



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE MONITORING TO 31 JANUARY 2012

Report of the Chief Fire Officer

Agenda Item No:

Date: 30 March 2012

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2011/12 to the end of January 2012. 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 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.
- 1.2 The budget monitoring statement shows a predicted underspend of over £3m by the year end, which under normal circumstances would be regarded as a serious underspend. However, this needs to be seen against the backdrop of the organisation seeking to manage significant budget reductions many of which were timed to coincide with the implementation of the changes flowing from the Fire Cover Review. The consequent slowdown in recruitment and holding of vacancies has had a serious impact upon budgets for staff costs as well as other incidental costs such as training, uniforms, travel etc. This coupled with a general energising of staff to make budget reductions early in the process has generated these significant underspends most of which are already reflected in reducing budgets in 2012/2013 and after.

2. REPORT

SUMMARY

- 2.1 The budget monitoring statement for January 2012 is showing an underspend to date of £3,520k. The projected outturn variance for the year is an underspend of **£3,057k**.
- 2.2 The underspend to date of £3,520k and the projected underspend of £3,057k are made up of several key variances, the most significant of which are explained in this report.
- 2.3 The budget monitoring statement for the period up to 30 November 2011 showed a projected outturn underspend of £2,217k. The key changes which have caused the projection to increase by £881k are as follows:
 - There has been a virement between the employees and the premises categories, as explained in the main report, but the employees category has an underlying increased underspend of £52k due to continuing vacancies.
 - Income has a new reported underspend relating to a seconded employee for which the income was not budgeted – this amounts to £100k.
 - The main area where there has been a movement since November is the supplies and services category, with new or increased reported underspends for protective clothing £106k, printing and stationery £43k, cross border charges £34k, insurance £32k, marketing and publicity

£19k, public consultation £39k, Regional Management Board £121k, contingencies and budget savings £328k.

- 2.4 The full Revenue Budget Monitoring Statement is given as Appendix A to this report.

SIGNIFICANT VARIANCES

2.5 EMPLOYEES

Employees expenditure is showing an underspend to date of £1,072k. This underspend is expected to increase to **£1,376k** by the end of the financial year.

- 2.6 Wholetime Operational Pay: (annual budget £23,524k, which has been reduced by a virement of £200k for backlog maintenance approved by Finance and Resources Committee on 9 December 2011). This is expected to underspend by **£790k** and is based on filled posts as at January 2012 of 528 (the full establishment is 559). During the period reported the total number of retirements and resignations was 28. Members will be aware that vacancies in the establishment have been managed pending the implementation of the Fire Cover Review. 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 2.24. The ridership is now under some strain, and overtime will be used to maintain cover until the implementation of Fire Cover Review proposals is complete.
- 2.7 Administrative Pay: (annual budget £5,004k). The budget for Administrative and Support staff pay is showing an underspend to date of £161k with an estimated outturn underspend of **£202k**. There have been vacancies during the year and this situation is likely to continue, with only the most urgent recruitment taking place and other vacancies held as potential redeployment opportunities with agency staff providing temporary cover in some instances.
- 2.8 Retained Pay: (annual budget £3,335k). The budget for retained pay is showing an underspend to date of £199k. The estimated outturn underspend of **£362k** is based on the remainder of the year being consistent with the same period for 2010/11 but also includes an estimate of the sum due to be paid this year in respect of bank holiday pay entitlement (£50k). Activity levels are approximately 2% lower than those for the equivalent period last year and the underspend has arisen in respect of retaining fees plus drills and training. The cost of retained pay is volatile and the budget has been maintained at a prudent level over the past few years. A review of the required level for the retained pay budget would be worth undertaking during the next budget process.
- 2.9 Cooks Pay: (part year budget £60k) is expected to overspend this year by **£68k** because posts were dis-established in November 2011, which was later than originally planned.

- 2.10 Indirect Employee Expenses: (training annual budget £478k) is showing an underspend to date of £166k with an estimated outturn underspend of **£115k**. This mainly relates to training courses planned for the current financial year which have not yet been taken up by staff, and devolved training budgets not yet being fully utilised by departments. Some of this training underspend will have been influenced by the level of vacancies within the staff establishment. (Recruitment advertising annual budget £20k). This budget is expected to underspend by **£17k** by the end of the year due to the lack of recruitment activity pending approval of the Fire Cover Review. (Relocation expenses annual budget £16k). There have been no calls upon this budget in the financial year, so this budget will underspend by the full £16k.
- 2.11 Pension: (annual budget £699k) is showing an overspend to date of £75k and a projected outturn overspend of **£64k**. This has arisen due to redundancy payments made to Control staff following the cessation of the FireControl project. However this expenditure has been funded by the Department for Communities and Local Government and the related income is reflected in the income section of this report. In addition redundancy payments have been made in respect of cooks.

PREMISES

- 2.12 Premises-related expenditure is showing an underspend to date of £158k. This is expected to become an underspend of **£157k** by the end of the financial year.
- 2.13 Repairs and maintenance: (annual budget £727k, which is increased by a virement of £200k for backlog maintenance approved by Finance and Resources Committee on 9 December 2011) is showing an overspend to date of £71k in total. However, this overspend will be covered by earmarked reserves set aside for specific premises projects such as environmental works and improvements to stations. The projected outturn is therefore estimated to be in line with the budget.
- 2.14 Rents: (annual budget £96k) is showing a projected underspend of **£36k**. This relates to the recharges from the City Council in respect of Central Fire Station. Last year's annual charge was received after the year end and was lower than budgeted for, and this saving has impacted upon this year's position.
- 2.15 Energy: (annual budget £408k) is showing an underspend to date of £118k and a projected outturn underspend of **£133k**. This is largely in respect of gas. It is thought that some savings are starting to accrue from the energy efficient measures incorporated into refurbishments, however most of this underspend is due to the budget being based on previous actual costs which were based on estimated meter readings. Actual meter readings are now being taken more frequently.

- 2.16 Rates: (annual budget £618k) is forecasting to overspend by **£38k**. This is due to a combination of price increases higher than budgeted - £25k and a rating revaluation of Tuxford fire station, which was recently refurbished - £9k.
- 2.17 Cleaning and domestic supplies: (annual budget £272k). Significant savings are being achieved in this area following the re-tendering of the contract for such supplies. The forecast outturn is an underspend of **£33k**.

TRANSPORT

- 2.18 Transport-related expenditure is showing an underspend to date of £482k. This underspend is expected to decrease to **£346k** by the end of the financial year.
- 2.19 Direct Transport Costs: (annual budget £1,215k) the fleet maintenance contract has been awarded with effect from July 2011 and this has resulted in an outturn underspend of **£92k**. In addition fuel is currently overspending to date by £85k, and an assessment of fuel tank levels will be made at the end of March, so that fuel purchased in advance can be charged to 2012/13. It is hoped that fuel purchased and used in this financial year can be contained within the budget, although fuel prices have increased over the course of the year. The fleet modifications budget is also expected to underspend by **£60k** – again this budget has been affected by the delay in implementing the Fire Cover Review.
- 2.20 Operating leases - transport: (annual budget £115k) this budget has been underspending this year, as all operating leases have reached the end of their primary periods and replacement assets were financed from revenue in 2011/12. However, Finance and Resources Committee approved the early replacement of two of the Aerial Ladder Appliances in October 2010 and it is anticipated that the lease for one of these appliances will be bought out in March as part of this replacement plan. This will eliminate the previously reported underspend.
- 2.21 Car Allowances: (annual budget £497k) is underspending to date by £115k with an anticipated outturn underspend of £137k. Officers car leasing is underspending by £79k and this is anticipated to increase to an **£96k** underspend. This relates to officers holding back on car leasing replacements pending the introduction of the provided car scheme. Casual mileage is anticipated to underspend by **£25k** by the end of the year. The high number of vacancies within the staff establishment has impacted on spending against this budget.
- 2.22 Transport Insurance: (annual budget £237k) the premium for vehicle insurance has an estimated outturn underspend of **£67k**; this is due to the re-tendered contract that was awarded this financial year which was more competitive. However, our motor claims history has significantly deteriorated to the extent that insurers have given notice of their intention to break the terms of the long term agreement. This will impact adversely on

the 2012/13 budget but the reported outturn underspend for this year remains the same.

SUPPLIES AND SERVICES

- 2.23 Supplies and services expenditure is showing an underspend to date of £1,049k. This underspend is expected to increase to **£1,176k** by the end of the financial year.
- 2.24 Equipment, Furniture and Materials: (annual budget £953k) the underspend to date of £394k mainly relates to three areas. The Fire Prevention department continues to be significantly under established, which has hampered the delivery of some of the projects – forecast underspend **£65k**. Operational equipment is underspending by £85k to date, but this is expected to reduce to **£4k** by the end of the year. Hydrant maintenance is underspending by £45k to date and a forecast outturn underspend of **£42k** has been assumed.
- 2.25 Clothes, Uniforms and Laundry: (annual budget £280k) is showing an underspend to date of £102k mainly on personal protective equipment, which is expected to turn into an outturn underspend of **£106k**. This is another example of a budget which has been directly affected by the high number of vacancies within the wholetime establishment.
- 2.26 Printing, Stationery, Office Expenses: (annual budget £142k) is showing an underspend to date of £29k, and a forecast outturn underspend of **£43k**. This underspend has arisen for two key reasons: firstly the re-tendering of the stationery contract which resulted in a saving and secondly the efforts being made throughout the Service to bring costs down.
- 2.27 Services: (annual budget £692k) there are two key variances within this category of expenditure. Insurance is expected to underspend by **£100k** in total due to the competitive retendering exercise referred to in paragraph 2.22 above. The budget for cross border charges was set as an expenditure budget of £19k, however it is now anticipated that the Service will receive a net income for mutual assistance, resulting in a forecast outturn underspend of **£19k**. This budget is difficult to predict and can vary from year to year.
- 2.28 Communications and Computing: (annual budget £1,886k) the contracts for the computer software maintenance and non contracted services have been either reviewed or renegotiated for 2012/13 - this has resulted in an estimated outturn underspend of **£99k** on computing contracts and non-contracted services and **£41k** on communications contracts. In addition firelink charges are anticipated to underspend by **£104k**, because the budget assumed a higher level of cost than has actually been incurred. The budget for public consultation is now estimated to underspend by **£39k** as the costs of consultation for the Fire Cover Review have come in lower than the cost quoted.

- 2.29 Expenses: (annual budget £100k) this includes the budgets for subsistence and overnight accommodation relating mainly to attendance at seminars, training courses or out of county meetings. The high number of vacancies within the staff establishment has impacted on spending against this budget and the estimated outturn underspend is **£50k**.
- 2.30 Other Expenses: (annual budget £731k) is currently underspent in two areas. The Regional Management Board annual budget was £134k and, although the RMB was disbanded at the start of the year, the budget was left in place until replacement arrangements had been agreed. The annual RMB budget has been reallocated to other budget heads in 2012/13 and a net saving has been taken. However in 2011/12, the cost of replacement arrangements has been absorbed into underspends elsewhere leaving the surplus RMB budget as an underspend of **£121k**.
- 2.31 The generic savings targets budget of £328k includes a risk based budgeting contingency of £197k. This is available for budget holders to call on if their budgets are adversely affected by events which are outside of their control. There have not been any applications to use this contingency so far this year and an underspend of **£197k** is projected. The remaining sum of **£131k** within generic savings targets relates to savings identified in 2010/11 and 2011/12 – these budgets have been removed for 2012/13 but will be an underspend in 2011/12.
- 2.32 The budget for contributions to partnership working is forecast to underspend by **£59k**.

THIRD PARTY PAYMENTS

- 2.33 Third party payments is showing an overspend to date of £210k. This overspend is expected to reduce to **£191k** by the end of the financial year.
- 2.34 Legal Services : (annual legal fees budget £147k) is currently overspent by £227k which is due to the legal costs of the Dunkirk case. An estimated outturn overspend of **£213k** for legal costs is reported, which takes account of the latest cost estimate provide by the Authority's solicitors.

INCOME

- 2.35 Income is showing a surplus to date against the budget to date of £501k. This surplus is expected to reduce to **£197k** by the end of the financial year.
- 2.36 Government Grants: is expected to show a surplus of **£125k**, which is mainly due to the Fire Link grant being more than anticipated. Also, the grant to fund FiReControl redundancies is shown here.
- 2.37 Interest: (annual budget net £1,159k - interest payable & receivable). Interest receivable is expected to exceed the budget by **£82k** mainly due to the revenue budget underspend and cash-backed reserves which have been invested.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

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

Budget Monitoring Report for January 2012

Appendix A

Account Description	Annual Budget £000'S	Profile Budget £000'S	Actual YTD £000'S	Variance to Period 10 £000'S	Forecast Outturn £000'S	Forecast Outturn Variance £000'S
Direct Employee Expenses	33,107	27,314	26,372	-942	31,831	-1,276
Indirect Employee Expenses	586	488	282	-206	421	-164
Pension	699	630	705	75	763	64
Employees	34,391	28,432	27,359	-1,072	33,015	-1,376
Repairs Alterations and Maintenance of Buildings	727	606	677	71	727	
Energy Costs	408	318	200	-118	274	-133
Rents	96	80	-17	-97	60	-36
Rates	618	515	579	64	656	38
Water	53	44	47	2	66	13
Fixture and Fittings	2	2	5	4	7	5
Cleaning and Domestic Supplies	272	227	155	-72	239	-33
Grounds Maintenance Costs	28	21	17	-4	34	6
Premises Insurance	42	35	24	-11	24	-18
Refuse Collection	28	23	28	5	30	3
Premises-Related Expenditure	2,275	1,873	1,715	-158	2,118	-157
Direct Transport Cost	1,215	1,013	800	-213	1,067	-148
Recharges	331	276	154	-121	337	7
Public Transport	29	24	19	-5	29	
Car Allowances	497	414	299	-115	360	-137
Transport Insurance	237	198	170	-27	170	-67
Transport-Related Expenditure	2,309	1,924	1,442	-482	1,963	-346
Equipment Furniture and Materials	953	938	544	-394	839	-114
Catering	46	38	62	24	76	31
Clothes Uniforms and Laundry	280	233	132	-102	174	-106
Printing Stationery and General Office Expenses	142	106	77	-29	99	-43
Services	692	590	459	-130	575	-117
Communications and Computing	1,886	1,428	1,132	-296	1,621	-265
Expenses	100	83	44	-40	50	-50
Grants and Subscriptions	32	29	25	-3	28	-4
Miscellaneous Expenses	731	609	175	-434	223	-508
Supplies & Services	4,863	4,055	2,650	-1,405	3,686	-1,176
Other Local Authorities	147	122	349	227	360	213
Private Contractors	44	28	11	-17	22	-22
Third Party Payments	191	150	360	210	382	191
Finance	169	127	102	-24	177	8
Corporate Services	42	32	-17	-48	42	
Support Services	211	158	86	-72	219	8
Government Grants	269	292	182	-110	144	-125
Other Grants/Reimbursements and Contributions	-3,194	-570	-811	-241	-3,137	56
Customer and Client Receipts	-55	-42	-70	-28	-86	-30
Interest	1,159	563	441	-122	1,070	-90
Income	-1,820	243	-258	-501	-2,009	-189
Interest Payments	85	71	31	-40	73	-12
Debt Management Expenses	3,904				3,904	
Capital Financing Costs	3,989	71	31	-40	3,977	-12
TOTAL	46,407	36,906	33,386	-3,520	43,351	-3,057