



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 2010

Report of the Chief Fire Officer

Agenda Item No:

Date: 15 October 2010

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2010/11 to the end of August 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 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. The revenue monitoring statement is shown as Appendix A to this report.

2. REPORT

SUMMARY

- 2.1 The budget monitoring statement for August 2010 is showing an underspend to date of £916k (excluding the Trading Accounts).
- 2.2 The projected outturn variance for the year is an underspend of £2,313k (excluding the Trading Accounts).
- 2.3 The underspend to date of £916k and the projected underspend of £2,313k 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.
- 2.5 This budget monitoring report should be viewed within the context of the current economic situation. The Service is embarking upon a full budget review in anticipation of a reduction in budget next year and underspends accruing in this financial year are expected to either be transferred to reserves or used to fund any one-off costs of implementing budget reductions.

SIGNIFICANT VARIANCES

- 2.6 Wholetime Operational Pay: is showing an underspend to date of £358k. The budget for 2010/11 is based on an establishment of 567 and the average number of staff paid during the period reported is 560.38 against the approved establishment of 567. However by the end of August, the headcount stood at 556.58. In addition, £91k of the underspend is due to some employees being paid on a lower pay scale than that budgeted for. The underspend is certain to increase in size in the second half of the year as 1 wholetime employee retires in September, with a further 2 retirements in October. The projected outturn underspend of £1,048k takes account of the 8 trainees starting September 2010. The underspend to date has been managed to ensure that the ridership has been maintained with day duty employees reassigned to cover risk critical gaps. Although front line fire and

rescue services have been protected from the impact of vacancies, project work and some community safety activity has inevitably suffered and this is evident in the underspend reported in paragraph 2.16.

- 2.7 Wholetime Operational Overtime: is showing an estimated outturn underspend of £9k. This outturn assumes that overtime continues at the current levels for the remainder of the year. The use of overtime to cover establishment vacancies was stopped in January as it was no longer necessary following recruitment of firefighters.
- 2.8 Administrative Pay: The budget for Administrative and Support staff pay totals around £5m for the year and is showing an underspend to the end of August of £37k. There are currently 6 vacant posts and it is difficult to predict when these will be filled. An estimated outturn underspend of £131k is anticipated at this stage.
- 2.9 Retained Pay: The budget for Retained pay is showing an underspend to date of £41k. The estimated outturn underspend of £71k is based on the remainder of the year being consistent with the actual for 2009/10.
- 2.10 Staff Training: is showing an underspend to date of £32k. This mainly relates to tuition fees for external training providers and CPD / short courses and seminars. The training budgets will be reviewed during the budget process and any savings will be reported.
- 2.11 Employees Other Direct Expenses : is showing an underspend to date of £18k. This mainly relates to the recruitment advertising budget.
- 2.12 Employee Other Pension Costs: is showing an underspend to date of £66k. This has arisen because the budget for the ill health retirement charges is based on the experience of ill health retirements that occurred in previous years. No new retirements are known yet for 2010/11. The estimated outturn underspend of £155k is based on there being no ill health retirements in 2010/11.
- 2.13 Premises costs: is showing an underspend to date of £30k in total. The budget for repairs and maintenance is showing an underspend to date but it is not anticipated at this stage that there will be an underspend at the end of the year. The estimated outturn overspend of £25k on utilities relates to electricity, this is due to a combination of usage and price increases.
- 2.14 Direct Transport Costs: is showing an underspend to date of £17k, of which £6k relates to fuel which is now being purchased in bulk at a reduced rate resulting in an underspend. Work will be carried out during the budget process to ascertain any budget savings. The number of anticipated blue light installations to date has been lower due to officers holding back on car replacements pending the introduction of the provided car scheme. This has resulted in an estimated outturn underspend of £27k.

- 2.15 Car Allowances and Travel: is showing an underspend to date of £21k, this mainly relates to the officers NJC scheme (£18k) and training-related travel (£18k). The estimated outturn underspend of £40k is based on the activity levels being consistent with 2009/10.
- 2.16 Supplies and Services: is showing an underspend to date in total of £239k. 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 Community Safety equipment budget is currently underspent by £131k, due to the building project at Mansfield which has impacted upon the ordering of supporting materials for the schools educational programmes and out of the classroom activities. As the work is soon to be completed and with the return of the schools in the new academic year it is hoped that resources can be ordered and expenditure will be back on track and deliveries can be made. The information and technology budget is showing an estimated outturn underspend of £304k. This relates to the costs of FireLink, which were assumed in the budget to be commencing from April 2010. A draft CLG circular outlining the estimated 3 year spend for the FireLink project and the grant receivable to cover additional costs has clarified that charges will not start until later this year. The insurance budget is anticipated to have an underspend this year of £18k relating to insurance on light vehicles for the provided car scheme. The services from external providers – medical budget is showing an estimated outturn underspend of £10k mainly relating to medical fees for ill health cases.
- 2.17 Interest Receivable: is showing a deficit to date of £7k. The budget for 2010/11 has been reduced significantly to reflect the current low interest rates; however it is still difficult to predict the levels of income likely to be received as this depends upon cash flow and the timing of borrowing.
- 2.18 Revenue Financing: During the 2010/11 budget process, the surplus deficit on collection was excluded as this was anticipated to be an insignificant amount. The surplus of £122k was more than anticipated, and this will be now used for one off expenditure during 2010/2011 or transferred to reserves at year end.
- 2.19 Other Income: is showing a surplus of £18k mainly in respect of one special service charge of £16k.
- 2.20 Contingencies: The recent emergency budget indicated that there would be a pay freeze in this financial year. If this is the outcome of pay negotiations, the result will be an outturn underspend of £267k.
- 2.21 Trading Accounts: are currently showing a surplus £11k over the three functions. The Commercial Training Unit was disbanded at the end of August with a deficit to date of £2k, although there may be some further outstanding transactions over the next two months. Fire Extinguisher Maintenance became an arms length Company from September 2010. The company will operate as “Nottinghamshire Fire and Rescue Service (Trading) Ltd” and as

an arms length company it will be charged for the support services provided to it by Nottinghamshire Fire and Rescue Service. The next monitoring report to Members will show the trading company financial position separately.

- 2.22 Pension Account: the table below the main monitoring statement shows a pension account surplus to date of £2,624k. This is due to £3.4m grant being received in July 2010 from the department for Communities and Local Government.

TRANSFERS TO RESERVES

- 2.23 It is considered to be prudent at this stage in the financial year to set aside some of the underspend by transferring an amount into the Authority's general reserve. This would have the benefit of focussing attention on any new variances which materialise from this point as well as increasing reserves at an earlier stage in the year than is usual, which may be helpful in the budget planning process. It is therefore recommended that the following underspends to date are transferred to general reserves: £350k from wholtime pay, £110k from ICT equipment, £130k from community safety equipment, £40k from the surplus on the collection fund. This will add £630k to the existing general reserves of £4,364k giving a total of £4,994k

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. QUALITY IMPACT ASSESSMENT

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 a transfer of part of the underspend to date, totalling £630k, to general reserves.

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

None.

Frank Swann
CHIEF FIRE OFFICER

MONITORING STATEMENT - 1st APRIL 2009 TO 31st AUGUST 2010

Appendix A

	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	FORECAST OUTTURN	Forecast Variance	VARIANCE ALERT
Employees										
Employees Operational	24,055	1,981	1,910	-70	10,059	9,701	-358	23,007	-1,048	0
Employees Operational Overtime	308	26	25	-1	103	110	7	299	-9	0
Employees Control	1,105	92	85	-7	458	460	2	1,104	-1	X
Employees Retained	3,335	278	278		1,127	1,085	-41	3,264	-71	0
Employees Admin & Support	5,055	421	432	11	2,201	2,165	-37	4,924	-131	0
Staff Training	561	47	22	-24	192	160	-32	561	X	X
Employees Other Direct Costs	188	16	3	-13	65	47	-18	188	X	X
Employees Other Pension Costs	817	60	47	-13	430	364	-66	663	-155	X
Pensions (year end FRS17)										0
Subtotal Employees	35,425	2,920	2,803	-117	14,636	14,092	-543	34,010	-1,415	
Premises										
Premises - Repairs & Maint	488	43	25	-18	213	155	-58	488		X
Premises - Repairs & Maint - Contract Work	81	7		-7	34	36	2	81		0
Premises - Utilities	357	25	34	8	135	140	5	382	25	0
Premises - Other	1,064	78	201	123	395	415	21	1,064		0
Subtotal Premises	1,991	152	260	107	776	746	-30	2,015	25	
Transport										
Direct transport costs	1,358	113	63	-50	345	328	-17	1,331	-27	0
Car Allowances & Travel	447	37	38	1	169	149	-21	407	-40	X
Capital Financing - Transport	237	20		-20	94	93	-1	237		0
Subtotal Transport	2,042	170	101	-69	608	570	-38	1,975	-67	
Supplies & Services										
Insurance Costs	513	1		-1	455	455	1	495	-18	0
Office Equipment, Furniture & Expenses	274	17	12	-5	102	97	-5	274		0
Information, Communications and Technology										
Equipment	1,315	69	43	-26	571	455	-116	1,011	-304	X
Telephone Charges	209	9	14	5	64	74	10	209		X
Catering, Subsistence & Accommodation	195	16	7	-9	69	55	-15	195		X
Services from External Providers	151	10	8	-3	46	43	-2	151		0
Services from External Providers - Treasury	145				36	44	8	153	8	X
Services from External Providers - Legal	147	12	1	-12	49	36	-13	147		X
Services from External Providers - Medical	41	3		-4	17	-1	-17	31	-10	X
Services from External Providers - Consultants	58	5	7	2	37	35	-2	58		0
Services from External Providers - Across Bord	19	2		-2				19		0
Regional Management Board	148	12		-12				148		0
Operational Equipment	790	66	106	40	331	364	33	790		X
Community Safety Equipment	286	23	6	-17	117	-14	-131	286		X
Smoke Alarms	120	10	20	10	50	62	12	120		X
Other Supplies & Services	748	56	51	-6	259	257	-1	748		0
Savings not allocated	31							31		0
Subtotal Supplies & Services	5,189	311	273	-38	2,203	1,964	-239	4,865	-324	
Capital Financing										
Depreciation, Amortisation & Impairment										
Minimum Revenue Provision	1,603							1,449	-154	0
Interest on Finance Leases and Loans	1,111	7	83	76	133	133		1,111		0
Capital Financing - Other										0
Subtotal Capital Financing	2,714	7	83	76	133	133		2,560	-154	
Democratic										
Democratic Costs	166	10	10		42	58	15	177	11	X
Subtotal Democratic	166	10	10		42	58	15	177	11	
Income										
Interest Receivable	-50	-4	-1	3	-21	-13	7	-50		X
Government Grants	-136							-136		0
Other Income	-40	-3	-4	-1	-32	-50	-18	-40		X
Subtotal Income	-226	-7	-6	1	-53	-63	-10	-226		
Revenue Financing										
Contributions To / From Earmarked Reserves	-30					-30	-30	-30		X
Contributions from Balances										0
Surplus / Deficit on Collection		-1		1	-5	-45	-40	-122	-122	X
Subtotal Revenue Financing	-30	-1		1	-5	-75	-70	-152	-122	
Contingencies										
Pay Contingencies	549							282	-267	0
Nonpay Contingencies	374							374		0
Subtotal Contingencies	922							656	-267	
Total Excluding Trading										
Account Surplus / Deficit	48,193	3,563	3,524	-39	18,341	17,425	-916	45,880	-2,313	
Total Including Trading										
Account Surplus / Deficit	48,112	3,580	3,518	-16	18,387	17,459	-928	45,822	-2,290	

TRADING ACCOUNTS	ANNUAL BUDGET	BUDGET MONTH	ACTUAL MONTH	VARIANCE MONTH	BUDGET YTD	ACTUAL YTD	VARIANCE YTD	FORECAST OUTTURN	Forecast Variance	VARIANCE ALERT
Fire Extinguisher Maintenance										
Income	-279	-23	-29	6	-86	-132	-47	-279		X
Expenditure	201	17	18	-2	83	89	6	201		0
Surplus / (Deficit)	-77	-6	-11	4	-2	-43	-41	-77		
Commercial Training Unit										
Income	-143	-12		-11	-41	-16	25	-16	127	X
Expenditure	139	12	5	7	58	35	-23	35	-104	X
Surplus / (Deficit)	-4		4	-4	16	19	2	19	23	
Princes' Trust										
Income	-279				-85	-46	39	-279		X
Expenditure	279	23	19	4	116	105	-12	279		X
Surplus / (Deficit)		23		23	32	59	27			X
Trading Account Total Surplus / Deficit	-81	17	-7	23	46	34	-11	-58	23	X

PENSION ACCOUNT

Transfer Values Received						-133	-133		
Transfer Values Paid						41	41		
Pension Top Up Grant Paid in Arrears			138	138		-1,449	-1,449		
Employee Pension Contributions New Scheme			-27	-27		-162	-162		
Employee Pension Contributions Old Scheme			-140	-140		-672	-672		
Employer Contributions - Current Service			-272	-272		-1,301	-1,301		
Employer Contributions - New Scheme			-35	-35		-210	-210		
Ill Health Charges						-76	-76		
Pension Enhance - Lump Sum			123	123		513	513		
Annual Pensions - Childrens			2	2		8	8		
Annual Pensions - Widows			24	24		149	149		
Annual Pensions - Non Uniformed									
Annual Pensions			465	465		2,907	2,907		
Pension Contributions - Arrears						-2	-2		
Pension Increase Act Payments			205	205		1,224	1,224		
Pension Fund Admin Costs									
Pension Top Up Grant Paid in Advance			-3,379	-3,379		-3,461	-3,461		
Pension Account Total			-2,897	-2,897		-2,624	-2,624		

GRANT AND EXTERNAL FUNDING

Regional Management Board Expenditure	-81
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

-1,213