



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE MONITORING REPORT TO 28 FEBRUARY 2010

Report of the Chief Fire Officer

Date: 09 April 2010

Purpose of Report:

To report to Members on financial performance of the Service in the year 2009/10 to the end of February 2010. This report analyses significant variances against the original budget.

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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 January 2010 is showing an underspend to date of £1,088k.
- 2.2 The projected outturn variance for the year is an underspend of £1,251k (excluding the Trading Accounts).
- 2.3 The underspend to date of £1,088k and the projected underspend of £1,251k 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 £132k. The budget for 2009/10 is based on an establishment of 567. The average number of staff paid during the period reported is 549.37 against the approved establishment of 567. However by the end of February, the headcount stood at 560.5, with the ridership expected to be fully established by the end of March.
- 2.6 Wholetime Operational Overtime: is showing an estimated outturn overspend of £144k, as a result of consistent overspending to cover the under establishment of Wholetime employees. A temporary budget virement for £300k from the Wholetime Operational Pay budget to the Overtime budget has been actioned. The use of overtime to cover establishment vacancies was stopped in January as it was no longer necessary following recruitment of firefighters and the projected overspend at year end is £79k.
- 2.7 Employee Other Direct Expenses: is showing an estimated outturn underspend of £39k. This mainly relates to recruitment advertising and the legal and removal expenses budgets and this has been addressed in the 2010/11 budget.

- 2.8 Employee Other Pension Costs: is showing an estimated outturn underspend of £88k. This has arisen because the budget is based on an assumption of 3 upper tier retirements. The estimated outturn underspend of £114k is based on no further ill health retirements in 2009/10.
- 2.9 Premises Costs: is showing an underspend to date of £24k. An additional £191k has been approved to fund one-off expenditure identified in the budget process, some projects have been delayed and may not be completed until 2010/11 and these projects will be closely monitored and reported at year end. As some projects may slip into 2010/11 it may be necessary to create an earmarked reserve for 2010/11. An estimated outturn overspend of £125k is anticipated at this stage, which takes account of the possible requirement to create earmarked reserves.
- 2.10 Premises Utilities: is showing an underspend to date of £30k, this is due to both the gas and electricity bills being estimated and bills being received late. The estimated outturn overspend of £70k mainly relates to an increase in gas prices, and a high consumption anticipated to the end of the year. The contract for both gas and electricity is being reviewed and this has been addressed in the budget for 2010/11. Installation of automated meter readers is in progress and will help to monitor the usage of utilities and ensure regular billing in the future.
- 2.11 Premises Other Costs: is showing an estimated outturn overspend of £80k, which mainly relates to the revaluation of premises for business rates. This issue has been addressed in the 2010/11 budget.
- 2.12 Direct Transport Costs: is showing an estimated outturn underspend of £144k, £100k relates to Fleet Maintenance because the average age of the fleet has fallen, which in turn has resulted in lower maintenance charges. The fuel tank renewal project is now complete and fuel is being purchased in bulk at a reduced rate which has resulted in an estimated outturn underspend of £12k. The number of anticipated blue light installations to date has been lower due to officers holding back on car replacements pending the outcome of the provided car scheme. This has resulted in an estimated outturn underspend of £32k.
- 2.13 Car Allowances and Travel: is showing an estimated outturn underspend of £30k. It is difficult to identify a single reason for this underspend and it is proposed that this budget be closely monitored over the next few months with a view to making budget savings if the underspends prove to be sustainable.
- 2.14 Capital Financing Costs for Transport: is showing an underspend to date of £60k, 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.
- 2.15 Supplies and Services: is showing an underspend to date of £398k. This mainly relates to two areas: firstly 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 of £162k is based on figures for December. Secondly the insurance budget of £89k to cover any uninsured losses, which are impossible to predict with accuracy, has only been used to the extent of £11k giving an underspend of £78k. There are additional estimated net outturn underspends totalling £35k, which mainly relate to: an estimated outturn underspend of £45k for the insurance premium for the provided car scheme which has not yet commenced; £17k due to no further medical appeals anticipated in 2009/10 and £21k relating to partnership working. The estimated outturn overspends mainly relate to £20k for mobile telephone charges, which is due to the move to email phones with increased data costs and £20k relating to catering charges services from external providers.

- 2.16 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.
- 2.17 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 the temporary treasury management policy put into place this year. This policy was 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 were therefore minimised.
- 2.18 Interest Receivable: is showing a deficit to date of £140k 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.
- 2.19 Other Income: is showing an 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. Offsetting this is an estimated outturn deficit of £17k relating to the donated income generated by the Fire Prevention department. Due to the current economic climate funding from external companies is unlikely to be forthcoming.
- 2.20 Revenue Financing: During the 2010/11 budget process, bids were made for various items of a "one-off" purchases totalling £388k. These items were approved by the Finance and Resources Committee in January to be funded from the underspend and are reported in the estimated outturns. In addition it was approved that £559k will be earmarked for one off expenditure and

carried forward into 2010/11, and £250k will be used to finance part of the capital programme for 2009/10.

- 2.21 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.
- 2.22 Contingencies: the pay award for Firefighters was settled at 1.25% and has been allocated. The pay award for Admin Staff has been agreed at 1%. The savings are in the order of £171k.
- 2.23 Contingencies other: is showing a estimated outturn underspend of £303k, which is made up of several budgets. £54k relates to capital financing, £95k for general non pay which has not been required this year, £70k for the provided car project which is due to commence in the later part of the year, and £32k relating to general inflation which has not been required due to low inflation in year.
- 2.24 Trading Accounts: are currently showing a surplus to date of £104k, spread across the three functions, with an estimated outturn surplus of £64k by the end of the year. The Commercial Training Unit has reviewed its prices to come into line with other external providers, however the take up of the courses has yet to reflect the anticipated number budgeted for. This will be monitored and reported on in the next budget monitoring report. The outturn position for Fire Extinguisher Maintenance is expected to be a surplus of income over expenditure in the order of £12k. There is an estimated outturn surplus of £79k for the Prince's Trust which mainly relates to increased numbers of students, with the retention rate increased from 62% to 93%. It has been agreed 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.
- 2.25 Pension Account: the table below the main monitoring statement shows a pension account deficit to date of £1,534k. 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.

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

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 2009 TO 28th FERUARY 2010

	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	FORECAST OUTTURN	FORECAST VARIANCE	VARIANCE ALERT
Employees										
Employees Operational	22,940	1,925	1,988	63	21,068	20,936	-132	22,832	-108	0
Employees Operational Overtime	608	26	44	18	508	652	144	687	79	X
Employees Control	1,077	89	74	-15	976	991	16	1,094	17	0
Employees Retained	3,372	277	251	-27	2,829	2,814	-15	3,317	-55	0
Employees Admin & Support	4,763	407	421	14	4,433	4,430	-3	4,752	-10	0
Staff Training	408	34	28	-6	345	319	-25	401	-7	0
Employees Other Direct Costs	230	27	7	-20	208	152	-56	191	-39	X
Employees Other Pension Costs	920	63	45	-18	890	801	-88	806	-114	0
Subtotal Employees	34,318	2,848	2,858	11	31,255	31,096	-159	34,080	-238	
Premises										
Premises - Repairs & Maint	688	230	46	-184	648	624	-24	813	125	0
Premises - Repairs & Maint - Contract Work	75	6	3	-3	69	69	1	75		0
Premises - Utilities	353	25	48	22	298	268	-30	423	70	X
Premises - Other	949	67	4	-63	714	864	151	1,029	80	X
Subtotal Premises	2,064	328	101	-227	1,729	1,826	97	2,340	276	
Transport										
Direct transport costs	1,388	116	52	-64	1,204	868	-336	1,244	-144	X
Car Allowances & Travel	458	38	28	-10	381	339	-43	428	-30	X
Capital Financing - Transport	228	19	1	-18	209	149	-60	208	-20	X
Subtotal Transport	2,074	173	81	-91	1,794	1,356	-438	1,880	-194	
Supplies & Services										
Insurance Costs	526				526	398	-128	403	-123	X
Office Equipment, Furniture & Expenses	278	17	8	-9	240	251	12	278		0
Information, Communications and Technology Equipment	955	70	37	-33	827	884	57	955		0
Telephone Charges	221	8	7	-2	177	162	-15	241	20	0
Catering, Subsistence & Accommodation	185	15	7	-8	161	174	13	204	19	0
Services from External Providers	138	9	-61	-71	117	104	-12	143	5	X
Services from External Providers - Treasury	147				109	109		147		0

Services from External Providers - Legal	127	11	78	67	106	81	-25	127		X
Services from External Providers - Medical	41	3	1	-3	37	1	-36	24	-17	X
Services from External Providers - Consultants	143	94	14	-80	107	89	-17	128	-15	X
Services from External Providers - Across Bord	-15	-1		1	-13	-38	-25	-15		X
Regional Management Board	148	12		-12	123	111	-12	148		0
Operational Equipment	693	89	75	-15	585	594	9	692	-1	0
Community Safety Equipment	256	20	15	-5	236	120	-117	226	-30	X
Smoke Alarms	120	10	19	9	110	117	7	100	-20	0
Other Supplies & Services	857	116	29	-87	597	489	-108	743	-114	X
Savings not allocated	106								-106	
Subtotal Supplies & Services	4,924	474	227	-247	4,044	3,646	-398	4,543	-381	
Capital Financing										
Depreciation, Amortisation & Impairment										0
Minimum Revenue Provision	1,158							1,141	-17	0
Interest on Finance Leases and Loans	846	-2	14	16	389	389		695	-151	0
Subtotal Capital Financing	2,004	-2	14	16	389	389		1,836	-168	
Democratic										
Democratic Costs	161	10	9	-1	101	109	8	161		0
Subtotal Democratic	161	10	9	-1	101	109	8	161		
Income										
Interest Receivable	-220	-18	-1	17	-202	-62	140	-70	150	X
Government Grants										0
Other Income	-63	-5	-41	-36	-58	-222	-164	-212	-149	X
Subtotal Income	-283	-24	-42	-18	-259	-283	-24	-282	1	
Revenue Financing										
Contributions To / From Earmarked Reserves	232	-6	539	545	238	232	-6	232		0
Revenue contributions to Capital	250							250		0
Surplus / Deficit on Collection	-11	-1	-8	-7	-10	-74	-64	-83	-72	X
Subtotal Revenue Financing	471	-7	530	537	228	158	-70	399	-72	
Contingencies										

Pay Contingencies	364							193	-171	0
Nonpay Contingencies	317							14	-303	0
Subtotal Contingencies	681							207	-474	
Total Excluding Trading Account Surplus / Deficit	46,415	3,800	3,778	-22	39,280	38,296	-985	45,164	-1,251	
Total Including Trading Account Surplus / Deficit	46,330	3,816	3,762	10	39,321	38,233	-1,088	45,015	-1,315	

	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	FORECAST OUTTURN	Foecast Variance	VARIANCE ALERT
<u>TRADING ACCOUNTS</u>										
Fire Extinguisher Maintenance										
Income	-310	-26	-36	10	-484	-245	239	-280	30	X
Expenditure	229	19	19		410	178	-232	187	-42	X
Surplus / (Deficit)	-81	-7	-17	11	-74	-67	8	-93	-12	
Commercial Training Unit										
Income	-148	-12	-6	-6	-230	-74	156	-97	51	X
Expenditure	134	11	8	3	233	98	-135	110	-24	X
Surplus / (Deficit)	-14	-1	2	-3	3	24	20	13	27	
Princes' Trust										
Income	-275		1	-1	-413	-249	164	-342	-67	X
Expenditure	285	24	29	-5	524	228	-295	273	-12	X
Surplus / (Deficit)	10	24		24	111	-20	-132	-69	-79	X
<u>Trading Account Total Surplus / Deficit</u>										
	-85	16	-16	32	41	-63	-104	-149	-64	X

PENSION ACCOUNT

Transfer Values Received			-4	-4		-195	-195			
Transfer Values Paid										
Pension Top Up Grant Paid in Arrears						-278	-278			
Employee Pension Contributions New Scheme			-32	-32		-310	-310			
Employee Pension Contributions Old Scheme			-136	-136		-1,509	-1,509			
Employer Contributions - Current Service			-262	-262		-2,919	-2,919			
Employer Contributions - New Scheme			-41	-41		-402	-402			
Ill Health Charges						-207	-207			
Pension Enhance -Lump Sum						2,317	2,317			
Annual Pensions - Childrens			1	1		18	18			
Annual Pensions - Widows			25	25		305	305			

Annual Pensions - Non Uniformed Annual Pensions	477	477	5,638	5,638
Pension Contributions - Arrears			-4	-4
Pension Increase Act Payments	203	203	2,456	2,456
Pension Fund Admin Costs				
Pension Top Up Grant Paid in Advance			-3,379	-3,379
<u>Pension Account Total</u>	<u>231</u>	<u>231</u>	<u>1,534</u>	<u>1,534</u>

GRANT AND EXTERNAL FUNDING

Regional Management Board Expenditure	-82
Fire Setters	-28
Arson Task Force	-155
Smoke Alarm Grant	-22
Safe as Houses - Smoke Alarms	-19
Community Fire Safety - Innovation Fund	-31
Resilience Crewing and Training	-73
New Burdens - FireControl & Firelink Project	-634
Fire Link - P Tuckwood Secondment	27
Fire Prevention Grant	-173
Enhanced Command Support	-23
	<u>-1,213</u>