



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE MONITORING REPORT TO 31 AUGUST 2009

Report of the Chief Fire Officer

Date: 09 October 2009

Purpose of Report:

To report to Members on financial performance of the Service in the year 2009/10 to the end of August 2009. This report analyses significant variances against the original budget.

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1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire and Rescue Authority. Regular reporting of spending against both the revenue and capital budgets to the Finance and Resources Committee is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities. The revenue monitoring statement is shown as Appendix A to this report.

2. REPORT

SUMMARY

- 2.1 The budget monitoring statement for August 2009 is showing an underspend to date of -£790k.
- 2.2 The projected outturn variance for the year is an underspend of -£1,440k.
- 2.3 The underspend to date of -£790k and the projected underspend of -£1,440k 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 to date or projected variances are over £10k.
- 2.4 The full Revenue Budget Monitoring Statement is given as Appendix A to this report.

SIGNIFICANT VARIANCES

- 2.5 Wholetime Operational Pay: is showing an underspend to date of -£470k. The budget for 2009/2010 is based on an establishment of 567, and includes £75k for the funding of two Officers to work within the City and County structures around the Local Area Agreements. One post has been filled and the Service is awaiting some work around a review of the Crime and Disorder Partnership before appointing the second. The budget also includes £100k for new operational support officer posts. These have been deliberately left unfilled pending the outcomes of the Retained Review, resulting in an underspend to date for these new posts of -£72k. The average number of staff paid during the period reported is 538.58 against the approved establishment of 567.

The estimated outturn underspend of -£544k assumes 11 new trainee firefighters who commenced in September and a further 12 in December. In addition 24 posts will be filled by a combination of migration of employees from the Retained Duty System, and the recruitment of transferees from other Services. This process has been completed and those individuals start in December 2009. By the end of the year, the Service may be over-

established by 19, but this will depend upon the numbers of leavers between now and then.

- 2.6 Wholetime Operational Overtime: is consistently overspending to cover the under establishment of Wholetime employees. It is assumed at this stage that overtime will continue at a fairly constant level for the first six months of the year and then reduce as new employees are recruited. A temporary budget virement for £300k from the Wholetime Operational Pay budget to the Overtime budget has been actioned to recognise this issue. The final outturn will depend upon staffing levels during the year, although the amount is now expected to decline with the appointments arriving as detailed in Paragraph 2.5.
- 2.7 Administration and Support Pay: is currently showing an under spend of -£94k due to some vacancies in the first half of the year. The budget for 2009/10 was reduced by £100k to take into account an expected vacancy rate of 2%. It is anticipated that some of vacant posts will be filled, but that some of these posts will be filled by temporary agency staff which tend to cost more than the budget allocation. An outturn underspend of -£148k has therefore been assumed at this stage.
- 2.8 Employee Other Pension Costs: is showing an estimated outturn underspend of -£85k, this relates to the budget being based on 3 upper tier retirements and one additional upper tier from 2008/2009. The estimated outturn is based on 2 upper tier retirements in 2009/2010, one of which of which has been confirmed.
- 2.9 Premises costs: is showing an overspend to date of £88k. This overspend has arisen mainly due to the redecoration of Headquarters taking place early in the financial year. In addition work has been carried out at Eastwood fire station for emergency repairs and fencing after a break-in. Ashfield fire station has had repairs to the roof and been installed with cleaning room units. West Bridgford has had repairs to the fire alarm, gate alterations and repairs to the appliance room doors. This budget, however is volatile and will be closely monitored and reported, an estimated outturn overspend of £100k is anticipated at this stage.
- 2.10 Transport Costs: is showing an underspend to date of -£92k this mainly relates to the Fleet Maintenance budget. The fleet replacement programmes average age has fallen, which in turn has resulted in lower maintenance charges. The Capital financing underspend is mainly due to the 2008/2009 capital programme being financed from borrowing. An estimated outturn underspend of -£52k is assumed at this stage. This budget will be reviewed as part of the 2010/11 budget planning process.
- 2.11 Supplies and Services: is showing an underspend to date of -£210k. This mainly relates to the Fire Prevention department being significantly under established, which has hampered the delivery of some of the projects. This has resulted in various underspends on supplies and services. The Fire Prevention estimated outturn underspend is -£175k. In addition there is an estimated underspend of -£45k, relating to the premium for the provided car

scheme as this project has been comprehensively costed to ensure that it is robust and cost effective. There is an estimated outturn overspend of £20k for the mobile telephone charges, which is due to the move towards email phones with increased data costs. There is also an estimated outturn overspend of £7k due to an increase in the Occupational Health physician contract payment.

- 2.12 Savings Not Yet Allocated: is showing an estimated outturn underspend of -£106k at this stage. This budget will generally show an underspend as it is simply a means of identifying budgetary surpluses which have arisen from efficiency savings made during the year. It is effectively a pool of money which could be allocated elsewhere if the need arises.
- 2.13 Capital Financing: Minimum Revenue Provision is expected to underspend by -£17k due to minor changes in capital programme activity in 2008/09 compared to budget assumptions. The Repayment of External Loan Interest is expected to underspend by -£151k this is due to the falling interest rates and the delay in borrowing, as a result of current treasury management policy. This policy is to use cash reserves and surpluses to fund capital programme expenditure until such time as these surpluses are used up, when borrowing will take place. The difficulties and risks of investing funds in the current financial market climate are therefore minimised.
- 2.14 Interest Receivable: is showing a deficit to date of £126k and this is due to the current economic climate and the policy of using cash reserves rather than borrowing for the interim financing of the capital programme described above. Interest rates continued to fall after this budget had been set and it is very unlikely that the predicted income of £220k can be achieved this year, Currently, the Authority is receiving interest at only 0.08% on overnight investments and an estimated outturn adverse variance of £150k is reported at this stage.
- 2.15 Other Income: is showing a deficit outturn of £17k, this relates to donated income generated by the Fire Prevention department. Due to the current economic climate no firm funding from external companies has been confirmed.
- 2.16 Surplus on Collection : is expected to be -£72k more than the annual budget. Due to the late notification of an amendment to a particular Council's surplus after the budget deadline this budget would always have an underspending.
- 2.17 Contingencies: the pay award for the Fire-fighters has now been awarded at 1.25%, and been allocated. The pay award for the Admin Staff has been agreed at 1%, but not yet paid. Work will be carried out for the next budget monitoring report and the savings will be reported.
- 2.18 Trading Accounts: are currently showing a surplus of -£61k, spread across the three functions. Business plans are currently being compiled for both the Commercial Training and Fire Extinguisher Maintenance sections and when completed, an estimated outturn will be reported, based on these updated plans. The estimated outturn surplus of -£97k for Princes Trust, mainly

relates to more students on the teams, as the retention rate has increased from 62% to 93%. This is a positive outcome as more young people are benefiting from the programme, and the income budget will be reviewed during the budget process for 2010/2011.

2.19 The position in respect of the finances of the Prince's Trust needs to be regularised. There was never any intention that income from this activity would be used to support the Fire Authority revenue budget and the fluctuations in surplus/deficit are difficult to predict as they depend almost entirely on completion and retention rates of students. It is suggest that any surplus in the Princes Trust activity is effectively "ringfenced" to cover any future deficits and/or be used for specific activities more commensurate with the aims and objectives of the Princes Trust. This is particularly prudent as the funding moves from the Learning Skills Council to a revised framework in April 2010.

2.20 Pension Account: the table below the main monitoring statement shows a pension account surplus to date of -£855k. The pension top up grant of £3.4m has been received in August , which is a payment equivalent to 80% of the total estimated deficit for 2009/2010. This estimate is based on figures submitted to the CLG in October 2008. The remaining deficit will be funded in arrears, with the final payment for 2009/2010 expected in July 2010.

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 or 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

- 9.1 That Members note the contents of this report.
- 9.2 That Members approve the ringfencing of funds arising from Prince's Trust activities.

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

None.

Frank Swann
CHIEF FIRE OFFICER

MONITORING STATEMENT - 1st APRIL 2009 TO 31st August 2009										
	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	Appendix A FORECAST OUTTURN	Foecast Variance	VARIANCE ALERT
Employees										
Employees Operational	23,578	1,987	1,891	-95	9,793	9,323	-470	23,033	-544	0
Employees Operational Overtime	608	63	78	15	253	274	21	608		0
Employees Control	1,077	89	104	15	444	433	-11	1,035	-42	0
Employees Retained	3,482	287	286		1,171	1,138	-33	3,283	-199	0
Employees Admin & Support	4,808	423	402	-21	2,083	1,989	-94	4,660	-148	0
Staff Training	386	32	8	-24	127	118	-9	386		0
Employees Other Direct Costs	200	17	15	-2	77	85	8	200		X
Employees Other Pension Costs	920	77	68	-9	515	470	-44	835	-85	0
Pensions (year end FRS17)										0
Subtotal Employees	35,060	2,974	2,853	-122	14,463	13,830	-633	34,041	-1,019	
Premises										
Premises - Repairs & Maint	497	63	22	-40	221	309	88	597	100	X
Premises - Repairs & Maint - Contract Work	75	31		-31	31	32	1	75		0
Premises - Utilities	353	29	20	-9	115	105	-10	353		0
Premises - Other	962	68	272	204	392	410	18	962		0
Subtotal Premises	1,886	191	314	123	760	856	97	1,986	100	
Transport										
Direct transport costs	1,388	116	87	-29	542	453	-89	1,356	-32	X
Car Allowances & Travel	458	38	30	-8	146	152	5	458		0
Capital Financing - Transport	228	19	3	-16	95	86	-8	208	-20	0
Subtotal Transport	2,074	173	120	-53	783	691	-92	2,022	-52	
Supplies & Services										
Insurance Costs	526		1	1	437	395	-42	481	-45	0
Office Equipment, Furniture & Expenses	286	35	13	-23	106	111	5	286		0
Information, Communications and Technology Equipment	1,169	151	55	-96	515	478	-38	1,169		0
Telephone Charges	221	9	10	67	67	67		241	20	0
Catering, Subsistence & Accommodation	185	15	16	1	67	76	9	185		X
Services from External Providers	138	9	2	-7	48	46	-1	136	-2	0
Services from External Providers - Treasury	147	35		-35	35	35		147		0
Services from External Providers - Legal	127	11	1	-10	42	42	-1	127		0
Services from External Providers - Medical	41	3		-4	9		-9	47	7	X
Services from External Providers - Consultants	53	4	1	-4	22	23	1	37	-16	0
Services from External Providers - Across Bord	-15							-15		0
Regional Management Board	148							148		0
Operational Equipment	659	55	50	-4	239	244	4	657	-2	0
Community Safety Equipment	248	21	2	-19	102	33	-69	202	-46	X
Smoke Alarms	120	10	26	16	50	55	5	100	-20	X
Other Supplies & Services	746	59	8	-50	292	216	-76	658	-88	X
Savings Not Yet Allocated	106								-106	0
Subtotal Supplies & Services	4,902	419	184	-235	2,030	1,821	-210	4,604	-299	
Capital Financing										
Depreciation, Amortisation & Impairment										0
Minimum Revenue Provision	1,158							1,141	-17	0
Interest on Finance Leases and Loans	846	78	82	5	107	107	1	695	-151	0
Capital Financing - Other										0
Subtotal Capital Financing	2,004	78	82	5	107	107	1	1,836	-168	
Democratic										
Democratic Costs	161	10	8	-2	40	47	7	161		X
Subtotal Democratic	161	10	8	-2	40	47	7	161		
Income										
Interest Receivable	-220	-18		18	-92	34	126	-70	150	X
Government Grants										0
Other Income	-63	-5	2	8	-26	-22	4	-46	17	X
Subtotal Income	-283	-24	2	26	-118	12	130	-116	167	
Revenue Financing										
Contributions To / From Earmarked Reserves	-116				-116	-116		-116		0
Contributions from Balances										0
Surplus / Deficit on Collection	-11	-1		1	-5	-33	-29	-83	-72	X
Subtotal Revenue Financing	-127	-1		1	-120	-149	-29	-199	-72	
Contingencies										
Pay Contingencies	422							422		0
Nonpay Contingencies	318							318		0
Subtotal Contingencies	740							740		
Account Surplus / Deficit	46,418	3,820	3,564	-257	17,945	17,216	-729	45,074	-1,343	
Total Including Trading	46,329	3,767	3,553	-300	18,058	17,269	-790	44,889	-1,440	

	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	FORECAST OUTTURN	Foecast Variance	VARIANCE ALERT
TRADING ACCOUNTS										
Fire Extinguisher Maintenance										
Income	-310	-26	-32	6	-187	-115	71	-310		X
Expenditure	228	19	16	3	184	72	-112	228		X
Surplus / (Deficit)	-82	-7	-15	8	-3	-43	-41	-82		
Commercial Training Unit										
Income	-148	-12	-4	-8	-85	-34	50	-148		X
Expenditure	133	11	10	2	105	43	-62	133		X
Surplus / (Deficit)	-15	-1	5	-7	21	9	-12	-15		
Princes' Trust										
Income	-275	-69		-69	-138	-1	136	-357	-82	X
Expenditure	283	24	15	9	234	89	-145	268	-15	X
Surplus / (Deficit)	8	-45		-45	96	87	-9	-88	-97	0
Trading Account Total Surplus / Deficit	-89	-53	-10	-43	114	53	-61	-186	-97	X

PENSION ACCOUNT

Transfer Values Received			-16	-16		-9	-9			
Transfer Values Paid										
Pension Top Up Grant Paid in Arrears						138	138			
Employee Pension Contributions New Scheme			-22	-22		-122	-122			
Employee Pension Contributions Old Scheme			-140	-140		-692	-692			
Employer Contributions - Current Service			-271	-271		-1,337	-1,337			
Employer Contributions - New Scheme			-27	-27		-158	-158			
Ill Health Charges						-169	-169			
Pension Enhance - Lump Sum						691	691			
Annual Pensions - Childrens			1	1		9	9			
Annual Pensions - Widows			22	22		157	157			
Annual Pensions - Non Uniformed										
Annual Pensions			424	424		2,787	2,787			
Pension Contributions - Arrears						-2	-2			
Pension Increase Act Payments			175	175		1,229	1,229			
Pension Fund Admin Costs										
Pension Top Up Grant Paid in Advance						-3,379	-3,379			
Pension Account Total			146	146		-855	-855			

GRANT AND EXTERNAL FUNDING

Regional Management Board Expenditure	16
Fire Setters	-28
Arson Task Force	-155
Smoke Alarm Grant	-17
Safe as Houses - Smoke Alarms	-22
Community Fire Safety - Innovation Fund	-31
Resilience Crewing and Training	-70
New Burdens - FireControl & Firelink Project	-712
Fire Link - P Tuckwood Secondment	26
Fire Prevention Grant	-173
Enhanced Command Support	21
	-1,144