



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

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# PROVISIONAL OUT-TURN FOR 2014/2015

Joint Report of the Treasurer and Chief Fire Officer

**Date:** 26 June 2015

**Purpose of Report:**

To report to Members on the latest estimate of the financial performance of the Service in the year 2014/15, analysing significant variances against the original budget. The Statement of Accounts for 2014/15 will show the final position and will be reported to Members in September 2015.

## 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 2014/15 is required to be completed and then authorised for issue to the external auditor before 30 June 2015 by the Treasurer to the Fire Authority.
- 1.2. The audit of the Statement of Accounts is due to be completed by early July 2015, and the audited Statement of Accounts and the external auditor's Annual Governance Report will be presented to Members of the Fire Authority on 25 September 2015.
- 1.3. The purpose of this report is to give Members an overview of the Authority's financial performance in 2014/15 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 2014/15 year was another challenging one financially, with the amount of grant funding from Central Government reduced, and further grant reductions expected in future years. A number of planned savings were implemented during the year with the aim of reducing costs going forwards and preserving the Authority's strong, underlying financial position.
- 2.2 The approved Revenue Budget for 2014/15 was £42.892m. The predicted actual spend against this budget is £42.693m, which is an underspend of £198k – a variance of just under 0.5%.
- 2.3 Given the underspend reported, General Reserves are expected to have increased to £6.540m at 31 March 2015. This leaves the Authority in a sound position in terms of being able to use further General Reserves to cushion the transition towards a revenue budget which is expected to be significantly lower over the next few years, whilst still maintaining at least the minimum level of reserves (£4.6m) identified in the most recent risk assessment reported to Members in February 2015.

### **REVENUE BUDGET**

- 2.4 The total revenue budget for 2014/15 was £42.892m. The provisional outturn is £42.693m which is an underspend of £198k, however within this overall variance are a few significant over and underspends which are explained in the report below.

- 2.5 During the year there were several periods of industrial action by the Fire Brigades Union. Cover for these periods has cost an additional £431k and this has been reported to Members of the Finance and Resources Committee throughout the 2014/15 financial year. The reported outturn underspend is the position after taking account of industrial action costs.
- 2.6 A summary of variances is shown in the following table with detailed explanations in the following paragraphs for the most significant variances. Where the provisional variance shown in the table is not fully explained by the words which follow, the difference is largely the cost of industrial action in the year.

	<b>Annual Budget 2014/15</b>	<b>Provisional Actual 2014/15</b>	<b>Provisional Variance 2014/15</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Employees	34,337	33,691	(646)
Premises	2,529	2,451	(78)
Transport	1,940	1,910	(30)
Supplies & Services	3,782	3,674	(108)
Third Party Payments	125	181	56
Support Services	199	305	106
Income	(2,361)	(1,722)	639
Capital Financing	2,341	2,203	(138)
<b>Total</b>	<b>42,892</b>	<b>42,694</b>	<b>(198)</b>

## Employees

- 2.7 Wholetime Operational Pay: (annual budget £23,131k). The provisional outturn underspend is £338k, excluding the impact of industrial action. Some of this is due to the number of employees on development rates of pay being higher than assumed in the budget, and some is due to the number of employees in a pension scheme being lower than budgeted. These assumptions have been addressed for the 2015/16 budget. In addition a temporary virement of £147k has transferred budget from Wholetime pay to Building maintenance to fund backlog maintenance as approved by the Finance and Resources Committee in January 2014. Although by the end of the financial year the number of Wholetime employees was largely in line with the total establishment number, this was not the case earlier in the year and this has accounted for the rest of the underspend.
- 2.8 Administrative and Support Staff Pay: (annual budget £5,917k). The provisional outturn underspend is £341k. There were a number of vacancies arising during the year, which created an underspend against the budget, as well as a few instances of employees working fewer hours than their established FTE's. Posts have been held as vacancies where possible in preparation for the requirement to reduce the overall budget as grant funding reduces in the future.
- 2.9 Retained Pay: (annual budget £2,647k). The provisional outturn underspend is £383k, excluding the impact of industrial action. An underspend was forecast against this budget throughout the year, partly because a "buffer"

had been left in place with which to implement the Enhanced Crewing model. Incident numbers have continued to fall this year, which directly impacts on the Retained pay budget causing a further underspend. Retained mobilisations totalled 2,525 in 2014/15, compared to 2,866 in 2013/14.

- 2.10 Training: (annual budget £470k). The provisional outturn underspend is £81k, excluding the impact of industrial action. This has occurred mainly because there has not been a requirement to train Station Managers at the Fire Service College in the year. Also with reducing staff numbers there have been less specialist courses. This budget has been reviewed for 2015/16 to reflect the changed requirement.
- 2.11 Pensions and Redundancy: (annual budget £1,112k). During the year, overspends in this area were reported to the Finance and Resources Committee. They arose from redundancy payments which were unbudgeted as well as a higher than budgeted number of ill health retirements in the year. The redundancies related to phase 2 of the voluntary redundancy programme as well as the closure of Mansfield Retained section. At the end of the year, the earmarked reserves for Organisation Transition and for Pensions / Ill Health were used to offset these overspends. In addition, the value of historic pension errors was confirmed by the previous pension administrator just before the accounts were due to be closed. The Firefighter Pension Fund has been adjusted in 2014/15 in anticipation of the correction of the errors, and this has impacted upon the revenue budget to the value of £258k. This issue will be the subject of a more detailed report to Policy and Strategy Committee in due course.
- 2.12 Industrial Action: The net cost of industrial action within the Employees category of expenditure was £266k.

## **Premises**

- 2.13 Business Rates: (annual budget £711k). The provisional outturn underspend of £41k has arisen partly due to the correction of retrospective rates charges in the year, but also due to the on-going challenge of rates charges for the Service's properties, which has helped to reduce bills in some cases.
- 2.14 Industrial Action: The net cost of industrial action within the Premises category of expenditure was £27k

## **Transport**

- 2.15 Fuel: (annual budget £438k). The provisional outturn underspend is £140k. This has been caused by two factors: firstly a fall of around 9% in price over the course of the year, and secondly a reduction in the amount of fuel used in 2014/15 compared with the previous year of around 10%, which is probably related to reducing incident numbers. Some of the surplus budget has been removed for 2015/16, but the scale of the underspend this year means that this will need to be closely monitored during 2015/16.
- 2.16 Finance Lease Extensions: (annual budget £18k). The provisional outturn overspend of £65k is due to the extension of leases for fire appliances

pending the completion of new fire appliances within the capital programme. This overspend is offset by the underspend on capital financing charges (see paragraph 2.30)

- 2.17 Industrial Action: The net cost of industrial action within the Transport category of expenditure was £69k.

#### Supplies and Services

- 2.18 Uniform & Protective Clothing: (annual budget £240k). The provisional outturn underspend is £90k. This budget has been reduced over recent years, and still continues to underspend as the numbers of employees and incidents reduce. It will be re-examined in the forthcoming budget process with a view to taking further savings.
- 2.19 Insurance: (annual budget £517k). The provisional outturn overspend is £60k. Part of this overspend is due to increased premiums following the insurance tender earlier in the year. The remainder is due to an increased provision being made for the current number of outstanding insurance claims as assessed at the end of the financial year.
- 2.20 ICT Maintenance Contracts: (annual budget £682k). The provisional outturn overspend is £55k. Around £41k of this overspend relates to maintenance costs for hardware infrastructure already in place for the Tri-Service mobilising system, which have been built into the budget for 2015/16.
- 2.21 FireLink Contract Charges: (annual budget £359k). The provisional outturn overspend is £72k. The charges from Central Government have increased this year by index linked inflation backdated to an earlier year. The notification of this increase was received after the budget had been finalised, which has caused an overspend. Only part of the charge is met by government grant.
- 2.22 Phones: (annual budget £185k). The provisional outturn underspend of £46k is made up savings in both landline and mobile phone charges. The most significant of these savings has arisen due to the renegotiation of the mobile phone contract to provide a more cost effective solution to the Service's requirements.
- 2.23 Risk Contingency: (annual budget £50k). The provisional outturn underspend is £46k. This contingency budget has only been used to fund one minor item and the remaining £46k was not required in the year. This budget has been eliminated for 2015/16.
- 2.24 Industrial Action: The net cost of industrial action within the Supplies and Services category of expenditure was £69k

#### Third Party Payments and Support Services

- 2.25 Legal Services: (annual budget £102k). The provisional outturn overspend is £57k. This overspend is due to one Fire Protection enforcement legal case, in

which the Authority was successful. The legal fees associated with this enforcement action amounted to £134k in 2014/15 (the total cost of the case to the Service over two years was £172k, although £78k has been awarded as costs by the court – see paragraph 2.29). In other areas of the legal services budget there were underspends which helped to partially offset this cost.

- 2.26 Compensation Payments: The provisional outturn overspend is £105k and is due to the final payment in relation to the legal case regarding the sale of Dunkirk Fire Station which, due to an error, was not included in the 2014/15 budget.

#### Income

- 2.27 Contributions to Earmarked Reserves: (no budget). At the end of the financial year, a number of contributions were made to either set up new earmarked reserves or to augment existing reserves. Members of the Finance and Resources Committee will be aware that a reserve has been created to help meet one-off expenses arising from the Control Collaboration project and this has been funded by the closure of several earmarked reserves which were no longer required – the total value of this reserve is now £220k. Members of the Finance and Resources Committee will also be aware that a new earmarked reserve for future communications developments was created in the year (£200k) and that the Pensions / Ill Health reserve required an additional contribution to help meet the on-going costs of the ill health retirements in 2014/15 (£130k). The earmarked reserve for Organisation Transition was used in the year to pay for some redundancy and pension strain costs (£214k) and has therefore been augmented with £200k to maintain a balance of £520k to meet future one-off costs of this nature. Finally, an additional £100k was set aside to fund backlog building maintenance costs as the previous reserve was fully utilised in 2014/15. Along with some minor contributions to reserves, this brings the total variance for contributions to earmarked reserves to £780k. The use of earmarked reserves to fund expenditure in 2014/15 was at a similar level, so the value of earmarked reserves as at 31<sup>st</sup> March 2015 is £3.8m, which is the same as at the start of the year.
- 2.28 Prince's Trust: (annual budget -£378k). Income from colleges to support the Prince's Trust activity showed a shortfall of £119k by the year end. Overall, the deficit for the activity was £152k, which is higher than the budgeted deficit of £92k approved by Members of Policy and Strategy Committee in April 2014. During the year, it was reported that although retention rates had been high within the teams, recruitment numbers had been lower than budgeted throughout the year for almost every team. In addition there was a one-off redundancy cost in the year which was unbudgeted, and these two factors account for almost all of the deficit. This budget will continue to be monitored closely throughout 2015/16.
- 2.29 Recovery of Costs: (annual budget £5k). The provisional outturn surplus is £78k and relates to the successful fire protection enforcement case referred to in paragraph 2.25. Costs of £78k have been awarded in favour of the

Authority and are due to be received in 2015/16, but have been accrued for in 2014/15.

- 2.30 Secondments: (no budget). Two new secondments started during the year, which were not budgeted for and this resulted in an overall underspend of £30k.
- 2.31 Non Domestic Rates Growth: (no budget). During the year the billing authorities declared NDR growth income of £34k for the Authority, which was unbudgeted.
- 2.32 Contribution to General Reserves: For 2014/15 a budget of £117k was created as a contribution to General Reserves. This recognised that late in the budget process the surplus on the collection fund and other NDR income streams declared by the billing authorities created a small budget surplus which would be transferred into General Reserves once the financial year had completed. As reported above, the provisional budget surplus is £514k, which is almost £400k higher than budgeted albeit still a small variance as a proportion of the whole budget.

#### Capital Financing

- 2.33 Capital Financing: (annual budget £2,341k). The provisional outturn underspend is £115k, which is due to an underspend on loan interest of £115k. This variance has arisen because budget assumptions about capital expenditure and loans were different to actuals. The capital programme underspent in 2013/14 and was almost all financed by grants and revenue contributions. In addition, the capital programme underspent in 2014/15 and new borrowing has not been required, which has reduced interest charges in comparison to the budget.

#### RESERVES

- 2.34 At 31 March 2014, General Reserves stood at £6.342m and earmarked reserves totalled £3.805m. The provisional revenue outturn underspend of £393k will increase General Reserves and give a new total of £6.540m as at 31 March 2015.
- 2.35 During the year, net changes were made to earmarked reserves of £26k, giving a provisional balance as at 31 March 2015 of £3.831m

#### CAPITAL BUDGET

- 2.36 The approved capital programme for 2014/15 totalled £5.455m. Slippage brought forward from 2013/14 totalled £5.542m giving a total capital programme of £10.997m for the year. The provisional outturn is £4.466m, which is an underspend of £6.531m against the total programme.
- 2.37 A capital grant of £1.088m was received from DCLG during the year and this has been used to partially finance the capital programme. A further £499k of a separate capital grant from DCLG has been used to finance expenditure on

the Tri-Service system project. Capital receipts totalling £2.180m from both 2014/15 and the year before have also been used to partially finance the capital programme. The remaining capital expenditure of £0.699m can be financed from a loan which was taken in a previous financial year and not fully utilised at the time.

- 2.38 No new borrowing has been taken in the year and the decision has been made not to lease any of the transport assets purchased in the year because all of these will be financed by capital receipts, with no on-going revenue impact.
- 2.39 Capital receipts totalling £0.044m were received in the year from the sale of various vehicles. The capital receipts brought forward of £2.136m were for the sale of Dunkirk Fire Station (£2.000m) as well as for the sale of vehicles in previous years (£0.136m). All capital receipts have now been used to finance capital expenditure.
- 2.40 A summary of variances is shown in the following table with detailed explanations in the following paragraphs.

	<b>Total Capital Programme 2014/15</b>	<b>Provisional Actual 2014/15</b>	<b>Provisional Variance 2014/15</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Transport	2,691	1,490	(1,201)
Equipment	250	0	(250)
Property	5,577	1,944	(3,633)
IT & Communications	2,479	1,033	(1,446)
<b>Total</b>	<b>10,997</b>	<b>4,467</b>	<b>(6,530)</b>

## Transport

- 2.41 Three rescue pump appliances scheduled to be built in 2014/15 are in progress and due to be completed soon. Some payments for these will not occur until 2015/16, resulting in an underspend of £349k which will be slipped forward to next year.
- 2.42 Special appliances and light vehicles have been delayed somewhat due to reviews taking place to meet the need to balance the budget in future years, which may impact on future vehicle requirements. Only a minimum of essential procurement on vehicles has taken place this year and the sum of £502k (for Special appliances) and the sum of £394k (for light vehicles) will be slipped forward to next year. Once reviews are complete and the Authority has approved the future shape of the Service these budgets can be re-examined to see whether or not they are still required.

## Equipment

- 2.43 A project to replace radios used on the incident ground was undertaken during the year, and new radios were purchased at a cost of £204k, which was a saving of £46k against the capital programme budget. The radios have been put into Stores ready to be issued in 2015/16 – when this takes place,



the budget will be charged, so a budget of £204k will be slipped forward to next year.

## **Property**

- 2.44 One major property project was completed in the year and this was the rebuilding of Retford Fire Station which opened in December 2014. A budget of £70k will be slipped forward to next year to fund retention payments for this and other projects and to de-commission the temporary fire station.
- 2.45 The site upon which to rebuild a replacement for Central Fire Station (the new London Road Fire Station) was acquired in April 2015. Most of the capital programme budget remaining for this project will be slipped forward, totalling £3,114k for the project.
- 2.46 No feasibility studies were carried out this year due to the delays in the London Road Fire Station project, and this budget is not required.

## **Information and Communications Technology**

- 2.47 The on-going ICT replacement programme was largely completed in the year, with £9k slipped forward to next year. The major project to replace the Storage Area Network was completed in the year and the one to replace the telephony system was well underway by the end of the year and due to complete in the first half of 2015/16. A total of £109k will be slipped forward for this project.
- 2.48 The HR system replacement project continued in its second phase this year, with a Learning and Development module implemented. Further modules are in development and payments for these will be due in 2015/16. The full total underspend of £176k will be slipped into next year and once the project has completed, an outturn underspend will be reported to Members.
- 2.49 The Business Process Automation capital budget is used for a variety of initiatives which are designed to improve processes across the Service. £51k of this budget has been spent in the year and the remaining £288k will be slipped forward, with further improvement projects already being planned for 2015/16. The projects to implement CFRMIS Online Services and a new payroll system are still in the early stages, so the full remaining budgets will be slipped forward to next year (£47k for CFRMIS and £30k for Payroll).
- 2.50 The Tri-Service Control Mobilising system project has suffered delays and the new system was not in place as at the end of the year. Capital expenditure of £499k was accounted for in the year, leaving £592k of the original budget for the system to be slipped forward. The final outturn is likely to be just over £100k higher than the original budget due to the local enabling works for the project being funded by each of the Services – once the project has been completed, this additional expenditure will be funded from earmarked reserves.

## **DEBTS WRITTEN OFF IN 2014/15**

2.51 During the 2014/2015 financial year, six debts were written off. The debtor in all six cases was Her Majesty's Revenue and Customs (HMRC) and the debts all related to income tax refunds claimed by the Service on behalf of Retained employees involved in insurance claims against third parties. HMRC has now determined that tax refund claims will only be considered when an error has been made and will not pay these invoices. The Service has therefore written off the six debtor invoices raised, the total value being £3,747.36.

### **3. FINANCIAL IMPLICATIONS**

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

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

There are no human resources implications

### **5. EQUALITIES IMPLICATIONS**

An Equality Impact Assessment has not been undertaken because this report summarises only the financial impact of activities undertaken in 2014/15. 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**

It is recommended that Members:

9.1 Note the contents of this report.

9.2 Approve the total capital slippage of £5.884m to be carried forward.

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

None

Peter Hurford  
**TREASURER TO THE FIRE AUTHORITY**

John Buckley  
**CHIEF FIRE OFFICER**