



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 2011

Report of the Chief Fire Officer

Agenda Item No: 5

Date: 1 April 2011

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2010/11 to the end of February 2011. 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 CMB 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 February 2011 is showing an underspend to date of £2,507k (excluding the Trading Accounts).
- 2.2 The projected outturn variance for the year is an underspend of £2,852k (excluding the Trading Accounts).
- 2.3 The underspend to date of £2,507k and the projected underspend of £2,852k are made up of several key variances.
- 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. Following the Revenue Support Grant settlement and the resulting reduction in future years' budgets, 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.
- 2.6 Members will recall that it has been a deliberate policy during 2010/11 to create underspends wherever possible to enable subsequent transfers to balances to be used to support the transition to greatly reduced budgets in 2011/12 and beyond. Many of the underspends within the significant variances have been allowed to accrue for this reason.

SIGNIFICANT VARIANCES

- 2.7 Wholetime Operational Pay: is showing an underspend to date of £472k. The budget for 2010/11 is based on an establishment of 567 posts and the average number of staff paid during the period reported is 560.58 against the approved establishment of 567. However throughout the year the establishment has stood below this. In addition, £186k 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 as a further 4 retirements are due March 2011 resulting in a projected outturn underspend of £665k. 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 2.18.

- 2.8 Wholetime Operational Overtime: is showing an underspend to date of £73k. The outturn underspend of £89k assumes that overtime continues at the current levels for the remainder of the year. The use of overtime to cover establishment vacancies will be monitored closely and reported.
- 2.9 Control Pay : is currently showing an underspend to date of £53k: £27k of the underspend is due to some employees being paid on a lower pay scale than that budgeted for and this is estimated to increase to £30k by the end of the year. Although there have not been vacancies within Control, some of the posts are funded by New Burdens grant in recognition of the work they have been doing to support the FiReControl project. This has resulted in the underspend shown.
- 2.10 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 February of £58k with an estimated outturn underspend of £75k. This outturn includes £155k to be received to the end of the financial year for externally funded posts. There are currently 4.6 vacant posts and this situation is likely to continue, with only the most urgent recruitment taking place and other vacancies held as potential redeployment opportunities.
- 2.11 Retained Pay: The budget for Retained pay is showing an underspend to date of £96k. The estimated outturn underspend of £127k is based on the remainder of the year being consistent with the same period for 2009/10.
- 2.12 Staff Training: is showing an underspend to date of £104k with an estimated outturn underspend of £42k. This mainly relates to tuition fees for external training providers and CPD / short courses and seminars. These underspends have been addressed during the budget process for 2011/12 and budget reductions will be implemented in these areas.
- 2.13 Employees Other Direct Costs : is showing an underspend to date of £24k. The estimated outturn underspend of £22k relates to the recruitment and selection budget underspending by £25k, due to a slow down in recruitment. The legal and removal expenses budget is estimated to underspend by £5k.
- 2.14 Employee Other Pension Costs: is showing an underspend to date of £183k. 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 expected in 2010/11 and the estimated outturn underspend of £154k is based on this assumption.
- 2.15 Premises costs: is showing an overspend to date of £39k in total, with an expected outturn overspend of £54k. The budget for repairs and maintenance is showing an overspend to date of £23k but it is not anticipated that there will be an overspend at the end of the year. The estimated outturn overspend of £45k on utilities relates to gas and electricity due to a combination of usage and price increases - these issues have been addressed in the budget for 2011/12.

- 2.16 Direct Transport Costs: is showing an underspend to date of £145k, of which £43k is due to the number of anticipated blue light installations to date being 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 £49k. In addition the workshop charges for the fleet maintenance is underspending to date by £115k, although profiling this budget is difficult as there are often significant delays between the work being carried out and invoices being received. This issue will be addressed as the Transport Department is in the process of retendering for this contract. The budget holder anticipates that there will be an estimated outturn underspend of £75k.
- 2.17 Car Allowances and Travel: is showing an underspend to date of £27k, this mainly relates to training-related travel (£44k). The estimated outturn underspend of £40k is based on the activity levels being consistent with 2009/10. These budgets have been reviewed when compiling the 2011/12 budget.
- 2.18 Supplies and Services: is showing an underspend to date in total of £431k. 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 £144k. The insurance budget is anticipated to have an underspend this year of £56k relating to insurance on light vehicles for the provided car scheme. Other supplies and services is showing an underspend to date of £142k mainly due to the Fire Prevention and Response budget for Contribution to Partnership working underspending to date by £132K, in addition both the hydrant maintenance is underspent by £47k and the stationery budget is underspending by £44k. Both Fire Prevention non pay budgets and stationery budgets have been reduced in 2011/12.
- 2.19 Democratic Costs: is showing an estimated outturn overspend of £11k due to members submitting outstanding claims relating to the previous financial year.
- 2.20 Interest Receivable: is showing a deficit to date of £1k. The budget for 2010/11 was reduced significantly to reflect the current low interest rates; however the estimated outturn of £62k is based on the fact that the Service has had higher levels of surplus cash to invest this year.
- 2.21 Government Grants: is showing a surplus to date of £135k relating to grants being received for FireLink, New Burdens Fire Control project and a DCLG Grant for Resilience Crewing and Training: the expenditure relating to these projects is contained within the main body of the report.
- 2.22 Other Income: is showing a surplus of £119k to date which relates to income received for special services and other miscellaneous income. In addition it includes £64k for the final declared surplus on Collection Fund which was more than anticipated.
- 2.23 Revenue Financing: During the 2010/11 budget process it was recommended at the Finance and Resources Committee on 15 October that a total of £630k

would be transferred to general reserves in year. It was also agreed to purchase an Aerial Ladder Platform appliance. This has now been ordered and will be funded by a contribution from the revenue budget underspend.

- 2.24 Contingencies: The Government has indicated that there will be a public sector pay freeze in this financial year. If this is the outcome of pay negotiations, the result will be an outturn underspend of £491k and £113k relating to other pay related contingencies. In addition the Provided Car Scheme will not be implemented in the current financial year resulting in a contingency underspend of £70k. The other non pay contingencies are not anticipated to be used this financial year and this results in an estimated outturn underspend of £253k.
- 2.25 Trading Accounts: are currently showing a surplus of £53k over the three functions. The Commercial Training Unit was disbanded at the end of August with a deficit outturn of £21k. The 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. This monitoring report reflects the activities of the function up to the end of August 2010.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

Strict management of the establishment and the training requirements to support the establishment have been necessary as the Service prepared itself for reduced budgets. The Strategic Management Team is now in the process of managing down the establishment in an incremental process which will reduce the impact on individuals and reduce the potential for large redundancy payments. The training budget has been re-assessed for 2011/12 and the Service will continue to monitor its requirements as the establishment reduces.

5. EQUALITY IMPACT ASSESSMENT

An 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

Nottinghamshire Fire and Rescue Budget Monitoring February 2011

	Budget	Budget YTD	Actual YTD	Commitments	Variance	Estimated Outturn	Forecast Variance
<u>Employees</u>							
Employees Operational	23,690	21,715	21,243		-472	23,025	-665
Operational Overtime	308	257	183		-73	219	-89
Employees Control	1,105	1,011	958		-53	1,047	-58
Employees Retained	3,282	2,731	2,635		-96	3,155	-127
Employees Admin and Support	5,017	4,747	4,688		-58	4,942	-75
Employee Other Pension Costs	817	796	612		-183	663	-154
Staff Training	559	521	375	41	-104	517	-42
Employee Other Direct Costs	200	172	148		-24	178	-22
Subtotal Employees	34,979	31,948	30,843	41	-1,064	33,746	-1,233
<u>Premises</u>							
Premises - Repairs & Maint.	598	548	512	59	23	598	
Premises' - Utilities	488	443	467		24	533	45
Premises Other	1,066	877	867	3	-8	1,074	8
Subtotal Premises	2,151	1,868	1,845	62	39	2,205	54
<u>Transport</u>							
Direct Transport Costs	1,285	1,037	847	45	-145	1,181	-104
Car Allowances & Travel	578	530	503		-27	542	-36
Capital Financing - Transport	237	166	166			237	
Subtotal Transport	2,100	1,733	1,516	45	-172	1,960	-140

	Budget	Budget YTD	Actual YTD	Commitments	Variance	Estimated Outturn	Forecast Variance
<u>Supplies and Services</u>							
Insurance Costs	545	545	475		-71	489	-56
Office Equipment	129	122	63	1	-59	79	-50
Information, Communications and Technology Equipment	1,205	1,105	956	39	-110	1,205	
Telephone Charges	211	194	163		-31	211	
Catering, Subsistence	179	129	168	2	40	188	9
Services from External Providers	463	394	379		-16	468	5
Cross Border Agreements - Payments	19	-1				19	
Regional Management Board	148	135	111		-24	148	
Operational Equipment	902	827	803	137	114	940	38
Community Safety Equipment	198	181	28	9	-144	40	-158
Other Supplies & Services	837	767	609	15	-142	785	-52
Subtotal Supplies & Services	4,957	4,508	3,874	203	-431	4,693	-263
<u>Capital Financing</u>							
Subtotal Capital Financing	2,714	601	631		30	2,560	-154
<u>Democratic</u>							
Democratic Core	176	115	123	2	10	187	11
Subtotal Democratic Core	176	115	123	2	10	187	11
<u>Income</u>							
Interest Receivable	-50	-46	-45		1	-62	-12
Government Grant	-136	-125	-259		-135	-260	-124
Other Income	-204	-183	-302		-119	-360	-156
Subtotal Income	-390	-354	-606		-253	-682	-292

	Budget	Budget YTD	Actual YTD	Commitments	Variance	Estimated Outturn	Forecast Variance
Revenue Financing							
Contribution to Earmarked Reserve	59	54			-54	59	
Contribution from Earmarked Reserve	-53	-49	-30		19	-53	
Contribution to Balances	630	630			-630	630	
Revenue Contribution to Capital						94	94
Subtotal Revenue Financing	636	636	-30		-666	730	94
Contingencies							
Miscellaneous Corporate Contingency	927						-927
Subtotal Contingencies	927						-927
Total Excluding Trading Accounts	48,251	41,056	38,197	352	-2,507	45,399	-2,852
Total Including Trading Accounts	48,109	40,951	38,216	366	-2,369	45,346	-2,763
Commercial Training							
Expenditure	131	121	38	0	-83	38	-93
Income	-143	-131	-17	0	114	-17	126
Total	-12	-10	21	0	31	21	33
Fire Equipment Maintenance							
Expenditure	79	62	117	0	55	117	38
Income	-162	-115	-144	0	-29	-144	18
Total	-83	-53	-27		26	-27	56
Princes' Trust							
Expenditure	291	268	273	14	19	291	
Income	-338	-310	-248	0	62	-338	
Total	-47	-42	25	14	81	-47	
Total Trading Accounts	-142	-105	19	14	138	-53	89