



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE BUDGET MONITORING TO 28 FEBRUARY 2014

Report of the Chief Fire Officer

Date: 4 April 2014

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2013/14 to the end of February 2014. This report analyses significant variances against the original budget.

CONTACT OFFICER

Name : Neil Timms
Strategic Director of Finance and Resources

Tel : (0115) 967 0880

Email : neil.timms@notts-fire.gov.uk

**Media Enquiries
Contact :** Bridget Aherne
bridget.aherne@notts-fire.gov.uk (0115) 967 0880

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 2014 is showing an underspend to date of £222k against a budget for the year of £43,898k. The projected outturn variance for the year is an underspend of £884k. This outturn assumes that most of the commitments against expenditure budgets will be invoiced by the end of the financial year, and compares with the estimated forecast underspend of £821k as at November 2013 previously reported to this committee.
- 2.2 The underspend to date of £222k and the projected underspend of £884k 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 2013/14 budget assumes that a contribution of £2,065k will be made from general reserves to support the budget. This transfer from reserves will be made at the end of the financial year and is disregarded for the purposes of providing Members with a picture of performance against the revenue budget. The £2,065k comprises £2,000k to fund a revenue contribution to capital expenditure and £65k to fund the shortfall between the budget requirement and the resources available to finance the budget.
- 2.5 The Finance and Resources Committee approved a virement on the 17 January 2014 of £420k from the employees budget to the premises budget. This will fund any overspend on the premises budget this current financial year in respect of backlog maintenance carried out by 31 March, and the balance will be carried forward into the next financial year as an earmarked reserve to fund backlog maintenance. The virement will be carried out when the final outturn is established at year end.
- 2.6 Key issues to note are: expenditure within Wholetime pay to maintain crewing now stands at £620k to the end of February (paid one month in arrears). The estimated outturn of £689k assumes that for the next two months the spend will be £35k, which is £8k less than the previous month's actual.

- 2.7 The cost to date of the Fire Brigades Union industrial action is £180k, and this is reflected in the relevant outturn figures.
- 2.8 In addition to the earmarked reserve for backlog maintenance referred to in paragraph 2.5, the Human Resources Committee on 7 February 2014 recommended that if there is sufficient revenue budget underspend the Finance and Resources Committee approve the creation of an earmarked reserve at the end of the 2013/14 financial year to fund the one-off cost of voluntary redundancies taking place in the 2014/15 financial year. This one-off cost will be £580k
- 2.9 There are two issues connected with pensions, which need to be brought to the attention of Members. Firstly, Members may be aware that a report submitted to the Policy and Strategy Committee in January 2014 concerned a taxation issue relating to pensions which may result in significant sums being paid to HMRC. It was decided that this liability would be met from balances and therefore there will be an authorised overspend in this budget. Discussions have been taking place for several months to attempt to agree the extent of this liability with HMRC but these have, as yet, not concluded and therefore no figure has been included within this monitoring statement.
- 2.10 The second pensions issue relates to errors which have been uncovered as part of the data transfer process when pension records were transferred to Leicestershire County Council, which is the Authority's new pension administrator for fire-fighter pensions. There were a high number of errors due to a software problem within the Nottinghamshire County Council old payroll system. All of these errors are of low value, however there are a small number of other errors not caused by the software problem, which may be more significant. It is not anticipated at this time that any costs will fall onto the Fire Authority as a result of this, however final figures and solutions to the problem have yet to be agreed.

SIGNIFICANT VARIANCES

- 2.11 **WHOLETIME PAY:** (Annual Budget £23,424k). The Wholetime establishment has been exceeded during the period reported i.e. 537 posts against an establishment of 530. This is because a cohort of trainee firefighters started in September 2013 and 3 Retained Firefighters transferred to the Wholetime duty system at the same time. As Wholetime employees retire or leave the Service this situation will be rectified. The crewing of the West Bridgford second appliance has also contributed to a net overspend to date of £190k but this appliance has now been removed. **The forecast outturn overspend on Wholetime Pay is £97k.**
- 2.12 **RETAINED PAY:** (Annual Budget £2,802k). The Retained pay budget continues to underspend, despite the number of mobilisations being higher for April to February compared to the same period last year (2679 2013 / 2576 2012). The underspend to date is £302k. The projected outturn is based on assumptions about future expenditure to the end of the year. **The forecast outturn underspend on Retained Pay is £343k.**

- 2.13 **ADMINISTRATIVE AND SUPPORT STAFF PAY:** (Annual Budget £5,667k). There are currently 13 vacancies in the establishment, which are causing the budget to underspend to date by £246k, although some vacancies are being covered by agency or temporary staff. Some of the vacant posts have been removed from the 2014/15 budget. **The forecast outturn underspend on Administrative and Support Pay is £246k.**
- 2.14 **CONTROL PAY:** (Annual Budget £1,043k). The Control budget is based on an establishment of 26, however the actual establishment during the year has been 27.5, reducing to 26.5 in February. This has resulted in an overspend to date of £66k. This over-establishment was in place to deal with the additional workload arising from the Tri-Service Control project. **The forecast outturn overspend on Control Staff is £65k.**
- 2.15 **INDIRECT EMPLOYEE EXPENSES:** (Annual Budget £527k). The relocation fees and employee benefits schemes budgets are all anticipated to underspend by the end of the year. **The forecast outturn underspend on Indirect Employee Expenses is £7k.**
- 2.16 **PENSIONS:** (Annual Budget £775k). The pension's budget is underspending to date by £3k. **The forecast outturn on Pensions is an expected underspend of £13k.**
- 2.17 **REPAIRS AND MAINTENANCE:** (Annual Budget £500k). The Repairs and Maintenance budget is overspending to date by £246k including backlog building maintenance. It was agreed at the Finance and Resources Committee of 17 January 2014 that backlog maintenance up to the value of £420k would be financed from the underspend in the pay budget. At this stage a further £57k will be expected to be spent by the end of the year for routine repairs. In addition £98k for the repairs to the training tower at the training centre is showing in the outturn overspend, this work was agreed by Members earlier in the year and will be financed at the year end from the Capital Earmarked Reserve. **The forecast outturn overspend on Repairs and Maintenance Costs is £144k and a virement from the pay budget will be used to finance backlog maintenance at the end of the year.**
- 2.18 **ENERGY COSTS:** (Annual Budget £373k). The under spending to date on energy costs is £37k due the timing of the billing. **The forecast outturn overspend on Energy Costs is £10k.**
- 2.19 **DIRECT TRANSPORT COSTS:** (Annual budget £1,082k.) Fuel is overspending to date by £5k, 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. Fuel stocks are to be transferred to the stock account and charged to revenue as they are issued for the future. This will prevent this cyclical under/over spend occurring. The fleet maintenance budget has outstanding orders for £56k and if all of this work is completed in the current financial year, there may be an overspend of £43k. **The forecast overspend on Direct Transport Costs is £41k.**

- 2.20 **CAR ALLOWANCES:**(Annual budget £420k).Despite budgetary savings having been implemented for 2013/14, car allowances continue to underspend as they did in 2012/13.This budget has been reviewed during the 2014/15 budget process and further savings have been identified. **The forecast outturn underspend on Car Allowances is £19k.**
- 2.21 **OTHER TRANSPORT:** (Annual budget £422k). The Authority's motorinsurance has been re-tendered and, due to the worsened claims history and current insurance market conditions,the insurance premium has increased by £59k beyond the level budgeted for. The Finance Lease Extensions & Terminations - forecast outturn underspend £41k - this budget is difficult to forecast as it is affected by the timings of appliance procurement, but based on the current level of expenditure to date it is assumed that there will be an underspend at year end.**The forecast outturn overspend on Other Transport is £28k.**
- 2.22 **EQUIPMENT:** (Annual budget £953k).Operational Equipment is forecast to underspend by £50k. Almost half of this is because appliance ladders have been either recycled or purchased within the capital programme. The remaining underspend is the result of very careful monitoring of the budget by the budget holder. The office equipment budget is expected to underspend by £25k, again because employees are making the best use of current equipment and the opportunity for recycling. The budget for Community Safety Equipment and Consumables is likely to underspend by £20k in this category of expenditure, but elsewhere there are offsetting overspends which reduce the overall position to a much smaller underspend.**The forecast outturn underspend on Equipment is £99k.**
- 2.23 **COMMUNICATIONS AND COMPUTING:** (Annual Budget £1,714k). The contracts for computer software maintenance and non-contracted services have been either reviewed or renegotiated for 2013/14 and this is expected to result in an estimated outturn underspend of £79k. In addition the Consultation budget forecast outturn underspend is £60k because the amount estimated as required for IRMP consultation was overstated.**The forecast outturn underspend on Communications and Computing is £147k.**
- 2.24 **SERVICES:** (Annual Budget £474k). Marketing & Publicity - forecast outturn underspend of £18k is due to partly to changed requirements following increased use of technology and partly to the vacancy of the budget holder's post for part of the year. External Audit Fees - forecast outturn underspend £5k is for the sum that was held back as a contingency in case the audit process incurred any additional costs, which it did not. Professional fees - forecast outturn underspend £5k which was set aside to procure consultants to assist with re-tendering the Service's health cash-back scheme. This is no longer required as the tender will be done in-house. CRB Checks - forecast outturn underspend £12k due to change in regulations which means that a lower quantity of checks need to be carried out. **The forecast outturn underspend on Services is £72k.**

- 2.25 **MISCELLANEOUS EXPENSES:** (Annual Budget £670k). The risk based budget of £296k was set aside for any expenditure that was unforeseen and not budgeted for but this budget has not been used this year to date. This budget has been significantly reduced for 2014/15 as part of the base budget review. **The forecast outturn underspend on Miscellaneous Expenses is £262k.**
- 2.26 **CAPITAL FINANCING COSTS:** (Annual budget £4,357k) Minimum Revenue Provision - forecast outturn overspend of £51k. At budget time it was assumed that some of the capital expenditure would be subject to the minimum revenue provision charge, however the final capital expenditure that was subject to MRP was higher than anticipated. **The forecast outturn overspend on Capital Financing Costs is £44k.**
- 2.27 **INCOME:** (Annual budget £3,379k). The shortfall to date of £312k relates to the Prince's Trust which is expected to suffer a shortfall in income in the region of £165k this year and is due to receive a substantial amount of income before the end of the year. This situation has arisen mainly because the funding per student received from the education sector has been significantly reduced part way through the year and this issue will be the subject of a full report to the next Policy and Strategy Committee. The Government Grant forecast underspend of £103k relates to £18k for the FEU conference which is offset by expenditure elsewhere, and a DCLG grant of £85k for Council Tax Transition which was not known at budget time. In addition the authority has received insurance settlements totalling £45k. **The forecast outturn surplus of Income is £33k.**

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

- 9.1 That Members note the contents of this report.
- 9.2 That Members approve the creation of an earmarked reserve at the end of the financial year up to the value of £580k to fund the one-off costs of voluntary redundancies in 2014/15.

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

None

**JOHN BUCKLEY
CHIEF FIRE OFFICER**

Revenue Budget Monitoring to 28
February 2014

Appendix
A

	Annual Budget £000	Budget Profile at February £000	Actual to February incl. Commitments £000	Variance to February (Under) / Overspent £000	Forecast Outturn £000	Forecast Outturn Variance £000	Forecast Outturn Variance %
Employees							
Wholetime	23,424	21,474	21,564	90	23,521	97	0%
Retained	2,802	2,335	2,033	(302)	2,459	(343)	-12%
Non-Uniformed	5,667	5,173	4,946	(227)	5,421	(246)	-4%
Control	1,043	954	1,020	66	1,108	65	6%
Allowances	42	37	42	5	42	0	0%
Indirect Employee Expenses	527	462	529	67	520	(7)	-1%
Pension	775	763	756	(7)	762	(13)	-2%
Total Employees	34,280	31,198	30,890	(308)	33,833	(447)	-1%
Premises							
Repairs/Alterations/Maintenance	500	470	770	300	644	144	29%
Energy Costs	373	336	299	(37)	383	10	3%
Rent/Rates/Water	813	665	705	40	794	(19)	-2%
Other Premises Costs	380	348	372	24	370	(10)	-3%
Total Premises	2,066	1,819	2,146	327	2,191	125	6%
Transport							
Direct Transport Costs	1,082	992	1,123	131	1,123	41	4%
Car Allowances	420	405	434	29	401	(19)	-5%
Other Transport	422	385	336	(49)	450	28	7%
Total Transport	1,924	1,782	1,893	111	1,974	50	3%
Supplies & Services							
Equipment	953	906	764	(142)	854	(99)	-10%
Clothing							
Uniform/Printing/Stationery/Catering	497	482	383	(99)	484	(13)	-3%
Services	474	444	384	(60)	402	(72)	-15%
Communications and Computing	1,714	1,571	1,477	(94)	1,567	(147)	-9%
Miscellaneous Expenses	670	624	375	(249)	408	(262)	-39%
Recharge Expenditure -							
Company/Trading Accounts	24	18	17	(1)	24	0	0%
Total Supplies & Services	4,332	4,045	3,400	(645)	3,739	(593)	-14%
Support Services							
Treasury & Committee Services	218	131	154	23	218	0	151%
Legal Services	100	92	65	(27)	70	(30)	-30%
Total Support Services	318	223	219	(4)	288	(30)	94%
Capital Financing Costs							
Interest Payments	1,059	738	723	(15)	1,052	(7)	-1%
Debt Management Expenses	3,298	0	0	0	3,349	51	2%
Total Capital Financing Costs	4,357	738	723	(15)	4,401	44	1%
Income							
Government Grants	(341)	(341)	(481)	(140)	(412)	(71)	21%
Other							
Grants/Reimbursements/Contributions	(2,299)	(359)	(447)	(88)	(2,414)	(115)	5%
Customer and Client Receipts	(614)	(637)	(142)	495	(461)	153	-25%
Interest	(125)	(115)	(70)	45	(125)	0	0%
Total Income	(3,379)	(1,452)	(1,140)	312	(3,412)	(33)	1%
Net Expenditure	43,898	38,353	38,131	(222)	43,014	(884)	-1%