



**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 2009

Report of the Chief Fire Officer

**Date:** 08 January 2010

**Purpose of Report:**

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

## CONTACT OFFICER

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## 1. BACKGROUND

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 November 2009 is showing an underspend to date of £1,220k.
- 2.2 The projected outturn variance for the year is an underspend of £2,284k.
- 2.3 The underspend to date of £1,220k and the projected underspend of £2,284k 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. The final underspend at the end of the financial year will be transferred to general reserves, however it is possible to earmark specific reserves which can be used to fund major anticipated capital schemes, projects or other one off items the Authority may wish to procure. During the budget process, several such items have been identified, in the light of knowledge that an underspend is predicted. It is recommended that approval is given for part of the underspend this year to be used to create earmarked reserves and also to fund one-off expenditure identified in the budget process which can be brought forward into 2009/10. These items total £1,196k and, if approved, would still leave an underspend of approximately £1,088k to be transferred to reserves at year end. Details are given later in this report.
- 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 £834k. The budget for 2009/10 is based on an establishment of 567, and includes £75k for the funding of 2 officers to work across themes and lead on Local area agreements. These posts have yet to be filled. The budget also includes £100k for new operational support officer posts, which have not yet been filled resulting in an underspend to date for these all of these new posts of £102k. The average number of staff paid during the period reported is 542.82 against the approved establishment of 567.

The estimated outturn underspend of £784k, allows for a further 10 new recruits to be appointed in December 09. In addition it is assumed that when posts become vacant they will be filled by a combination of migration of employees from the Retained Duty System, and the recruitment of transferees from other Services.

- 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 use of overtime will be removed in the new year, except at the discretion of the Crewing Section where clear deficiencies have been identified. The final outturn will depend upon staffing levels during the year, and further virements will be actioned if necessary.
- 2.7 Administration and Support Pay: is currently showing an under spend of £112k 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 vacant posts will be filled, but that some of these posts will be covered by temporary agency staff which tend to cost more than the budget allocation. An outturn underspend of £129k has therefore been assumed at this stage.
- 2.8 Employee Other Pension Costs: is showing an estimated outturn underspend of £72k. This has arisen because the budget is based on an assumption of 3 upper tier retirements. The estimated outturn is based on 2 upper tier retirements in 2009/10, one of which has been confirmed.
- 2.9 Premises costs: is showing an overspend to date of £220k. 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 has been installed with cleaning room units. West Bridgford fire station has had repairs to the fire alarm, gate alterations and repairs to the appliance room doors. This budget is volatile and will be closely monitored and reported on. An estimated outturn overspend of £100k is anticipated at this stage. Additional estates work of £500k has been identified in paragraph 2.21 to be financed from the overall underspend in 2009/10.
- 2.10 Transport Costs: is showing an underspend to date of £277k which mainly relates to Fleet Maintenance and the fuel budget. The average age of the fleet has fallen, which in turn has resulted in lower maintenance charges. In addition the fuel tank renewal project is now complete and fuel is now being purchased in bulk at a reduced rate. An estimated outturn underspend of £70k is anticipated at this stage. The capital financing underspend is mainly due to the 2008/09 transport capital programme being financed by borrowing rather than leasing. An estimated outturn underspend of £20k is assumed at

this stage. This ongoing budget has been reviewed as part of the 2010/11 budget planning process.

- 2.11 Supplies and Services: is showing an underspend to date of £310k. 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. The information, Communications and Technology Equipment budget includes a net budget of £348k in anticipation of charges for Firelink, the new radio communications service. At the time the budget was prepared, the start date was unknown so an April 2009 commencement was assumed. CLG has now announced that Firelink Charges will be made to Fire and Rescue Services from 2010/11 so there is a current year saving of the whole £348k. In addition there is an estimated underspend of £45k, relating to the insurance premium for the provided car scheme which has recently been approved, but not yet implemented. There is an estimated outturn overspend of £20k for mobile telephone charges, which is due to the move to 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 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 £179k 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 certain that the predicted income of £220k cannot 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 surplus outturn of £212k, this mainly relates to a reimbursement of £166k for costs relating to the co-responding legal case in a previous year which was not budgeted for as it was uncertain. In addition an estimated outturn deficit of £17k relates to the 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. This is due to the late notification of an amendment to a particular Council's surplus after the budget deadline.
- 2.17 Contingencies: the pay award for Firefighters has now been settled at 1.25%, and been allocated. The pay award for the Admin Staff has been agreed at 1%. The savings are in the order of £170k.
- 2.18 Trading Accounts: are currently showing a surplus to date of £36k, spread across the three functions. Business plans have been compiled for both the Commercial Training and Fire Extinguisher Maintenance sections and an estimated outturn deficit of £49k against the budget is reported, based on these updated plans. However the outturn position for Fire Extinguisher Maintenance is expected to be a surplus of income over expenditure in the order of £58k. There is an estimated outturn surplus of -£99k for the Princes Trust which mainly relates to increased numbers of students, with the retention rate increased from 62% to 93%.
- 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 suggested 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. For this reason, the Princes Trust forecast surplus has been excluded from the total forecasted underspend.
- 2.20 Pension Account: the table below the main monitoring statement shows a pension account deficit to date of £817k. The deficit will be funded in arrears by the department for Communities and Local Government, with the final payment for 2009/10 expected in July 2010.

## **PROPOSED USE OF REVENUE UNDERSPEND**

- 2.21 Given the difficult financial times anticipated ahead, it would be prudent to plan how to best use the revenue budget underspend this year. During the 2010/11 budget process, bids were made for various items of a "one-off" nature and, where these items have been approved in principle by CMB, it is proposed that they be funded by the underspend. Some can be brought forward and actioned in 2009/10, whilst others will require earmarked reserves to be created from the underspend and carried forward into 2010/11. These are listed below and total £946k:

<b>Items Brought Forward into 2009/10</b>	<b>£</b>	<b>Date</b>	<b>Department</b>
Thermal Cameras	20,000	2009/10	Engineering
Consultancy services support for the Cleaning, grounds Maintenance & Window Cleaning Contract	15,000	2009/10	Estates
Consultancy services support for the Planned Preventative & Reactive Maintenance Contract	25,000	2009/10	Estates
Installation of electronic availability screens for retained Fire Fighters	18,000	2009/10	Estates
SDC gym / fitness room	5,000	2009/10	Estates
Compressor housing - Edwinstow & Collingham	12,000	2009/10	Estates
Training for Ultrasys IT system - Estates asset management and facilities management	4,500	2009/10	Estates
New generator for standby power at HQ	18,000	2009/10	Estates
Uninterruptable power supply for the main access gates to HQ	4,500	2009/10	Estates
Consultancy fees to support minor works projects detailed above - design & specification for site works	45,000	2009/10	Estates
Provision & installation of automatic meter readers to all sites for electricity, gas & water	45,000	2009/10	Estates / Environmental
Window replacement of single glazed windows - HQ	55,000	2009/10	Estates / Environmental
Environmental / lighting replacement with energy efficient units	25,000	2009/10	Estates / Environmental
Environmental / heating control modification	20,000	2009/10	Estates / Environmental
Video Cameras	2,500	2009/10	Fire Protection
Large Screen Monitors	6,000	2009/10	Fire Protection
Skid car frame for blue-light training	27,000	2009/10	Learning & Development
Install audio-visual training equipment into SDC classrooms	30,000	2009/10	Learning & Development
E- Recruitment, ability to apply for jobs online	10,000	2009/10	Personnel
<b>Total</b>	<b>387,500</b>		

<b>Earmarked Reserves to be Created in 2009/10</b>	<b>£</b>	<b>Date</b>	<b>Department</b>
Innner Cordon Equipment	20,000	2010/11	Engineering
Breathing Apparatus	30,000	2010/11	Engineering
New Equipment for SRT	15,000	2010/11	Engineering
Animal Rescue Equipment	15,000	2010/11	Engineering
Secondment of Building Surveyor for asset management data collection, recording and planning	23,000	2010/11	Estates
Environmental / drainage works for compliance to statutory legislation	175,000	2010/11	Estates / Environmental
Environmental / boiler replacement works for energy reduction in selected sites	25,000	2010/11	Estates / Environmental
Fixed Assets System	18,500	2010/11	Finance
Mobile Working Improvements	5,000	2010/11	Fire Protection
Fire Protection Leaflet initiative	2,000	2010/11	Fire Protection
Sharepoint - Intranet Team Sites	95,000	2010/11	ICT
PA Amplifiers for 25 Stations at £125 per station	125,000	2010/11	ICT
CFRMIS upgrade Version 5 Web Based	10,000	2010/11	ICT
<b>Total</b>	<b>558,500</b>		

2.22 In addition there is some capital programme of a “one-off” nature and it is proposed that the revenue underspend be used as a contribution to capital, which effectively finances the whole cost by way of the revenue budget in the year. These items total £250k and this will assist with savings in future years’ budgets.

Revenue Contribution to Capital re Mansfield Reception	25,000
Revenue Contribution to Capital re HQ Refurbishment	139,000
Revenue Contribution to Capital re Stapleford Fire Station	86,000
Total	<b>250,000</b>

### **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, other than the impacts in those departments in respect of items in Paragraph 2.21.

### **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**

It is recommended that Members:

9.1 Note the contents of this report.

- 9.2 Approve the proposal to “ring fence” future Prince’s Trust surpluses for the Prince’s Trust project.
- 9.3 Approve the creation of earmarked reserves and one off expenditure as set out in Paragraphs 2.21 and 2.22 of the report.

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

None.

Frank Swann  
**CHIEF FIRE OFFICER**



## Appendix A

MONITORING STATEMENT - 1st APRIL 2009 TO 30th November 2009											Appendix A
	ANNUAL	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	FORECAST	Foecast	VARIANCE	
	BUDGET	MONTH	MONTH	MONTH	YTD	YTD	YTD	OUTTURN	Variance	ALERT	
<b>Employees</b>											
Employees Operational	23,578	1,975	1,910	-65	15,876	15,042	-834	22,794	-784	0	
Employees Operational Overtime	608	76	63	-12	431	474	44	608	0	0	
Employees Control	1,077	90	142	52	715	754	39	1,078	1	0	
Employees Retained	3,482	292	302	10	2,047	2,017	-30	3,295	-187	0	
Employees Admin & Support	4,863	416	417	2	3,317	3,205	-112	4,734	-129	0	
Staff Training	408	34	25	-9	243	248	5	386	-22	0	
Employees Other Direct Costs	220	17	42	25	147	109	-38	200	-20	X	
Employees Other Pension Costs	920	63	47	-15	702	655	-47	848	-72	0	
Pensions (year end FRS17)										0	
<b>Subtotal Employees</b>	<b>35,167</b>	<b>2,961</b>	<b>2,949</b>	<b>-12</b>	<b>23,479</b>	<b>22,605</b>	<b>-874</b>	<b>33,944</b>	<b>-1,213</b>		
<b>Premises</b>											
Premises - Repairs & Maint	497	40	60	20	339	485	146	597	100	X	
Premises - Repairs & Maint -Contract Work	75	6	4	-2	50	26	-24	75		X	
Premises - Utilities	353	42	34	-8	219	163	-56	353		X	
Premises - Other	949	67	191	124	507	660	153	949		X	
<b>Subtotal Premises</b>	<b>1,874</b>	<b>165</b>	<b>289</b>	<b>134</b>	<b>1,115</b>	<b>1,335</b>	<b>220</b>	<b>1,973</b>	<b>100</b>		
<b>Transport</b>											
Direct transport costs	1,388	116	89	-26	909	675	-233	1,318	-70	X	
Car Allowances & Travel	458	38	37	-1	267	257	-9	458		0	
Capital Financing - Transport	228	19	1	-18	152	117	-35	208	-20	X	
<b>Subtotal Transport</b>	<b>2,074</b>	<b>173</b>	<b>127</b>	<b>-45</b>	<b>1,327</b>	<b>1,050</b>	<b>-277</b>	<b>1,984</b>	<b>-90</b>		
<b>Supplies &amp; Services</b>											
Insurance Costs	526		1	1	526	399	-127	481	-45	X	
Office Equipment, Furniture & Expenses	281	18	26	8	173	208	36	281		X	
Information, Communications and Technology Equipment	1,172	64	76	12	664	758	93	824	-348	X	
Telephone Charges	221	8	9	9	122	116	-6	241	20	0	
Catering, Subsistence & Accommodation	185	15	15	15	115	130	15	185		X	
Services from External Providers	138	9	9	9	82	144	62	140	2	X	
Services from External Providers - Treasury	147				37	74	37	147		X	
Services from External Providers - Legal	127	11		-11	74	3	-71	147	20	X	
Services from External Providers - Medical	41	3	-1	-4	27	1	-26	47	7	X	
Services from External Providers - Consultants	53	4	3	-2	-9	37	45	37	-16	X	
Services from External Providers - Across Bord	-15	-1		1	-9	-38	-29	-15		X	
Regional Management Board	148	12		-12	86	-104	-191	148		X	
Operational Equipment	659	55	52	-3	386	375	-11	657	-2	0	
Community Safety Equipment	248	20	25	5	168	72	-97	202	-46	X	
Smoke Alarms	120	10	7	-3	80	89	9	100	-20	X	
Other Supplies & Services	799	74	29	-45	407	356	-51	711	-88	X	
Savings not allocated	106				106				-106		
<b>Subtotal Supplies &amp; Services</b>	<b>4,955</b>	<b>303</b>	<b>251</b>	<b>-52</b>	<b>3,036</b>	<b>2,620</b>	<b>-310</b>	<b>4,333</b>	<b>-622</b>		
<b>Capital Financing</b>											
Depreciation, Amortisation & Impairment										0	
Minimum Revenue Provision	1,158							1,141	-17	0	
Interest on Finance Leases and Loans	846	-2		2	-17	362	379	695	-151	X	
Capital Financing - Other										0	
<b>Subtotal Capital Financing</b>	<b>2,004</b>	<b>-2</b>		<b>2</b>	<b>-17</b>	<b>362</b>	<b>379</b>	<b>1,836</b>	<b>-168</b>		
<b>Democratic</b>											
Democratic Costs	161	10	10		70	79	9	161		X	
<b>Subtotal Democratic</b>	<b>161</b>	<b>10</b>	<b>10</b>		<b>70</b>	<b>79</b>	<b>9</b>	<b>161</b>			
<b>Income</b>											
Interest Receivable	-220	-18		18	-147	33	179	-70	150	X	
Government Grants						-8	-8			X	
Other Income	-63	-5	-16	-11	-42	-213	-171	-212	-149	X	
<b>Subtotal Income</b>	<b>-283</b>	<b>-24</b>	<b>-16</b>	<b>8</b>	<b>-188</b>	<b>-188</b>	<b>0</b>	<b>-282</b>	<b>1</b>		
<b>Revenue Financing</b>											
Contributions To / From Earmarked Reserves	-197				-197	-197		-197		X	
Contributions from Balances										0	
Surplus / Deficit on Collection	-11	-1		1	-7	-50	-42	-83	-72	X	
<b>Subtotal Revenue Financing</b>	<b>-208</b>	<b>-1</b>		<b>1</b>	<b>-205</b>	<b>-247</b>	<b>-42</b>	<b>-280</b>	<b>-72</b>		
<b>Contingencies</b>											
Pay Contingencies	363							193	-170	0	
Nonpay Contingencies	318	24		-24	189		-189	318		X	
<b>Subtotal Contingencies</b>	<b>681</b>	<b>24</b>		<b>-24</b>	<b>189</b>		<b>-189</b>	<b>511</b>	<b>-170</b>		
<b>Total Excluding Trading</b>											
<b>Account Surplus / Deficit</b>	<b>46,415</b>	<b>3,598</b>	<b>3,610</b>	<b>12</b>	<b>28,806</b>	<b>27,515</b>	<b>-1,184</b>	<b>44,180</b>	<b>-2,235</b>		
<b>Total Including Trading</b>											
<b>Account Surplus / Deficit</b>	<b>46,330</b>	<b>3,614</b>	<b>3,611</b>	<b>27</b>	<b>28,882</b>	<b>27,556</b>	<b>-1,220</b>	<b>44,046</b>	<b>-2,284</b>		

	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	FORECAST OUTTURN	Foecast Variance	VARIANCE ALERT
<b>TRADING ACCOUNTS</b>										
<b>Fire Extinguisher Maintenance</b>										
Income	-310	-26	-18	-7	-335	-161	175	-277	33	X
Expenditure	229	19	18	2	296	123	-173	219	-10	X
Surplus / (Deficit)	<b>-81</b>	<b>-7</b>	<b>-1</b>	<b>-6</b>	<b>-40</b>	<b>-38</b>	<b>2</b>	<b>-58</b>	<b>23</b>	
<b>Commercial Training Unit</b>										
Income	-148	-12	-8	-5	-157	-57	100	-94	54	X
Expenditure	134	11	9	2	169	72	-98	107	-27	X
Surplus / (Deficit)	<b>-14</b>	<b>-1</b>	<b>2</b>	<b>-3</b>	<b>12</b>	<b>14</b>	<b>2</b>	<b>13</b>	<b>27</b>	
<b>Princes' Trust</b>										
Income	-275		-90	90	-275	-96	179	-357	-82	X
Expenditure	285	24	22	1	379	160	-219	268	-17	X
Surplus / (Deficit)	<b>10</b>	<b>24</b>	<b>24</b>	<b>104</b>	<b>64</b>	<b>-40</b>	<b>-89</b>	<b>-99</b>		X
<b>Trading Account Total Surplus / Deficit</b>	<b>-85</b>	<b>16</b>	<b>1</b>	<b>16</b>	<b>77</b>	<b>40</b>	<b>-36</b>	<b>-134</b>	<b>-49</b>	<b>X</b>

**PENSION ACCOUNT**

Transfer Values Received						-151	-151			
Transfer Values Paid										
Pension Top Up Grant Paid in Arrears						138	138			
Employee Pension Contributions New Scheme			-25	-25		-214	-214			
Employee Pension Contributions Old Scheme			-139	-139		-1,102	-1,102			
Employer Contributions - Current Service			-270	-270		-2,132	-2,132			
Employer Contributions - New Scheme			-34	-34		-278	-278			
Ill Health Charges			-448	-448		-207	-207			
Pension Enhance -Lump Sum			272	272		1,855	1,855			
Annual Pensions - Childrens			1	1		14	14			
Annual Pensions - Widows			28	28		230	230			
Annual Pensions - Non Uniformed										
Annual Pensions			443	443		4,202	4,202			
Pension Contributions - Arrears						-3	-3			
Pension Increase Act Payments			175	175		1,843	1,843			
Pension Fund Admin Costs										
Pension Top Up Grant Paid in Advance						-3,379	-3,379			
<b>Pension Account Total</b>			<b>2</b>	<b>2</b>		<b>817</b>	<b>817</b>			

**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
	<b>-1,144</b>