully spent by year end.
- 2.20 Catering, Subsistence and Accommodation: is showing an overspend to date of £42k, comprising £9k catering purchases, £7k subsistence, £7k catering contract and £5k spoilt meals. The existing catering budgets have been addressed during the 2009/10 budget process.

- 2.21 Operational Equipment: is showing an overspend to date of £240k. This mainly relates to the integrated clothing project which has now commenced. All of the helmets have been delivered. The initial kit has been delivered, and the final delivery is expected by the end of the financial year. Protective clothing purchases have been made prior to the commencement of the project, which is also reflected in the actual to date. The project will cost £860k, and this will be funded from the earmarked reserve of £800k, and from the 2008/09 budget. At this stage the budget is expected to be fully spent by the end of the year, and no outturn variances are expected.
- 2.22 Orders have now been placed for operational equipment for the new appliances. Additional funding was allocated for 2008/09, for the purchase of specialist rescue confined space equipment £25k. The order for this is equipment has now been placed, and a partial delivery has been received. The remainder of the equipment is expected to be delivered by the end of the financial year, and no variance has been reported at this stage. The thermal cameras budgeted for this year were, in fact, purchased in 2007/08. However, the resulting underspend of -£50k, will be used to offset the anticipated overspend of £30k on Personal Protective Equipment for flood rescue, and the additional purchase of three defibrillators at £15k, for co-responding vehicles. The purchase of the intrinsically safe radios for £28k has been now been delivered and will be issued.
- 2.23 Community Safety Equipment: is showing an underspend to date of -£132k. Detailed work has been carried out to allocate budgets to various projects within Fire Prevention and to the Districts. There may well be an underspend at year end due to staff resource issues within the department, but this will be dependant on the timing of the recruitment of staff, and will be reported on in the next budget monitoring statement.
- 2.24 Smoke Alarms: is showing nil expenditure to date. The budget is for purchasing smoke alarms when the external grant funding expires during the year. So far this year, £65k has been spent on smoke alarms and there is a balance of £17k of grant funding. At this stage the budget is expected to be fully spent by the end of the year.
- 2.25 Capital Financing: underspends in the capital programme in 2007/08 and the decision to fund assets by borrowing rather than leasing has caused an underspend in capital financing charges. An underspend of -£54k is reflected in the capital contingency budget, which is included within non-pay contingencies. This has not been reported in the outturn as an underspend at this stage, as this will be kept under review as the year progresses and decisions are taken about borrowing and leasing. In addition, the underspends in the capital programme last year have resulted in an underspend of -£54k in the operating lease budget, which is shown within Transport.
- 2.26 Interest Receivable: is showing a surplus to date of -£17k. This budget is affected by investment interest rates and cash flow timings, both of which are difficult to predict. The majority of the pension top-up grant is received in July each year and this can be invested until it is required. The Authority borrowed £7m in November, from the Public Works Loans Board to fund this year's

anticipated capital programme expenditure. At this stage, no surplus against the budget target is forecast, as interest rates are now falling significantly.

- 2.27 Other income: is showing a deficit to date of £15k. This mainly relates to the donated income generated by the Fire Prevention department. Negotiations are underway with four companies, but currently no firm funding has been agreed. At this stage the estimated outturn deficit is £15k, but this will be kept under review and reported as the year progresses.
- 2.28 Contributions from Balances: a contribution from balances is unlikely to be required to support the budget, so a forecast negative variance of £50k is reported.
- 2.29 Pay Contingency of £458k comprises £250k for job sizing, £15k for job evaluation, £25k for salary protection, £140k for the non uniformed pay award, which is currently in arbitration, and the remainder of the firefighters' pay award contingency. The firefighters pay award has now been settled at 2.45% and this has resulted in an outturn underspend of -£86k, as the contingency provided for 3%. At this stage only the firefighters' pay award underspend is reflected as a saving. The budget monitoring report as at 31 December 2008 will reflect the impact of job sizing, but no saving is anticipated.
- 2.30 Non Pay Contingency of £272k comprises £75k for fire safety intervention, £16k for driving to work, £54k for capital, £16k for Fire Safety and £111k for the general contingency. Work has been carried out with all budget holders across the Service for the preparation of the 2009/10 budget and three year forecast, including a review of contingencies.

EARMARKED RESERVES

- 2.31 The Authority holds £2.4m of reserves earmarked for specific projects. Of this sum, the following amounts are likely to be applied to fund projects in 2008/09 in addition to the revenue budget funding:

	<u>Reserve Total</u>	<u>To Be Spent 08/09</u>	<u>Projected Balance</u>
<u>Project</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Integrated Clothing Project	800	800	0
Modernisation	110	110	0
Fire Safety Equipment etc	27	27	0
On Fire Fund for Community Projects	200	50	150
IT Systems	23	23	0
Capital and Other One-Off Items	300	170	130
Fire Link Control/ Fire link Transition	200	0	200
LPSA Reward Grant for LAA Objectives	741	207	534
Total	2,401	1,387	1,014

2.32 Of these activities, orders have been placed in respect of the Integrated Clothing Project and Modernisation. As at 30 November, 3 grants totalling £4.5k had been awarded from the On Fire Fund, and staff are in post and funded from the LPSA Reward Grant.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS PERSONNEL IMPLICATIONS

There are no human resources and learning and development implications arising directly from this report.

5. EQUALITY IMPACT ASSESSMENT

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

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. 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. Throughout the year, finance department staff work collaboratively with budget holders towards keeping expenditure within budget and improving financial performance.

9. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

Frank Swann
CHIEF FIRE OFFICER

APPENDIX A

MONITORING STATEMENT - 1st APRIL 2008 TO 30th November 2008

	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	FORECAST OUTTURN	Foecast Variance	VARIANCE ALERT
Employees										
Employees Operational	23,115	1,923	1,896	-27	15,383	15,031	-353	22,593	-522	0
Employees Operational Overtime	296	25	21	-4	173	149	-24	264	-32	X
Employees Control	1,072	90	116	26	710	712	2	1,063	-8	0
Employees Retained	3,477	283	275	-8	2,038	2,002	-37	3,317	-160	0
Employees Admin & Support	4,700	390	351	-38	3,257	3,130	-127	4,617	-83	0
Staff Training	321	27	13	-14	190	206	16	321		0
Employees Other Direct Costs	184	15	13	-3	117	110	-7	184		0
Employees Other Pension Costs	1,242	104	491	387	867	860	-7	1,043	-199	0
Pensions (year end FRS17)										0
Subtotal Employees	34,407	2,856	3,175	318	22,736	22,199	-537	33,402	-1,005	
Premises										
Premises - Repairs & Maint	579	40	15	-25	314	413	98	579		X
Premises - Repairs & Maint -Contract Work	75	9		-9	61	57	-4	75		0
Premises - Utilities	267	36	21	-15	170	176	6	267		0
Premises - Other	868	51	50	-1	552	575	23	868		0
Subtotal Premises	1,789	135	86	-49	1,097	1,220	123	1,789		
Transport										
Direct transport costs	1,249	104	61	-43	661	636	-25	1,318	69	0
Car Allowances & Travel	423	35	26	-9	281	251	-30	481	58	X
Capital Financing - Transport	180	15	2	-13	120	100	-20	126	-54	X
Subtotal Transport	1,851	154	88	-66	1,062	987	-74	1,925	74	
Supplies & Services										
Insurance Costs	509				420	404	-16	482	-27	0
Office Equipment, Furniture & Expenses	295	18		-18	185	142	-43	295		X
Information, Communications and Technology Equipment	1,063	90	24	-66	495	537	42	1,063		0
Telephone Charges	219	8	7	-1	121	129	8	219		0
Catering, Subsistence & Accommodation	148	12	11	-1	87	132	45	148		X
Services from External Providers	175	11	6	-6	95	102	7	175		0
Services from External Providers - Treasury	143				71	69	-2	143		0
Services from External Providers - Legal	142	12		-12	12	14	2	142		X
Services from External Providers - Medical	-5				-3	-3	1	-5		X
Services from External Providers - Consultants	80	6	3	-3	55	61	7	80		X
Services from External Providers - Across Bord	-15					-23	-23	-23	-8	X
Regional Management Board	148							148		0
Operational Equipment	887	72	48	-24	533	773	240	887		X
Community Safety Equipment	258	20	1	-19	178	46	-132	258		X
Smoke Alarms	48							48		0
Other Supplies & Services	477	33	15	-18	255	234	-22	483	6	0
Subtotal Supplies & Services	4,571	282	115	-168	2,503	2,618	115	4,542	-29	
Capital Financing										
Depreciation, Amortisation & Impairment										0
Minimum Revenue Provision	761							761		0
Interest on Finance Leases and Loans	530		2	2	276	262	-14	517	-13	0
Capital Financing - Other										0
Subtotal Capital Financing	1,291		2	2	276	262	-14	1,278	-13	
Democratic										
Democratic Costs	158	5	4	-1	85	73	-12	158		X
Subtotal Democratic	158	5	4	-1	85	73	-12	158		
Income										
Interest Receivable	-220	-18	-7	11	-147	-164	-17	-220		X
Government Grants										X
Other Income	-83	-7	-7		-56	-41	15	-68	15	X
Subtotal Income	-303	-25	-14	11	-202	-204	-2	-288	15	
Revenue Financing										
Contributions To / From Earmarked Reserves	-3							-3		X
Contributions from Balances	-50								50	0
Surplus / Deficit on Collection	-68	-6	-9	-3	-45	-63	-18	-68		X
Subtotal Revenue Financing	-121	-6	-9	-3	-46	-63	-18	-71	50	

