



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE MONITORING REPORT TO 30 NOVEMBER 2012

Report of the Chief Fire Officer

Agenda Item No:

Date: 11 January 2013

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2012/13 to the end of November 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 November 2012 is showing an underspend to date of £968k against a budget for the year of £46,494k. The projected outturn variance for the year is an underspend of £2,013k.
- 2.2 The underspend to date of £968k and the projected underspend of £2,013k 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, 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 £1,115k because of this and the specific reasons detailed below. With the implementation of the Fire Cover Review and the Service restructure in August 2012, the savings targets previously held against contingency budgets have now been allocated to pay budgets. This has had the effect of reducing pay budgets, thereby reducing the underspend previously reported to Members of the Finance and Resources Committee in October 2012.
- 2.6 There are a number of other key differences between this monitoring report and the report for the period to 31 August 2012. The projected underspend against the Wholetime pay budget has also been reduced because expenditure on overtime to maintain crewing has continued to be significant.

This is to cover vacancies in the establishment. In addition two severance payments totalling £137k are now included in the projected outturn. Finally, income budgets have been re-assessed in the light of income received to date and forecast outturn budgets have been amended as a result of this. In summary, the projected outturn underspend as at August 2012 was £2.38m and is now £2.01m.

SIGNIFICANT VARIANCES

- 2.7 **WHOLETIME PAY:** (Annual Budget £23,630k). The Wholetime establishment continues to be below strength and this situation will remain as employees continue to 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 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 £280k**
- 2.8 **RETAINED PAY:** (Annual Budget £3,138k). The number of retained mobilisations was 2,020 up to October 2012; this is 1,159 lower than the same period last year and has resulted in an underspend to November of £393k. **The forecast outturn underspend on Retained Pay is £720k.**
- 2.9 **ADMINISTRATIVE AND SUPPORT STAFF PAY:** (Annual Budget £5,099k). There are currently 18 vacancies in the establishment, which are causing the budget to underspend to date. The organisational restructure has created a number of posts, which are currently subject to human resources processes and it is expected that vacancies will be filled early in the New Year. **The forecast outturn underspend on Non-Uniformed Pay is £144k.**
- 2.10 **CONTROL PAY:** (Annual Budget £1,067k). The Control establishment was half a post over establishment for the first 2 months of the year. A redundancy and the resulting pay in lieu of notice, and a number of staff being paid acting up has resulted in an overspending to date of £29k. **The forecast outturn overspend on Control Staff is £29k.**
- 2.11 **INDIRECT EMPLOYEE EXPENSES:** (Annual Budget £512k). The underspend to date on training is £93k and it is assumed that this will continue to be impacted by the high number of vacancies, resulting in a forecast underspend of £69k. The current position with Relocation Expenses is that no payments have been made in the current year; although there is the possibility that one new employee may make an application under the policy. It is therefore assumed at this stage the budget will not be spent. Recruitment Advertising is underspending due to the freeze on recruitment and the use of the East Midlands Recruitment Portal, the forecast underspend is £15k. In addition the Westfield Health scheme is currently underspending based on the current numbers of employees, it is anticipated that this will result in a forecast

underspend of £15k. **The forecast outturn underspend on Indirect Employee Expenses is £110k.**

- 2.12 **PENSIONS:** (Annual Budget £1,066k). 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 payments will be met from an earmarked reserve, but severance payments in the year will cause an overspend. **The forecast outturn overspend on Pensions is £100k.**
- 2.13 **ENERGY COSTS:** (Annual Budget £405). The underspending to date on gas is £52k 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 £112k.**
- 2.14 **RENT/RATES/WATER:** (Annual Budget £767k). 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 rent of the Guildhall premises is based on last year's actual with an estimated outturn underspend of £30k. **The forecast outturn overspend on Rent/Rates/Water is £25k.**
- 2.15 **DIRECT TRANSPORT COSTS:** (Annual budget £1,060k). Fuel is overspending to date by £64k, 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 the £55k overspend caused by excessive price inflation. Tyres are underspending, due to an influx of new vehicles and an ongoing review of tyre management, the forecast outturn is an underspending of £25k. 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 £57k.**
- 2.16 **CAR ALLOWANCES:** (Annual budget £474k). 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. Travel budgets for 2013/14 will be reduced following a review during the budget process. **The forecast outturn underspend on Car Allowances is £86k.**
- 2.17 **OTHER TRANSPORT:** (Annual budget £424k). Officers' car leasing is expected to overspend by £14k this is due to an increase in officers opting for a leased vehicle. The finance leases budget is expected to underspend by £45k; this is mainly due to the appliances coming to the end of their leases, option appraisals indicate that a lower cost can be achieved if the appliances are purchased as opposed to extending the lease. These have been taken into account for the budget in 2013/14. The Authority's motor insurers have broken the terms of the insurance agreement due to the worsened claims history over

the past year, which has resulted in an increased insurance premium. **The forecast outturn underspend on Other Transport is £28k.**

- 2.18 **EQUIPMENT:** (Annual budget £842k). Training/teaching equipment has been directly impacted by the number of staff vacancies and consequent underspend on training, resulting in a forecast underspend of £34k. A stock adjustment due to the return of refurbished fire kit has resulted in an underspend of £23k. **The forecast outturn underspend on Equipment is £68k.**
- 2.19 **CLOTHING UNIFORM/PRINTING/STATIONERY/CATERING:** (Annual Budget £496k). 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. Both of these areas will be addressed the budget for 2013-2014. 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 underspend is £40k. **The forecast outturn underspend on Clothing Uniform/Printing/Stationery/Catering is £40k.**
- 2.20 **COMMUNICATIONS AND COMPUTING:** (Annual Budget £1,701k). 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 £32k on computing contracts and ICT non-contracted services. In addition Firelink charges are forecast to underspend by £30k, because the budget assumed a higher level of cost than has actually been incurred. **The forecast outturn underspend on Communications and Computing is £62k.**
- 2.21 **MISCELLANEOUS EXPENSES:** (Annual Budget £670k). The risk based contingency budget of £315k is showing an outturn underspend of £260k. So far this year, only £55k is to be allocated from this contingency to the fuel budget which is expected to be overspent by the end of the year. **The forecast outturn underspend on Miscellaneous Expenses is £276k.**
- 2.22 **CAPITAL FINANCING COSTS:** (Annual budget £5,725k). The forecast outturn for the capital programme indicates at this stage that not all of the £2.2m budget for revenue contributions will be required. However any unused contribution will be allocated to the capital earmarked reserve to finance slippage into 2013/14. The forecast outturn overspend on capital financing costs is £79k and this has arisen due differences between assumptions used to calculate budgets and the actual position.
- 2.23 **GOVERNMENT GRANTS:** (Annual budget £196k). Grant income will show a surplus because FireLink grant is slightly higher than budgeted for (£26k) and because the Authority has received a grant for Council Tax Reform (£27k) and a New Dimensions grant (£126k) which was not budgeted for. **The forecast outturn surplus on grant income is £175k.**

2.24 **INTEREST:** (Annual Budget £50k). As a consequence of the underspending 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 £75k. **The forecast outturn surplus on Interest is £75k.**

EARMARKED RESERVE

2.25 An earmarked reserve currently exists to support the Tri-Service Control project. The reserve stands at £470k and its purpose is to fund any costs required either to maintain existing equipment until the project is complete, to improve facilities in preparation for implementation, or to cover the shortfall between the grant bid and the grant allocation. Approximately £400k of this is already committed to fund maintenance of “station end” equipment, refurbishment of the Control Room in preparation for the project implementation and works to temporarily re-locate Control whilst the refurbishment is carried out. It is proposed that a further contribution of £500k from the projected revenue budget underspend is added to this reserve at the end of the financial year to ensure that any other costs arising can be fully funded.

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

It is recommended that Members:

- 9.1 Note the contents of this report
- 9.2 Approve avirement of £55k from the risk based contingency budget to the fuel budget to cover inflationary increases not budgeted for, as outlined in paragraph 2.15.

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

None

Frank Swann
CHIEF FIRE OFFICER

Revenue Budget Monitoring to 30 November 2012

Appendix A

	Annual Budget £000	Budget Profile at Nov £000	Actual to Nov £000	Variance to Nov (Under) / Overspent £000	Forecast Outturn £000	Forecast Outturn Variance £000	Forecast Outturn Variance %
Employees							
Wholetime	23,630	15,818	15,617	(201)	23,350	(280)	-1%
Retained	3,138	1,817	1,424	(393)	2,418	(720)	-23%
Administrative / Support Staff	5,099	3,399	3,272	(127)	4,955	(144)	-3%
Control	1,067	708	737	29	1,096	29	3%
Allowances	43	29	34	5	44	1	2%
Indirect Employee Expenses	512	346	223	(123)	402	(110)	-21%
Pension	1,066	559	971	412	1,166	100	9%
Total Employees	34,555	22,676	22,278	(398)	33,431	(1,124)	-3%
Premises							
Repairs/Alterations/Maintenance	666	327	491	164	666	0	0%
Energy Costs	405	221	139	(82)	293	(112)	-28%
Rent/Rates/Water	767	512	428	(84)	792	25	3%
Other Premises Costs	324	224	181	(43)	320	(4)	-1%
Total Premises	2,162	1,284	1,239	(45)	2,071	(91)	-4%
Transport							
Direct Transport Costs	1,060	712	747	35	1,117	57	5%
Car Allowances	474	316	232	(84)	388	(86)	-18%
Other Transport	424	283	381	98	396	(28)	-7%
Total Transport	1,958	1,311	1,360	49	1,901	(57)	-3%
Supplies & Services							
Equipment	842	566	456	(110)	774	(68)	-8%
Clothing Uniform/Printing/Stationery/Catering	496	351	303	(48)	456	(40)	-8%
Services	533	361	382	21	524	(9)	-2%
Communications and Computing	1,701	1,100	896	(204)	1,639	(62)	-4%
Miscellaneous Expenses	670	447	179	(268)	394	(276)	-41%
Recharge Expenditure - Company/Trading Accounts	23	8	11	3	23	0	0%
Total Supplies & Services	4,265	2,833	2,227	(606)	3,810	(455)	-11%
Support Services							
Treasury & Committee Services	215	108	87	(21)	215	0	0%
Legal Services	146	98	108	10	146	0	0%
Total Support Services	361	206	195	(11)	361	0	0%
Capital Financing Costs							
Interest Payments	1,092	(78)	568	646	1,146	54	5%
Debt Management Expenses	4,633	516	90	(426)	4,658	25	1%
Total Capital Financing Costs	5,725	438	658	220	5,804	79	1%
Income							
Government Grants	(196)	(131)	(256)	(125)	(371)	(175)	89%
Other Grants/Reimbursements/Contributions	(2,198)	(901)	(937)	(36)	(2,311)	(113)	5%
Customer and Client Receipts	(88)	(56)	(66)	(10)	(90)	(2)	2%
Interest	(50)	(33)	(39)	(6)	(125)	(75)	150%
Total Income	(2,532)	(1,121)	(1,298)	(177)	(2,897)	(365)	14%
Net Expenditure	46,494	27,627	26,659	(968)	44,481	(2,013)	-4%
Financed By							
Revenue Support Grant	(427)						
Precept Income	(23,351)						
National Non-Domestic Rates	(22,716)						
Total Financing	(46,494)						