



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE MONITORING TO 31 AUGUST 2012

Report of the Chief Fire Officer

Agenda Item No:

Date: 12 October 2012

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2012/13 to the end of August 2012. 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.

2. REPORT

SUMMARY

- 2.1 The revenue budget monitoring statement for August 2012 is showing an underspend to date of £887k against a budget for the year of £46,494k. The projected outturn variance for the year is an underspend of £2,388k.
- 2.2 The underspend to date of £887k and the projected underspend of £2,388k comprise several key variances which are explained in the following paragraphs.
- 2.3 The full Revenue Budget Monitoring Statement is given as Appendix A to this report.
- 2.4 The 2012/13 budget had already assumed that a contribution would be made to general reserves. This reflected the fact that this year in the three year budget forecast had a budget requirement which was £1.8m lower than the incoming funding, but was required to be maintained at this level to ensure that the 2013/14 and 2014/15 budgets were sustainable. This £1.8m integral underspend has been disregarded in terms of reporting an outturn position.
- 2.5 The result of the Fire Cover Review and Service restructure were savings of £1.2m across pay budgets over a 3 year period. Only £176k of this was expected to be achieved in 2012/13, with the remaining £1m of savings budgeted in 2013/14 and 2014/15. Due to the recruitment freeze implemented last year and a combination of compulsory and voluntary redundancies, redeployments and retirements, the vast majority of pay budget savings have been achieved already or will be achieved by the end of this year. The four main pay budgets are showing a forecast underspend of £1.7m because of this and the specific reasons detailed below. Due to the conversion of some posts and the creation of a number of roles in the new structure there will need to be a realignment of the pay budgets with budget provision transferring from Wholetime to Administrative and Support pay. This work is currently underway and will be confirmed as part of the budget process.

SIGNIFICANT VARIANCES

- 2.6 **WHOLETIME PAY:** (Annual Budget £24,061k). The Wholetime establishment continues to be below strength with the position worsening as employees

retire. The recruitment of trainee firefighters is underway but this process takes some months from start (positive action) to finish (employment of trainees). The likely start date for new trainees will be near the end of the financial year. In addition, selection processes for supervisory and middle managers are in progress and some middle managers and firefighters are transferring in from other Services in the autumn. In relation to front line fire and rescue services, the self rostering system ensures that deficiencies are covered as far as possible, with voluntary overtime used to deal with any shortfall. **The forecast outturn underspend on Wholetime pay is £994k**

- 2.7 **RETAINED PAY:** (Annual Budget £3,129k). The number of retained mobilisations was 978 in the first half of this year, this is 1,131 down on the same period last year and has resulted in an underspending to June of £207k. **The forecast outturn underspend on Retained Pay is £699k.**
- 2.8 **ADMINISTRATIVE AND SUPPORT STAFF PAY:** (Annual Budget £5,099k). There are currently 13 vacancies in the establishment, which are causing the budget to underspend to date. The organisational restructure has impacted upon a number of posts, which are currently subject to human resources processes and it is expected that vacancies will be filled later in the year. **The forecast outturn underspend on Non-Uniformed Pay is £120k.**
- 2.9 **CONTROL STAFF:** (Annual Budget £1,066k). The Control establishment was half a post over establishment for the first 2 months of the year and this, together with a redundancy and the resulting pay in lieu of notice, has resulted in an overspending to date of £21k. **The forecast outturn overspend on Control Staff is £8k.**
- 2.10 **INDIRECT EMPLOYEE EXPENSES:** (Annual Budget £513k). The underspend to date on training is £77k and it is assumed that this will continue to be impacted by the high number of vacancies, resulting in a forecast underspend of £83k. The current position with Relocation Expenses is that no payments are expected to be made under this policy in the current year, resulting in the full £16k budget forecast to underspend. Recruitment Advertising is underspending due to the freeze on recruitment and the use of the East Midlands Recruitment Portal, the forecast underspend is 15k. **The forecast outturn underspend on Indirect Employee Expenses is £83k.**
- 2.11 **PENSIONS:** (Annual Budget £866k). For certain staff in receipt of an injury pension there is an element of the pension that is met from the Authority's budget and the budget for this charge is currently underspending. The impact of redundancy and severance payments of £235k will be met from an earmarked reserve. **The forecast outturn underspend on Pensions is £13k.**
- 2.12 **ENERGY COSTS:** (Annual Budget £405). The underspending to date on gas is £25k with a forecast underspend of £72k. Although some savings are starting to accrue from the energy efficient measures incorporated into refurbishments, most of this underspend is due to the budget being based on previous expenditure levels which were based on estimated meter readings. The implementation of automatic meter readers has resulted in more accurate

and regular readings. **The forecast outturn underspend on Energy Costs is £72k.**

- 2.13 **RENT/RATES/WATER:** (Annual Budget £764). Business Rates are forecast to overspend by £55k, this is due to a combination of price increases and a rating revaluation of Tuxford following refurbishment. **The forecast outturn overspend on Rent/Rates/Water is £55k.**
- 2.14 **DIRECT TRANSPORT COSTS:** (Annual budget £1,037k). Fuel is overspending to date by £44k, although some of this expenditure is represented by fuel tank balances to be used over the next month. The risk-based budget contingency will be used to cover any overspend caused by excessive price inflation so the outturn is assumed to be able to be contained within the overall budget.
- 2.15 Tyres are underspending, due to an influx of new vehicles and an ongoing review of tyre management, the forecast outturn is an underspending of £13k.
- 2.16 The buyout of a lease of an aerial ladder appliance has allowed this vehicle to be retained at a lower cost than continuing the lease, and be available while the new appliances, approved by Finance and Resources Committee, are being built. The cost of £23k was unbudgeted. **The forecast outturn overspend on Direct Transport Costs is £10k.**
- 2.17 **CAR ALLOWANCES:** (Annual budget £467k). Car allowances continue to underspend as they did in 2011/12, and this is largely due to the high level of vacancies as well as the resulting effect on travel relating to training. **The forecast outturn underspend on Car Allowances is £70k.**
- 2.18 **OTHER TRANSPORT:** (Annual budget £429k). The Authority's motor insurers have broken the terms of our agreement due to the worsened claims history over the past year, which has resulted in an increased insurance premium. **The forecast outturn overspend on Other Transport is £8k.**
- 2.19 **EQUIPMENT:** (Annual budget £850k). The organisation restructure has resulted in significant changes to how community safety activity is structured and delivered. It will take some time for new responsibilities to be taken up and for projects to get underway, and there is already an underspend to date of £92k. The forecast outturn is an underspending of £90k.
- 2.20 Training/teaching equipment has been directly impacted by the number of staff vacancies and consequent underspend on training. The forecast outturn is an underspending of £20k.
- 2.21 A stock adjustment due to the return of refurbished fire kit has resulted in an underspend of £13k. **The forecast outturn underspend on Equipment is £123k.**
- 2.22 **CLOTHING UNIFORM/PRINTING/STATIONERY/CATERING:** (Annual Budget £425k). Catering is overspending in two areas: firstly expenditure on repairs to and replacement of minor catering equipment, for which there is no

budget, and secondly expenditure on food and water is exceeding the budget for emergency catering on the fireground. The forecast outturn overspending is £17k. Both of these areas will be addressed in the next budget round.

- 2.23 Printing is underspending in 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 reduce costs. The forecast outturn underspending is £30k. **The forecast outturn underspend on Clothing Uniform/ Printing/ Stationery/ Catering is £13k.**
- 2.24 **SERVICES:** (Annual Budget £512k). Medical Fees relating to potential ill health retirements are forecast to underspend by £10k. Insurance premiums, which are paid in April, have come in £10k under budget. **The forecast outturn underspend on Services is £20k.**
- 2.25 **COMMUNICATIONS AND COMPUTING:** (Annual Budget £1,669k). The contracts for computer software maintenance and non-contracted services have been either reviewed or renegotiated for 2012/13 and this is expected to result in an underspend of £55k on computing contracts and ICT non-contracted services. In addition Firelink charges are forecast to underspend by £50k, because the budget assumed a higher level of cost than has actually been incurred. **The forecast outturn underspend on Communications and Computing is £105k.**
- 2.26 **CAPITAL FINANCING COSTS:** (Annual budget £4,543k). The forecast outturn for the capital programme indicates at this stage that the £2.2m budget for revenue contributions will be required. The forecast outturn underspend on Capital financing Costs is £20k and this has arisen due to the underspend on last year's capital programme.
- 2.27 **GOVERNMENT GRANTS:** (Annual budget £196k). Grant income will show a surplus because FireLink grant is slightly higher than budgeted for (£25k) and because the Authority has received a grant for Council Tax Reform (£27k) which was not budgeted for. **The forecast outturn surplus on grant income is £52k.**
- 2.28 **CUSTOMER AND CLIENT RECEIPTS:** (Annual Budget £87k). Recovered costs are not budgeted for as they are uncertain, but are forecast to total £10k. **The forecast outturn surplus on Customer and Client Receipts is £10k.**
- 2.29 **INTEREST:** (Annual Budget £50k). As a consequence of the underspendings detailed throughout this report, as well as the current level of reserves, the Authority has been carrying relatively high cash balances which have been invested and will result in an estimated additional interest of £70k. **The forecast outturn surplus on Interest is £70k.**

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

APPENDIX A

Revenue Budget Monitoring up to August 2012

	Annual Budget £000	Budget Profile at Aug £000	Actual to Aug £000	Variance to Aug (Under) / Overspent £000	Forecast Outturn £000	Forecast Outturn Variance £000
Employees						
Wholetime	24,061	10,025	9,732	(293)	23,067	(994)
Retained	3,129	1,026	819	(207)	2,430	(699)
Non-Uniformed	5,099	2,125	2,028	(97)	4,979	(120)
Control	1,066	442	463	21	1,074	8
Allowances	41	17	20	3	41	0
Indirect Employee Expenses	513	214	137	(77)	430	(83)
Pension	975	560	546	(14)	962	(13)
Total Employees	34,884	14,409	13,745	(664)	32,983	(1,901)
Premises						
Repairs/Alterations/Maintenance	444	185	341	156	444	0
Energy Costs	405	123	85	(38)	333	(72)
Rent/Rates/Water	764	318	281	(37)	819	55
Other Premises Costs	326	51	48	(3)	326	0
Total Premises	1,939	677	755	78	1,922	(17)
Transport						
Direct Transport Costs	1,037	416	463	47	1,047	10
Car Allowances	467	169	137	(32)	397	(70)
Other Transport	429	339	339	0	437	8
Total Transport	1,933	924	939	15	1,881	(52)
Supplies & Services						
Equipment	850	354	262	(92)	728	(122)
Clothing						
Uniform/Printing/Stationery/Catering	425	177	185	8	412	(13)
Services	512	287	280	(7)	492	(20)
Communications and Computing	1,669	683	576	(107)	1,564	(105)
Trading Company Recharge	23	6	6	0	23	0
Miscellaneous Expenses	348	150	135	(15)	354	6
Total Supplies & Services	3,827	1,657	1,444	(213)	3,573	(254)
Support Services						
Treasury & Committee Services	215	16	10	(6)	215	0
Legal Services	146	41	41	0	146	0
Total Support Services	361	57	51	(6)	361	0
Capital Financing Costs						
Interest Payments	1,092	42	50	8	1,092	0
Debt Management Expenses	4,543	0	0	0	4,568	25
Total Capital Financing Costs	5,635	42	50	8	5,660	25
Income						
Government Grants	(196)	(82)	(170)	(88)	(248)	(52)
Other						
Grants/Reimbursements/Contributions	(1,753)	(82)	(97)	(15)	(1,810)	(57)
Customer and Client Receipts	(87)	(34)	(34)	0	(97)	(10)
Interest	(50)	(21)	(23)	(2)	(120)	(70)
Total Income	(2,086)	(219)	(324)	(105)	(2,275)	(189)
Net Expenditure	46,493	17,547	16,660	(887)	44,105	(2,388)
Financed By						
Revenue Support Grant	(427)					
Precept Income	(23,351)					
National Non-Domestic Rates	(22,716)					
Total Financing	(46,494)					