



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE MONITORING TO 28 FEBRUARY 2013

Report of the Chief Fire Officer

Date: 5 April 2013

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2012/13 to the end of February 2013. 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 February 2013 is showing an underspend to date of £1,913k against a budget for the year of £46,494k. The projected outturn variance for the year is an underspend of £1,845k.
- 2.2 The underspend to date of £1,913k and the projected underspend of £1,845k 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 £1,274k because of this and the specific reasons detailed below.
- 2.6 Key issues to note are: expenditure within Wholetime pay to maintain crewing now stands at £653k to the end of February. In addition two severance payments totalling £137k are included in the projected outturn. The projected outturn underspend has reduced since it was last reported to Members because a contribution to earmarked reserves has been approved (see paragraph 2.24).

SIGNIFICANT VARIANCES

- 2.7 **WHOLETIME PAY:** (Annual Budget £23,643k). The Wholetime establishment continues to be below strength although this situation is improving as the year progresses and a cohort of trainee firefighters will start in March 2013. In addition, selection processes for supervisory and middle managers are in progress. 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 the shortfall. **The forecast outturn underspend on Wholetime pay is £231k**
- 2.8 **RETAINED PAY:** (Annual Budget £3,140k). The number of retained mobilisations was 2,378 up to January 2013; this is 1,495 lower than the same period last year and has resulted in an underspend to February of £581k. **The forecast outturn underspend on Retained Pay is £748k.**
- 2.9 **ADMINISTRATIVE AND SUPPORT STAFF PAY:** (Annual Budget £5,077k). There are currently 21.5 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 Administrative and Support Pay is 325k.**
- 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 for acting up has resulted in an overspending to date of £33k. **The forecast outturn overspend on Control Staff is £30k.**
- 2.11 **INDIRECT EMPLOYEE EXPENSES:** (Annual Budget £471k). 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 £10k. 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 £18k. **The forecast outturn underspend on Indirect Employee Expenses is £54k.**
- 2.12 **PENSIONS:** (Annual Budget £1,120k). 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 overspending. The impact of redundancy payments will be met from an earmarked reserve, but severance payments in the year will cause an overspend of £137k. **The forecast outturn overspend on Pensions is £165k.**
- 2.13 **ENERGY COSTS:** (Annual Budget £405). The underspending to date on gas is £43k with a forecast underspend of £28k. 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 £67k.**

- 2.15 **DIRECT TRANSPORT COSTS:** (Annual budget £1,130k.) 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 fleet maintenance is anticipated to overspend by £42k this is due to repairs being higher due to the age of the appliances. **The forecast outturn overspend on Direct Transport Costs is £45k.**
- 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 have been reduced following a review during the budget process. **The forecast outturn underspend on Car Allowances is £73k.**
- 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 £24k.**
- 2.18 **EQUIPMENT:** (Annual budget £884k). Operational equipment has a forecast outturn overspend of £30k; this is mainly due to the kitting out of the additional pump at Edwinstowe and the additional Specialist Rescue Units. Office equipment has a forecast under spend of £38k this is due to the efforts being made throughout the Service to reduce costs and the recycling of equipment. The community safety consumables has an estimated outturn under spend of £103k which has mainly arisen due to the Service restructure and its impact on employees undertaking fire prevention work. This has resulted in various underspends on supplies and services. A stock adjustment due to the return of refurbished fire kit has resulted in an underspend of £24k. **The forecast outturn underspend on Equipment is £125k.**
- 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 have been addressed the budget for 2013/14.

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 on Clothing Uniform/ Printing/ Stationery/ Catering is £37k.**

- 2.20 **COMMUNICATIONS AND COMPUTING:** (Annual Budget £1,702k). 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. There was a change of supplier for telephone landlines in the year resulting in a £30k saving. **The forecast outturn underspend on Communications and Computing is £132k.**
- 2.21 **MISCELLANEOUS EXPENSES:** (Annual Budget £674k). The risk based contingency budget of £316k is showing an outturn underspend of £261k. So far this year, only £55k is to be allocated from this contingency to the fuel budget. **The forecast outturn underspend on Miscellaneous Expenses is £268k.**
- 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 **OTHER GRANTS, REIMBURSEMENTS, CONTRIBUTIONS:** (Annual budget -£2,345k). 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, or 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. A further £500k from the projected revenue budget underspend has been added to this reserve to ensure that any other costs arising can be funded, this was agreed at the Fire Authority meeting on the 22nd February 2013. **The net forecasted overspend in this category is £139k.**

2.25 **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 £81k. **The forecast outturn surplus on Interest is £81k.**

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

Revenue Budget Monitoring to 28 February 2013

Appendix A

	Annual Budget £000	Budget Profile at Feb £000	Actual to Feb £000	Variance to Feb (Under) / Overspent £000	Forecast Outturn £000	Forecast Outturn Variance £000	Forecast Outturn Variance %
Employees							
Wholetime	23,643	21,677	21,520	(157)	23,412	(231)	-1%
Retained	3,140	2,600	2,019	(581)	2,392	(748)	-24%
Non-Uniformed	5,077	4,652	4,380	(272)	4,752	(325)	-6%
Control	1,067	975	1,008	33	1,097	30	3%
Allowances	67	62	95	33	65	(2)	-3%
Indirect Employee Expenses	471	432	353	(79)	417	(54)	-11%
Pension	1,120	1,004	1,268	264	1,285	165	15%
Total Employees	34,585	31,402	30,643	(759)	33,420	(1,165)	-3%
Premises							
Repairs/Alterations/Maintenance	666	465	644	179	720	54	8%
Energy Costs	405	364	284	(80)	338	(67)	-17%
Rent/Rates/Water	767	688	700	12	767	0	0%
Other Premises Costs	324	297	255	(42)	322	(2)	-1%
Total Premises	2,162	1,814	1,883	69	2,147	(15)	-1%
Transport							
Direct Transport Costs	1,130	973	1,051	78	1,175	45	4%
Car Allowances	474	435	334	(101)	401	(73)	-15%
Other Transport	424	412	390	(22)	400	(24)	-6%
Total Transport	2,028	1,820	1,775	(45)	1,976	(52)	-3%
Supplies & Services							
Equipment	884	809	586	(223)	759	(125)	-14%
Clothing Uniform/Printing/Stationery/Catering	496	460	380	(80)	459	(37)	-7%
Services	533	490	423	(67)	518	(15)	-3%
Communications and Computing	1,702	1,556	1,246	(310)	1,570	(132)	-8%
Miscellaneous Expenses	674	644	307	(337)	406	(268)	-40%
Recharge Expenditure - Company/Trading							
Accounts	23	14	17	3	23	0	0%
Total Supplies & Services	4,312	3,973	2,959	(1,014)	3,735	(577)	-13%
Support Services							
Treasury & Committee Services	215	81	87	6	218	3	1%
Legal Services	146	134	151	17	146	0	0%
Total Support Services	361	215	238	23	364	3	1%
Capital Financing Costs							
Interest Payments	1,092	569	598	29	1,146	54	5%
Debt Management Expenses	4,633	90	90	0	4,658	25	1%
Total Capital Financing Costs	5,725	659	688	29	5,804	79	1%
Income							
Government Grants	(196)	(180)	(343)	(163)	(371)	(175)	89%
Other Grants/Reimbursements/Contributions	(2,345)	(1,346)	(1,392)	(46)	(2,206)	139	-6%
Customer and Client Receipts	(88)	(75)	(76)	(1)	(89)	(1)	1%
Interest	(50)	(46)	(52)	(6)	(131)	(81)	162%
Total Income	(2,679)	(1,647)	(1,863)	(216)	(2,797)	(118)	4%
Net Expenditure	46,494	38,236	36,323	(1,913)	44,649	(1,845)	-4%
Financed By							
Revenue Support Grant	(427)						
Precept Income	(23,351)						
National Non-Domestic Rates	(22,716)						
Total Financing	(46,494)						