



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

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# PROVISIONAL OUT-TURN FOR 2012/2013

Joint Report of the Treasurer and Chief Fire Officer

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**Agenda Item No:**

**Date:** 28 June 2013

**Purpose of Report:**

To report to Members on the latest estimate of the financial performance of the Service in the year 2012/13, analysing significant variances against the original budget. The Statement of Accounts for 2012/13 will show the final position and will be reported to Members in September 2013.

## CONTACT OFFICER

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## **1. BACKGROUND**

- 1.1. The Authority's Statement of Accounts is produced annually and is a comprehensive statement of the Authority's financial position and financial transactions in the reported year. The un-audited Statement of Accounts for the financial year 2012/2013 is required to be completed and then authorised for issue to the external auditor before 30 June 2013 by the Treasurer to the Fire Authority.
- 1.2. The audit of the Statement of Accounts is due to take place in August 2013, and the audited Statement of Accounts and the external auditor's Annual Governance Report will be presented to Members of the Fire Authority on 20 September 2013.
- 1.3. The purpose of this report is to give Members an overview of the Authority's financial performance in 2012/2013 prior to the full report in September. At the time of writing this report, detailed work on the closure of accounts was still in progress so the figures reported herein are estimated but unlikely to significantly change.

## **2. REPORT**

### **EXECUTIVE SUMMARY**

- 2.1 The 2012/2013 year was another challenging one financially, with the amount of grant funding from Central Government reduced, and further grant reductions expected in future years. As a result, budget reductions were planned and a series of initiatives began to be implemented during the year with the aim of reducing costs going forwards and preserving the Authority's strong, underlying financial position. These initiatives included the implementation of the findings of the Fire Cover Review and the closure of some operational units. Some of these changes were implemented well ahead of schedule which resulted in a number of underspends being generated.
- 2.2 The approved Revenue Budget for 2012/2013 was £46.494m although reports to Finance and Resources Committee throughout the year have predicted savings against this figure as the management initiatives referred to above began to have an impact. The predicted actual spend against this budget is £45.719m, which includes two contributions to earmarked reserves totalling £1.976m. Without these contributions, the underlying actual net expenditure would have been £43.743m and this is significant when viewed in the light of the approved Revenue Budget for 2013/2014 of £43.899m, and shows that the Authority is working towards achieving the savings required for the future. The predicted net underspend, after these contributions to earmarked reserves, is £775k.

## REVENUE BUDGET

- 2.3 There were two key budgets set for 2012/2013, which allowed for General Reserves to be used in a planned way to support capital expenditure and reduce on-going revenue costs and also for General Reserves to be increased in anticipation of reducing budgets in the medium term. Firstly, the 2012/2013 budget had already assumed that a contribution of £1.800m 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 £1.800m lower than the incoming funding, but was required to be maintained at this level to ensure that the 2013/2014 and 2014/2015 budgets were sustainable. No contribution was made during the year, but the final net underspend will be transferred to General Reserves after the audit is complete. Secondly, a contribution from General Reserves was budgeted at £3.000m, to fund the budgeted revenue contributions to finance capital expenditure of £2.200m and a voluntary Minimum Revenue Provision (MRP) charge of £800k. The final predicted outturn position on capital expenditure is an underspend of £3.143m (as explained in paragraphs 2.32 to 2.41) so only some of the revenue contribution was required. The contribution from General Reserves has therefore not been made as there are sufficient underspends within the revenue budget to cover the voluntary MRP charge and the reduced revenue contribution without causing an overspend.
- 2.4 Members will be aware that the savings expected to be achieved from the Fire Cover Review and the Service restructure were in the order of £1.2m across pay budgets over a 3 year period. Only £176k of this was expected to be achieved in 2012/2013, with the remaining £1m of savings budgeted in 2013/2014 and 2014/2015. However due to the recruitment freeze implemented in 2011/2012 and a combination of compulsory and voluntary redundancies, redeployments and retirements, the vast majority of pay budget savings have been achieved by the end of 2012/2013. This is reflected in the pay budget underspends shown below.

- 2.5 A summary of variances is shown in the following table with detailed explanations in the following paragraphs.

|                                    | <b>Annual Budget 2012/13</b> | <b>Provisional Actual 2012/13</b> | <b>Provisional Variance 2012/13</b> |
|------------------------------------|------------------------------|-----------------------------------|-------------------------------------|
|                                    | <b>£000's</b>                | <b>£000's</b>                     | <b>£000's</b>                       |
| Employees                          | 35,035                       | 33,965                            | (1,070)                             |
| Premises                           | 2,189                        | 2,392                             | 203                                 |
| Transport                          | 1,980                        | 1,915                             | (65)                                |
| Supplies & Services                | 4,349                        | 3,340                             | (1,009)                             |
| Third Party Payments               | 169                          | 196                               | 27                                  |
| Support Services                   | 215                          | 210                               | (5)                                 |
| Income                             | (2,030)                      | (2,563)                           | (533)                               |
| Capital Financing                  | 5,726                        | 4,304                             | (1,422)                             |
| <b>Subtotal</b>                    | <b>47,633</b>                | <b>43,759</b>                     | <b>(3,874)</b>                      |
| Contribution to General Reserves   | 1816                         | 0                                 | (1,816)                             |
| Contribution from General Reserves | (3,000)                      | 0                                 | 3,000                               |
| Contribution to Earmarked Reserves | 44                           | 1,959                             | 1,915                               |
| <b>Subtotal</b>                    | <b>(1,140)</b>               | <b>1,959</b>                      | <b>3,099</b>                        |
| <b>Total</b>                       | <b>46,494</b>                | <b>45,719</b>                     | <b>(775)</b>                        |

## Employees

- 2.6 Wholetime Operational Pay: (annual budget £23,653k). The provisional outturn underspend is £134k. The budgeted establishment is 549 posts, but on average only 533 posts were occupied during the year, with overtime being used to maintain front line services. The under-establishment created an underspend of almost £1m, but this was largely offset by payments to employees to provide the required level of fire cover totalling £780k. In March 2013 a cohort of trainee firefighters started their course.
- 2.7 Non-Uniformed Pay: (annual budget £5,396k). The provisional outturn underspend is £291k. At the end of the year there were 12 vacancies within the non-uniformed establishment and this number had been higher during the year. A number of new and converted posts were created as part of the Service restructure and were subject to appropriate HR processes, resulting in this significant underspend.
- 2.8 Retained Pay: (annual budget £3,166k). The provisional outturn underspend is £748k. There are two main reasons for this underspend: firstly there was a 31% reduction in the number of mobilisations between 2011/2012 and 2012/2013; secondly the Fire Cover Review savings on Retained pay were achieved earlier than budgeted for, as explained in paragraph 2.4.

- 2.9 Control Pay: (annual budget £1,067k). The provisional outturn overspend is £52k. This has arisen for a number of reasons: half a post was over-established for the first two months of the year; a number of staff were paid to act up when required and there was a buy-out of public holiday and time owing leave in preparation for implementing new staffing and duty system arrangements from April 2013.
- 2.10 Staffing Costs Other: (no annual budget). The sum of £30k was paid to a former employee during the year as compensation arising from an employment tribunal.
- 2.11 Indirect Employee Expenses: (annual budget £526k). The provisional outturn underspend is £71k. The underspend on training of £31k is due to a number of factors: reduced availability of command courses, a lack of Station Managers in development this year and the cancellation of a management training course by the provider. The underspend would have been £40k higher but budget was vired to Premises to help pay for works at the Service Development Centre. In addition there is an underspend of £40k in human resources: £16k because there have been no relocation expenses paid during the year; £13k on recruitment advertising which was affected by the recruitment freeze and £11k on the Westfield employee benefit scheme which was directly affected by employee vacancies.
- 2.12 Pensions and Redundancy: (annual budget £1,183k). The main cause of the overspend of £102k is the severance payments to two former employees. These payments plus the resulting pension strain totalled £95k.

## **Premises**

- 2.13 Building Maintenance: (annual budget £674k). The provisional outturn overspent by £184k during the year on backlog maintenance. It was recognised that the budget had not been increased to allow for inflation, and this was rectified for 2013/2014.
- 2.14 Rents: (annual budget £104k). The provisional outturn underspend is £27k. This relates to the recharges from the City Council in respect of Central Fire Station. Last year's annual charge was received after the year end and was lower than budgeted for, and this saving has impacted upon this year's position. The budget has been maintained at the current level for 2013/2014 to cover the relocation of crews at Retford Fire Station during its rebuild.
- 2.15 Rates: (annual budget £615k). The provisional outturn overspend is £40k. This is mainly due to the on-going effect of refurbished and rebuilt premises, and has been adjusted for in the 2013/2014 budget.

## **Transport**

- 2.16 Staff Travelling Allowances: (annual budget £482k). The provisional outturn underspend is £84k. 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.

## Supplies and Services

- 2.17 Operational Equipment, Furniture and Materials: (annual budget £886k). The provisional outturn underspend is £176k. Office equipment has underspent by £21k due to the efforts being made throughout the Service to reduce costs and recycle equipment. The community safety consumables budget has an underspend of £125k 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 £27k.
- 2.18 Printing, Stationery, Office Expenses: (annual budget £110k). The provisional outturn underspend is £50k. This budget is underspending 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.
- 2.19 Other Services: (annual budget £533k). The provisional outturn underspend is £100k. There are a number of variances within this budget. Consultancy fees overspent by £43k due to the engagement of consultants to review the Service's ICT function. The marketing and publicity budget underspent by £24k, with the budget manager trying to reduce costs in anticipation of further budget reductions. The insurance budget underspent by £60k, mainly because the insurance provision held for future losses was reduced by £45k based on current outstanding claims. Finally the external audit fees budget underspent by £30k due to the lower costs arising from Central Government's re-tendering of external audit provision.
- 2.20 Communications and Computing: (annual budget £1,709k). The provisional outturn underspend is £306k. The contracts for computer software maintenance and non-contracted services have been either reviewed or renegotiated for 2012/13 and this has resulted in an underspend of £196k. The budget for public consultation has underspent by £35k because the main IRMP consultation will take place in 2013/2014. The budget for maintenance of communication equipment has underspent by £28k – this budget was estimated following the outsourcing of maintenance and will be reviewed in the next budget round. The contract for telephone landlines was awarded to a new provider in the year and this has resulted in a budget saving and an underspend of £27k. In addition, efforts have been made by staff to reduce expenditure on mobile phone costs, resulting in an underspend of £11k.
- 2.21 Other Expenses: (annual budget £631k). The provisional outturn underspend is £376k and is made up broadly as follows: the risk based budgeting contingency of £316k was created from anticipated savings from other budgets. It was created for budget holders to call on if their budgets are adversely affected by events which are outside of their control. There have not been any applications to use this contingency this year, creating an underspend of £316k; the budget for contributions to partnership working

underspent by £48k – this area was impacted by the Service restructure and both this budget and the related community safety budgets are being reviewed.

### **Third Party Payments and Support Services**

2.22 Legal Services : (annual legal fees budget £147k). The provisional outturn overspend is £27k. This overspend includes charges of £60k for legal advice relating to the Tri-Service Control project – these charges have been recovered from the capital grant for the project and this is reflected in the underspend reported in paragraph 2.25.

### **Income**

2.23 Government Grants - Revenue: (annual budget £196k). The provisional outturn surplus is £175k 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.

2.24 Interest receivable: (annual budget -£50k). The provisional outturn surplus is £93k. As a consequence of the underspends 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 £93k.

2.25 Other Income: (annual budget -£443k). The provisional outturn surplus is £19k. This has mainly arisen because costs recovered from other organisations have exceeded the budget. The related expenditure is spread over a number of budget heads.

2.26 Other Grants, Reimbursements and Contributions: (annual budget -£2,481k). The provisional outturn overspend is £2,852k. The approved budget for 2012/13 included a budget for revenue funding of capital expenditure. This was to be financed by a matching contribution of £1,184k from general reserves to balance the overall net budget – this contribution has not been required as capital expenditure is lower than budgeted so the revenue funding has not been required (see paragraph 2.3), thereby creating an underspend. A surplus on the Collection Fund has been received from the City and District Councils amounting to £57k for the year. Legal costs have been recovered as a result of fire safety prosecutions and this sum is £28k above the budget set – as this amount is unpredictable from year to year, a relatively low budget is set. Recovered costs relating to insurance claims amounted to £32k in the year, again a difficult budget to accurately predict.

### **Capital Financing**

2.27 Capital Financing: (annual budget £5,726k). The provisional outturn underspend is £1,421k. This comprises an overspend of £24k on the Minimum Revenue Provision charge which has arisen because budget

assumptions about capital expenditure were slightly different to actuals, as well as an overspend of £30k on finance lease charges for the buying out of an appliance lease which was not anticipated at budget time. In addition, a budget of £2.2m was set for Revenue Contributions to finance Capital Expenditure (RCCO) – only £814k of this has been spent in the year, due to underspends in the capital programme. This has resulted in an underspend variance of £1,421k and a related overspend variance of £1,184k relating to the contribution from General Reserves which was budgeted for to fund the RCCO (see paragraph 2.3).

## RESERVES

- 2.28 At 31 March 2012, General Reserves stood at £7.119m and earmarked reserves totalled £3.761m. The provisional revenue outturn underspend of £775k will increase General Reserves and give a new total of £7.894m as at 31 March 2013.
- 2.29 During the year, £1,064k of revenue expenditure was financed by earmarked reserves, new reserves were created to enable grant funding received in the year to be carried forward – total value £150k, existing reserves were increased using revenue budget underspends – total value £1,978k and adjustments totalling £261k were made to write back existing reserves. These changes amounted to a net increase in earmarked reserves of £802k. At 31 March 2013, earmarked reserves stand at £4,564k.
- 2.30 The following table shows the impact on general reserves in relation to the future budget plans presented to Members in February 2013.

| <b>GENERAL RESERVES PROJECTIONS</b> | <u>2012/13</u><br><u>£000's</u> | <u>2013/14</u><br><u>£000's</u> | <u>2014/15</u><br><u>£000's</u> |
|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| General reserves opening balance    | 7,119                           | 7,894                           | 5,829                           |
| Additions to general reserves       | 775                             | 0                               | 0                               |
| Contributions from general reserves | 0                               | -2,065                          | -1,491                          |
| General reserves closing balance    | 7,894                           | 5,829                           | 4,338                           |

- 2.31 When the annual budget was prepared an indicative figure of £8.2m was used for reserves however this was only a broad illustrative estimate and £7.894m is the provisional figure used in the accounts.

## CAPITAL BUDGET

- 2.32 The approved capital programme for 2012/13 totalled £3,709k. Slippage brought forward from 2011/12 totalled £1,669k and £130k of capital grant was allocated as budget for the early stage of the Tri-Service Control project, giving a total capital programme of £5,572k for the year. In February 2013, it was reported to the Finance and Resources Committee that the forecast outturn for the capital programme was £2,379k. The provisional outturn is £2,430k, which is an underspend of £3,143k against the total programme.



- 2.33 A capital grant of £1,486k was received from DCLG during the year and this has been used to partially finance the capital programme. A further £130k of a separate capital grant from DCLG has been used to finance expenditure on this project. The remaining capital expenditure of £814k will be financed by a revenue contribution.
- 2.34 The revenue contribution to finance the capital programme was budgeted to be £2.200m and was to be funded by a contribution from the general reserve. The capital programme underspend however, has resulted in the full amount of revenue contribution not being required. The impact of this on the revenue budget is explained in paragraph 2.3. No borrowing has been taken in the year and the decision has been made not to lease any of the assets purchased in the year because all 2012/13 capital expenditure will be financed out-right, with no on-going revenue impact.
- 2.35 Capital receipts totalling £124k were received in the year - £70k in respect of the sale of a house, and £54k in respect of the sale of a car and a boat. These receipts will be held in the Usable Capital Receipts Reserve and carried forward to 2013/2014 to finance capital programme slippage.

## **Transport**

- 2.36 The Transport capital programme covered the purchase of pumping appliances, special appliances and light vehicles. In total, the Transport programme was £983k for the year, with a provisional outturn of £803k – an underspend of £180k to be slipped into 2013/2014 mainly in respect of the light vehicle programme.
- 2.37 During the year, 4 appliances were purchased off lease as they were still operational at the end of the lease period. A new Aerial Ladder Platform appliance is currently in build and work has started on acquiring a new Water / Foam Unit. The rolling programme of replacing light vehicles continued in the year, with some delays resulting from the Service restructure and the resulting need to review on-going requirements.

## **Property**

- 2.38 The Property capital programme mainly covered the conversion of Edwinstowe from a Retained to a Wholetime Fire Station, the completion of the Blidworth Station refurbishment and the commencement of the project to move Central Fire Station to a new location. In total the programme was £3,385k for the year, with a provisional outturn of £1,018k – an underspend of £2,367k to be slipped into 2013/2014 to cover the final payments for Edwinstowe, the rebuilding of Retford Fire Station and the Central Fire Station project.
- 2.39 During the year, the projects at Blidworth Fire Station and the shower block at the Service Development Centre were completed, as were the installations of photo-voltaic cell panels at various properties within the Service. A substantial part of the conversion of Edwinstowe Fire Station was completed with some further costs to come in 2013/2014. Work started on procuring a piece of land for a new Fire Station to replace Central, but this did not come

to fruition during the year and this has impacted on the timescale to start developing a replacement Station.

### **Information and Communications Technology**

- 2.40 The ICT capital programme mainly covered significant projects such as the replacement HR system, the business process automation project, CFRMIS improvements and upgrades, Microsoft infrastructure upgrade and the upgrade to Office 2010. In addition the programme contained budgets for on-going replacement of equipment and for equipment arising from business expansion. In total, the ICT programme was £1,205k for the year, with a provisional outturn of £609k – an underspend of £595k to be slipped into 2013/2014 (comprising £195k for business process automation, £93k for Microsoft infrastructure upgrade, £228k for the replacement HR system, £47k for the CFRMIS project and other minor slippage).
- 2.41 During the year, the business continuity / disaster recovery was almost completed, and the upgrade to Office 2010 was finished. The budgets for replacement equipment and business expansion were spent, and some work was completed in relation to Microsoft infrastructure upgrade – to be continued in 2013/2014. The ICT Department spent a significant amount of time on the Tri-Service Control project during the year and this affected the capacity to progress a couple of the projects in the programme. During 2012/2013, procurement of both the Tri-Service Control system and the HR system took place, with contracts awarded and implementation to start in 2013/2014.

### **DEBTS WRITTEN OFF IN 2012/13**

- 2.42 During the 2012/2013 financial year, a total of £350k was raised in the form of invoices for services provided by the Authority to clients and customers and partner organisations. One debt with a value of £44.72 was written off in the year because it remained unpaid after the usual reminder letters had been sent and it was deemed to be uneconomical to pursue through the small claims court system.

## **3. FINANCIAL IMPLICATIONS**

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

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

The underspend in the year relating to pay budgets can be attributed either directly or indirectly to the management of the establishment arising from implementation of the Fire Cover Review and the organisational restructure. The implications for human resources have been reported during the year to the Human Resources Committee.

## **5. EQUALITIES IMPLICATIONS**

An Equality Impact Assessment has not been undertaken because this report summarises only the financial impact of activities undertaken in 2012/13. Equality impacts arising from new policies implemented in the year will have been identified in other reports.

## **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**

- 9.1 That Members note the contents of this report.
- 9.2 That Members approve the total capital slippage of £3,143k to be carried forward to 2013/2014, as detailed in paragraphs 2.36, 2.38 and 2.40.

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

None

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