NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

PROVISIONAL OUT-TURN FOR 2010/2011

Joint Report of the Treasurer and Chief Fire Officer

Agenda Item No:

Date: 24 June 2011

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2010/11. This report replaces the usual Final Accounts Report and analyses significant variances against the original budget.

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1. BACKGROUND

1.1 In the past the Fire Authority was required to accept the final accounts by the end of June before they were audited. The rules have recently changed which mean that this is no longer a requirement and has been replaced instead by a requirement for the Authority to receive audited accounts by the end of September.

1.2 It is considered important however, that Members should have an overview of the financial performance of the Authority before this September deadline and therefore this out-turn report has been introduced.

2. REPORT

SUMMARY

2.1 The projected out-turn for 2010/2011 reported to the Finance Committee in relation to February 2011 was £2.852m which was the result of a number of variances largely engineered to increase the value of balances going forward into 2011/2012.

2.2 The actual out-turn shown in this report is an underspend of £2.716m now most of the adjustments are in which is fairly close to the estimate and about 5.6% of the total revenue budget. It would not usually be expected that a variance of this magnitude would be achieved however Members will be aware that this is a result of a deliberate policy decision.

2.3 The size of this underspend will make it possible to make the £2.514m contribution to capital in the 2010/2011 accounts thus reducing the reported underspend to £202,000 for the year. The reason for doing this is that by making the contribution in 2010/2011 the revenue budget saving can be realised in 2011/2012 rather than having to wait another year.

2.4 This report is still provisional in that there are still small adjustments being made to the figures and the accounts are not yet audited. Nevertheless any changes should be relatively small.

International Financial Reporting Standards

2.5 There are radical changes required to the presentation of the accounts for 2010/2011 which relate to the implementation of International Financial Reporting Standards (IFRS) across the whole of the public sector. NFRS has decided to make the majority of these changes by using internal resources rather than making extensive use of consultants but this has understandably slowed down the usual closedown process. Members will be pleased to note that the transition to IFRS is being made according to plans that have been discussed with the external auditors and that progress is as expected.

2.6 The Statement of Accounts contains financial statements prepared in compliance with International Financial Reporting Standards (IFRSs) for the first time. In previous years, accounts have been prepared in partial compliance with IFRS plus partial compliance with UK Generally Accepted Accounting Practice (UK GAAP).

2.7 The transition from UK GAAP to IFRS based accounting has been carried out in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards" and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which details interpretations or adaptations to fit the public sector. The date of transition to IFRS is 1 April 2009 and an opening IFRS statement of financial position (Balance Sheet) at the date of transition is included within the Statement of Accounts. For this year only, 3 Balance Sheets are required: 1 April 2009; 31 March 2010 and 31 March 2011.

2.8 As a result of transition to IFRSs, the Authority's accounting policies used in the opening IFRS Balance Sheet are, in some instances, different from the accounting policies used for the Balance Sheet as at the same date, which was reported in the last Statement of Accounts and accounted for under UK GAAP. The resulting adjustments are recognised in reserves at the date of transition to IFRS.

2.9 Where the Code of Practice requires the prospective application of elements of an IFRS, then the date of application is 1 April 2010. This means that the relevant accounting policy will change and the old policy and the new policy will both be shown in the Accounting Policies section of this Statement of Accounts, with a clear indication of the date the policy changed.

Significant Variances

2.10 Wholetime Operational Pay: shows an underspend of £426,000 which is different to that predicted in February due to the creation of a provision for back pay arising from a change to the way that acting up payments are calculated. The overall underspend arises however from the shortfall in the establishment which has been managed deliberately.

2.11 Wholetime Operational Overtime: is showing an underspend of £91,000, just slightly more than the £89,000 previously predicted. This is due to the control of overtime generally and less overtime being worked due to the rostering system.

2.12 Administrative Pay: The budget for Administrative and Support staff pay totals around £5m for the year and is showing an underspend to the end of the year of £78,000. This outturn includes £155k received to the end of the financial year for externally funded posts. Again strict management of the establishment and holding of vacancies for possible redeployment has contributed to this underspend.

2.13 Retained Pay: This are is one of those where the prediction was clearly inaccurate but this budget is very difficult to estimate. From the February estimate of a £127,000 underspend an actual underspend of £303,000 has been achieved. There are no obvious reasons why the pattern of turnouts was not consistent with previous periods however it is becoming increasingly difficult to recruit Retained staff and increasing unavailability may be a factor.

2.14 Staff Training: The previous estimate for this budget was that there would be an underspend of £48,000. Final figures show this to be £100,000 with no explanation for this other than a reduction in the number of courses being taken up and tuition fees for external training providers and CPD / short courses and seminars. These underspends have been addressed during the budget process for 2011/12 and budget reductions will be implemented in these areas.

2.15 Employees Other Direct Costs : is showing an underspend of £40k. This relates almost entirely to the slow down in recruitment which saves on recruitment costs and legal and removal expenses.

2.16 Employee Other Pension Costs: is showing an underspend of £160k. This has arisen because the budget for the ill health retirement charges is based on the experience of ill health retirements that occurred in previous years. This is not an accurate predictor of outcomes but is still the best measure.

2.17 Capital Financing : is showing an underspend of £178,000 due to the underspend on the 2009/2010 capital programme. These sums come through to the accounts in the year following their occurrence but when the budget was set the extent of the under performance against the Capital Programme would not be known.

2.18 Premises costs: is showing an overspend to date of £109,000 in total. The three main issues for this were £73,000 for the continued maintenance of Dunkirk Fire Station and increased energy charges offset to some extent by reductions in business rates.

2.19 Direct Transport Costs: was showing an underspend of £145,000 to February 2011 but it had been estimated that further invoices would come through. One of the issues with the existing contract has been poor financial reporting from the supplier which often results in budgets being difficult to control. The eventual out turn is an underspend of £240,000. This volatility will not occur in future due to the reporting arrangements that have been put in place in the new maintenance contract.

2.20 Car Allowances and Travel: is showing an underspend of £33,000. This mainly relates to training-related travel. These budgets have been reviewed when compiling the 2011/12 budget.

2.21 Supplies and Services: This is a large budget and contains many individual lines. Nevertheless there are some significant variances within it which require explanation.

2.22 Insurances are underspent by some £75,000 but this is due in part to the provided car scheme not being introduced as planned and also a significant reduction in uninsured losses. As a result of this the insurance provision on the balance sheet has also been reduced.

2.23 Community Safety Equipment is underspent by some £286,000. This budget is underspent mainly because vacant posts in the department mean that it cannot be spent. This budget has been significantly reduced in 2011/12.

2.24 The stationery budget is now underspent by some £47,000 which is probably due in part to some of the savings from the photocopier/printer contract coming through.

2.25 Money received for hydrant maintenance has increased by £50,000 but this is difficult to estimate as it relies to a large extent on the activities of water companies.

2.26 Legal fees are over spent by some £140,000 largely due to the Dunkirk litigation which is not yet completed and therefore cannot be discussed in detail.

2.27 Democratic Costs : is showing an outturn overspend of £11k due to members submitting outstanding claims relating to the previous financial year.

2.28 Interest Receivable: out performed slightly by £11,000 but this was due to the Authority having higher levels of cash to invest than anticipated at budget time.

2.29 Government Grants : is showing a surplus of £123,000 relating to grants being received for FireLink, New Burdens Fire Control project and a DCLG Grant for Resilience Crewing and Training: the expenditure relating to these projects is contained within the main body of the report.

2.30 Other Income: is showing a surplus of £40,000 to date which relates to income received for special services and other miscellaneous income. In addition it includes £72k for the final declared surplus on Collection Fund which was more than anticipated. The reason this out-turn is less than predicted is that £85,000 of the resilience grant has been transferred to an earmarked reserve.

2.31 Revenue Financing: During the 2010/11 budget process it was recommended at the Finance and Resources Committee on 15 October that a total of £630,000 would be transferred to general reserves in year. It was also agreed to purchase an Aerial Ladder Platform (ALP) appliance. The £94,000 for this ALP has been met from revenue via Revenue Contributions to Capital Outlay (RCCO).

2.32 Contingencies: There has been a public sector pay freeze during 2010/2011 which has resulted in a surplus within this budget of £875,000. This is of course wholly unpredictable at the time the budget is calculated.

2.33 Trading Accounts: are currently showing a loss of £83,000 in the main account. This relates to the position before the Trading Company was set up and migrated to its own financial accounting. The Company itself is anticipated to show a small profit after paying NFRS for services.

3. FINANCIAL IMPLICATIONS

The financial implications are set out within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

Strict management of the establishment and the training requirements to support the establishment have been necessary as the Service prepares for reduced budgets. The Strategic Management Team continues the process of managing down the establishment in an incremental process which will reduce the impact on individuals and reduce the potential for large redundancy payments. The training budget has been re-assessed for 2011/12 and the Service will continue to monitor its requirements as the establishment reduces.

5. EQUALITY IMPACT ASSESSMENT

An equality impact assessment has revealed that there are no specific equalities issues arising from this report.

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

There are no Risk Management Implications that arise specifically from this report however the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. Throughout the year, finance department staff work collaboratively with budget holders towards keeping expenditure within budget and improving financial performance and reporting to Finance and Resources Committee at regular intervals.

9. RECOMMENDATIONS

That Members note the contents of this report and approve the acceleration of the RCCO contribution into 2010/2011 to gain the advantage of reduced revenue implications in 2011/2012.

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

None.

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