



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# FINAL ACCOUNTS 2009/10

Report of the Treasurer to the Fire and Rescue Authority

---

**Agenda Item No:**

**Date:** 25 June 2010

**Purpose of Report:**

To seek the approval of Members to the adoption of the final accounts for the Nottinghamshire and City of Nottingham Fire and Rescue Authority for the year 2009/2010 in accordance with the statutory requirement that these be formally adopted by 30 June 2010.

To seek the approval of Members to the transfer to earmarked reserves of £584k.

## CONTACT OFFICER

**Name :** Neil Timms, Head of Finance, Resources & ICT

**Tel :** 0115 967 0880

**Email :** [neil.timms@notts-fire.gov.uk](mailto:neil.timms@notts-fire.gov.uk)

**Media Enquiries Contact :** Elisabeth Reeson  
(0115) 967 5889 [elisabeth.reeson@notts-fire.gov.uk](mailto:elisabeth.reeson@notts-fire.gov.uk)



## 1. BACKGROUND

- 1.1 The Statement of Accounts is prepared in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). The legal requirement for approval and publication of the Statement of Accounts is contained within the Accounts and Audit Regulations (England). The full Fire and Rescue Authority must approve the Statement of Accounts before 30 June following the financial year end.
- 1.2 The Statement of Accounts attached to this report will be presented to the Audit Commission for auditing once the Fire and Rescue Authority has adopted it. The Auditors will be commencing the audit in July 2010 and will issue their audit report in due course.

## 2. REPORT

### 2009/10 Financial Year End Position

- 2.1 The overall position shows that the stewardship of net spending has been achieved within the revenue budget and has continued to support the implementation of the Community Safety Plan. Variances against both capital and revenue budgets have been reported to Finance and Resources Committee throughout the year.
- 2.2 The Statement of Movement on the General Fund Balance shows an increase in the General Fund Balance (net surplus) for the year 2009/10 of £862k. This is the final position after year end transfers to earmarked reserves totalling £797k. The surplus before transfers to earmarked reserves was £1.66m, which was £420k higher than the surplus of £1.24m forecast to the Finance and Resources Committee in April 2010. The main movements at the end of the year were an increased underspending on capital financing due to capital programme slippage and increased underspends compared to those predicted because some of the projects approved in January to be funded from the underspend could not be completed in time.

The total funds available for revenue spending in 2009/10 were as follows:

	£000's
Approved Budget	46,330
<u>Funded by:</u>	
Precept	22,312
Revenue Support Grant	4,504
National Non Domestic Rates	<u>19,514</u>
Total Funding	<u>46,330</u>

- 2.3 The final underspend of £862k is a variance of 1.9% of the original budget. Several significant overspends and underspends have contributed towards the net position and reasons for the most significant variances against the budget are given in paragraphs 2.9 to 2.31.
- 2.4 The capital programme for 2009/10 was £7,682k. This comprised an original capital programme of £5,545k plus slippage of £2,137k from 2008/09. The underspend against this programme is £1,651k and the reasons for the most significant variances are given in paragraphs 2.32 to 2.35 of this report. More detailed explanations of these capital programme variances have been reported to the Finance and Resources Committee during the year.

### **Changes in Accounting Requirements and Significant Items**

- 2.5 There have been changes in accounting requirements in the area described in the following paragraph. Accounting changes for 2009/10 have been fewer than in recent years, which has allowed for some breathing space before the implementation of International Financial Reporting Standards in 2010/11.
- 2.6 There was a change to the accounting treatment for council tax precept. This authority is a precepting authority and in previous years, the council tax included in the Income and Expenditure Account was the amount received in the year from billing authorities. The 2009 SORP requires the agency relationship between billing and precepting authorities to be recognised in the accounts so from 1 April 2009 council tax income included in the Income and Expenditure Account is the accrued income for the year i.e. the amount which should have been received from billing authorities. However this change does not affect the General Fund balance, as an adjustment is made to ensure that there is no impact on council tax payers. The authority's Balance Sheet will now contain various items relating to council tax debtors and creditors.
- 2.7 The financial assumptions used by the Actuary when calculating the liability for the Firefighters' Schemes as at 31 March 2010 are more conservative than those used as at 31 March 2009. The Actuary's decision to revise these assumptions has been driven by the yields on corporate bonds falling and inflation expectations increasing during the year. The result has been a significant increase in the total liabilities for the Firefighters' Schemes. The total liability increased by £103m to £342m at the end of the year and most of this relates to the Firefighters' pension schemes. This has no impact on the Authority's General Fund balance because any Firefighter pension fund shortfalls each year are met by the department for Communities and Local Government.
- 2.8 Two test cases regarding the treatment of Retained Duty System employees in the context of part time workers regulations have been heard and compensation payments will need to be made to some RDS employees as a result. The Authority is awaiting further guidance from CLG regarding when payments are to be made and a provision has been created in the accounts to cover the payments, which are estimated to be in the region of £224k.

### **Examination of Significant Variances from the Revenue Budget**

2.9 Wholetime Operational Employees -

The net overspend of £7k on the Wholetime operational pay budget is the result of an underspend on pay (£90k) and an overspend on overtime (£97k) budgets. Throughout most of the year, the Authority was under-established in terms of Wholetime posts, and overtime was used to provide fire cover. This would have created a significant underspend, but Members approved various virements from the pay underspend to other areas of the budget during the year (totalling £638k). By the end of the year, the establishment was virtually filled following an intake of new trainee firefighters.

2.10 Retained Duty System Employees -

The overspend of £159k on the Retained Duty System pay budget has arisen because of the creation of a £224k provision to cover compensation due to be paid to Retained firefighters in 2010/11. This follows an employment tribunal concerning test cases under the Part-time Workers (Prevention of Less Favourable Treatment) Regulations. The Authority has received an indication of the tribunal results with further guidance awaited.

2.11 Employees Other Direct Costs

This budget underspent by £49k as a result of lower spending on recruitment advertising (£36k) and several smaller variances within this category of expenditure. Recruitment advertising underspent due to a low turnover of staff in senior posts where advertising costs tend to be higher.

2.12 Employees Pension Costs –

The budget for other pension costs assumed three upper tier ill health retirements in the year, which was an estimate consistent with historical costs. By the end of the year, only one ill health retirement had occurred, resulting in an underspend of £106k.

2.13 Premises Repairs and Maintenance -

The premises repairs and maintenance budget overspend of £209k arose due to several authorised large maintenance projects being completed this year. These included the replacement of gates at Carlton Fire Station; installation of new fire alarm cabling at Headquarters and the Service Development Centre; the refurbishment of Hucknall Fire Station's kit area and an office refurbishment at Central Fire Station. In addition, security had to be maintained at Dunkirk Fire Station and together with other minor expenses this sum totalled £62k for the year which was unbudgeted.

2.14 Premises Utilities -

In total, utilities overspent by £156k in the year. This was a combination of a £50k overspend on electricity and a £101k overspend on gas resulting from both rising prices and a very cold winter period. The energy contract is under review and a contingency sum is included in the 2010/11 budget to cover potential price increases. In addition, automated meter readers are being installed to help monitor usage and ensure regular billing based on actual consumption rather than estimates.

2.15 Direct Transport Costs –

This budget underspent by £173k in the year, with approximately £100k of this relating to the lower cost of fleet maintenance on newer fleet assets. In addition there has been an underspend of £32k in respect of blue light installations pending the introduction of the provided car scheme.

2.16 Capital Financing Transport –

The combination of the capital programme being financed by borrowing rather than by leasing, and the slippage in the light vehicle replacement programme has caused this budget to underspend by £73k.

2.17 Insurances -

Insurance premiums underspent in total by £125k due to the delay in the introduction of the provided car scheme and also because the level of uninsured losses in the year was low.

2.18 Information & Communications Technology -

This budget included an estimated sum for radio charges (£385k) relating to the national FireLink project. The delays to the FiReControl project have resulted in the postponement of the FireLink charging regime. Although the Authority is using FireLink radios, the department for Communities and Local Government continues to pay for the costs and this has led to an underspend. The net underspend on the budget is £146k because part of the budget has been transferred to fund other initiatives as agreed by Members during the year.

2.19 Services from External Providers: Legal -

The legal fees budget overspent by £42k mainly because of one ongoing employment tribunal case, which has now completed.

2.20 Services from External Providers: Medical -

Part of this budget is to fund the cost of external medical opinions in respect of ill health retirement cases. As numbers of ill health retirements have been low, this budget has underspent in the year by £37k.

2.21 Services from External Providers: Consultants -

The budget for consultancy fees tends to remain constant from year to year, but the number of occasions when consultants are engaged to work on projects varies depending on the needs of the Service. This year there is an underspend of £56k on consultancy services.

2.22 Community Safety Equipment -

The work of the Fire Prevention department continued to be affected by vacant posts from the Wholetime establishment, which resulted in projects being delayed or not started and an underspend of £43k on the non pay budget in this area.

2.23 Other Supplies and Services -

There were several minor variations within this budget heading, but of the total underspend of £137k, the majority relates to delays in implementing community safety initiatives for the reasons referred to above.

- 2.24 Savings Unallocated -  
This budget underspend of £106k is an amalgamation of budget surpluses arising from efficiency savings in the year.
- 2.25 Interest Receivable -  
The current economic climate of low interest rates has resulted in a significant loss of income on the investment of cash surpluses (£157k deficit), which has been reported to Members of the Finance and Resources Committee throughout the year.
- 2.26 Other Income -  
The total surplus on this budget is £288k. The Authority received a reimbursement of £166k for costs relating to the co-responding legal case from a previous year, which was not budgeted for as it was uncertain as to whether or not it would be received. This budget also contains reimbursements relating to staff seconded to external projects – the related expenditure is elsewhere within the revenue budget.
- 2.27 Contributions to Earmarked Reserves -  
Members of the Finance and Resources Committee approved transfers to earmarked reserves in January 2010 totalling £559k. In addition, further transfers to earmarked reserves have been made at the end of the year totalling £584k. These are to fund a variety of initiatives and more detail is given in paragraph 2.40 below. Members also agreed during that year that any underspend on the Princes Trust programme would be moved to earmarked reserves (this was £95k) and that the On-Fire reserve would be “topped up” to its original balance of £200k (this required a transfer of £118k). Offsetting these transfers to reserves was an amount of £719k, representing the use of earmarked reserves to fund projects during the year.
- 2.28 Collection Fund -  
The total surplus on the Collection Fund for 2009/10 notified by billing authorities was £72k.
- 2.29 Contingencies -  
Of the original £1m held on pay and nonpay contingency budgets, only a net £325k was allocated, resulting in an underspend of £681k. There were several reasons for this: pay awards were settled at lower rates than budgeted for; most of the general non pay contingency was unused; the provided car scheme had not been implemented by the end of the year; general inflation was lower than budgeted for.
- 2.30 Prince's Trust –  
The budget for Prince's Trust income achieved more than anticipated mainly because prudent assumptions were made for the budget and the number of students per course. The amount of income per student turned out to be higher than had been assumed. The total income in excess of the budget was £95k and this sum has been transferred into an earmarked reserve.
- 2.31 Commercial Training–

The shortfall in income compared to the budgeted income for the year was £67k, which was only partially offset by an underspend on expenditure of £23k. The net deficit of £44k has arisen due to difficulties in attracting business. An review of course content, structure and pricing took place during the year and changes were made, although this hasn't resulted in the improvement expected.

## **Examination of Significant Variances from the Capital Budget**

### **2.32 Premises Capital Programme -**

The Property capital programme underspent by £1.3m in total. There was an element of re-phasing of projects taking place with the Mansfield former training annex refurbishment slipped to 2010/11 (£292k) but the East Leake refurbishment brought forward into 2009/10 (£431k). Additional expenditure was incurred at Southwell Fire Station to bring drainage systems in line with statutory environmental requirements (£132k). Capital budgets for the major refurbishment at Tuxford Fire Station and the rebuilding of Carlton Fire Station plus professional fees will be slipped forward into 2010/11 (total amount not spent £1,695k). A capital grant of £738k was received in the year, which enabled projects to be accelerated.

### **2.33 Transport Capital Programme -**

There was a net overspend of £28k in the Transport capital programme, with rescue pump appliances overspending by £463k, but the Breathing Apparatus special unit not completing until 2010/11 with £261k slipping forward. The overspend on appliances was caused by an exchange rate loss suffered due to adverse exchange movements in respect of the euro (£156k) and an increase of 7.5% on Firebuy prices (£56k). In addition, payments were made in the financial year for 4 chassis delivered in 2009/10 for the 2010/11 appliances. The small vehicle replacement programme also experienced delays, with an underspend of £180k slipping into next year.

### **2.34 Equipment -**

A programme of gym refurbishment across fire stations was implemented during the year, funded from an earmarked reserve. This totalled £169k

### **2.35 ICT Capital Programme -**

The ICT programme underspent by £472k. Key projects were progressed in the year, but were not completed and will require budget to be slipped forward. These were business continuity and disaster recovery, business process automation and the regional finance system project. The project to replace the HR system has commenced, but is only in its early stages.

## **Land Valuations**

- 2.36 The Authority's property portfolio is required to be revalued on a rolling five yearly basis for accounting purposes. For a number of years, the Valuation Office has supplied land and building valuations to the Authority at the financial year end, and these values have been incorporated into the fixed assets amount shown on the Balance Sheet.



- 2.37 During the final accounts closedown for 2009/10, it became apparent that the land values as at 31 March 2010 were markedly different from those at 31 March 2009. When the Valuation Office was contacted for an explanation of the difference it became clear that the 31 March 2009 land values previously supplied were on the basis of market value rather than on the basis of "value in existing use" as required by the SORP, and that this inappropriate method of valuation had been used in the year previous to that.
- 2.38 The Valuation Office has since provided corrected land values for 31 March 2008 and for 31 March 2009, and the comparative figures for 2008/09 in the Accounts have been restated. The error was significant, with land values approximately £4.6m lower than previously thought and the external auditors have already been informed of the issue.

### **Balances and Earmarked Reserves**

- 2.39 The Authority's General Fund balance at the year end is £4.3m. A report on working balances recommending that the level of general reserves should be around £3.6m was approved by the Fire and Rescue Authority on 19 February 2010, and this means that the current level of general reserves is higher than required. However, the Authority's sound financial position has been maintained and Members will be able to determine how these additional reserves might be used.
- 2.40 Earmarked Reserves now stand at £2,978k. These are expected to be used to support expenditure on various projects as follows:

<u>Earmarked Reserve</u>	31 March 2010 £000s
Personal Protective Equipment	70
Modernisation	95
FiReControl / FireLink Transition	200
Community Fire Safety Display Equipment	18
Community Fire Safety Districts *	15
On-Fire Fund	200
Local Public Service Agreement Reward Grant	532
Capital and Other One-Off Items	131
Pensions – Ill Health Retirements	230
Implementation of International Financial Reporting Standards and Regional Finance System	73
Training Business Continuity Management & Values	13
Consultancy - Mediation & Employee Survey	8
Station remodelling	250
ICT Projects – Sharepoint / Intranet / Internet	97
Prince's Trust	95
Operational Equipment	80
Consultancy Services – Estates projects	10
Consultancy Services – Estates projects *	146
Environmental improvements to Estates – Drainage	175
Environmental improvements to Estates *	170

Fire Protection initiatives	17
Fixed Asset system	19
PA Amplifiers for Stations	125
e-Recruitment *	10
Audio Visual equipment in teaching rooms *	30
Minor works – Estates *	50
Backlog maintenance – Estates *	47
Equal pay *	50
Scania flowmeters *	10
Fire Cover Review *	47
Equality Framework *	10
<b>Total</b>	<b>2,978</b>

\* New earmarked reserves requiring approval by Members.

### **3. FINANCIAL IMPLICATIONS**

The financial implications are set out in full in the body of this report.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no specific human resources and learning and development implications arising from this report.

### **5. EQUALITY IMPACT ASSESSMENT**

There are no equality implications arising from this report of the Authority's financial performance for the 2009/10 financial year and an initial equality impact assessment has not been completed.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

### **7. RISK MANAGEMENT IMPLICATIONS**

- 7.1 The production of Final Accounts is fundamental in demonstrating a sound financial position for any organisation. The "snapshot" provided by annual accounts which can be independently audited provides both stakeholders and elected Members with a significant level of assurance in this area.
- 7.2 The level of working balances and reserves, as shown in the accounts, will enable the position set out in the medium term financial strategy to be sustained.

7.3 Detailed aspects of financial risk management are set out within the body of the report.

**8. RECOMMENDATIONS**

8.1 That Members adopt the Statement of Accounts for 2009/10, as attached.

8.2 That Members approve the year end transfer to earmarked reserves of £584k

**9. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

PETER HURFORD  
TREASURER TO THE FIRE AND RESCUE AUTHORITY

