



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

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# PROVISIONAL OUT-TURN FOR 2013/2014

Joint Report of the Treasurer and Chief Fire Officer

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**Date:** 27 June 2014

**Purpose of Report:**

To report to Members on the latest estimate of the financial performance of the Service in the year 2013/14, analysing significant variances against the original budget. The Statement of Accounts for 2013/14 will show the final position and will be reported to Members in September 2014.

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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 2013/2014 is required to be completed and then authorised for issue to the external auditor before 30 June 2014 by the Treasurer to the Fire Authority.
- 1.2. The audit of the Statement of Accounts is due to take place in August 2014, and the audited Statement of Accounts and the external auditor's Annual Governance Report will be presented to Members of the Fire Authority on 26 September 2014.
- 1.3. The purpose of this report is to give Members an overview of the Authority's financial performance in 2013/2014 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 2013/2014 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 forward and preserving the Authority's strong, underlying financial position. The bulk of these savings related to the final stage of implementing the Fire Cover Review findings, with a number of other smaller savings achieved as well.
- 2.2 The approved Revenue Budget for 2013/2014 was £43.899m. The predicted actual spend against this budget is £45.453m, which is an overspend of £1.554m. This is a planned overspend, and includes a Voluntary Revenue Provision charge of £1.000m, which was approved by the Finance and Resources Committee in January 2014, as well as a revenue contribution to finance capital expenditure of £1.736m. Both of these initiatives will contribute towards the on-going budget savings required in future years
- 2.3 The budget for the year assumed that there would be a net overspend of £2.065m funded by a contribution from General Reserves. Diligent management of the budget throughout the year has reduced this planned overspend, and many of the individual underspends arising in the year are in those areas where base budget reductions have already been effected for the 2014/2015 budget.
- 2.4 Given the overspend reported, General Reserves are expected to have reduced to the level of £6.210m at 31 March 2014. 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 £2.4m lower within two financial years, whilst still maintaining at least the minimum level of reserves identified in the most recent risk assessment reported to Members in February 2014.

## REVENUEBUDGET

- 2.5 There were two budgets set for 2013/2014, which allowed for General Reserves to be used in a planned way to support capital expenditure and reduce on-going revenue costs. The first of these was a contribution from General Reserves £2.065m which was to part fund a budget for revenue contributions to finance capital expenditure of £2.318m.
- 2.6 As the final predicted outturn position on capital expenditure is an underspend of £5.012m (as explained in paragraphs 2.47 to 2.53) only some of this revenue contribution was required. Nevertheless a Voluntary Revenue Provision (VRP) charge was made in the year following approval from the Finance and Resources Committee, and this will help to achieve on-going savings in capital financing budgets going forward.
- 2.6 A summary of variances is shown in the following table with detailed explanations in the following paragraphs.

	<b>Annual Budget 2013/14</b>	<b>Provisional Actual 2013/14</b>	<b>Provisional Variance 2013/14</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Employees	34,522	34,546	24
Premises	2,370	2,509	139
Transport	1,924	1,911	(13)
Supplies & Services	4,424	3,574	(850)
Third Party Payments	136	112	(24)
Support Services	218	188	(30)
Income	(1,315)	(1,672)	(357)
Capital Financing	2,345	3,309	964
Net reserves contributions	(725)	976	1,701
<b>Total</b>	<b>43,899</b>	<b>45,453</b>	<b>1,554</b>

### Employees

- 2.7 Wholetime Operational Pay: (annual budget £23,443k). The provisional outturn overspend is £148k. Within this total overspend were net costs of £15k arising from industrial action. The costs of maintaining crewing, partially offset by an underspend in respect of pension contributions being different from budgeted assumptions, accounted for the remainder of the overspend.
- 2.8 Non-Uniformed Pay: (annual budget £5,694k). The provisional outturn underspend is £280k. There were a number of vacancies which arose during the year, which have not been filled and which consequently created an underspend against the budget.

- 2.9 Retained Pay: (annual budget £2,809k). The provisional outturn underspend is £395k. An underspend was forecast against this budget throughout the year, with £200k of savings taken against the 2014/15 budget and a buffer left in place with which to implement the Enhanced Crewing model. The underspend has been reduced by £57k relating to pay for contingency crews covering periods of industrial action
- 2.10 Control Pay: (annual budget £1,044k). The provisional outturn overspend is £67k. This has arisen mainly because of the Tri-Service system project which required additional support from employees. As a result the establishment was over by 1.5 FTEs for much of the year.
- 2.11 Staffing Costs Other: (annual budget £42k). The provisional outturn overspend is £306k. Of this £298k was unbudgeted and is the charge re loss of protected pension age, which Members of the Policy and Strategy Committee have approved.
- 2.12 Indirect Employee Expenses: (annual budget £607k). The provisional outturn underspend is £43k. Overall, the direct training budget underspent by £23k, although this is partially offset by a £10k overspend within the Supplies and Services category. The underspend included £12k not spent on short courses and conferences, as well as £12k underspent on strategic manager training due to the impending changeover of personnel. The budget for relocation expenses underspent by £14k because there was very little demand for it this year.
- 2.13 Pensions and Redundancy: (annual budget £884k). The provisional overspend of £221k is made up of £245k overspend on redundancy and pension strain, and a £24k underspend on ill health / injury pension charges. During the year a number of Retained Duty System redundancies were effected re Arnold Fire Station plus two phase 1 voluntary redundancies and two phase 2 voluntary redundancies. The remaining phase 2 voluntary redundancies will take place in 2014/15 and an accrual / provision has been made in 2013/14 for these redundancy costs. The ill health / injury budget is difficult to predict and in this year actual occurrences amounted to less than budgeted for.

## **Premises**

- 2.14 Building Maintenance: (annual budget £775k). The provisional outturn overspent by £201k during the year on backlog maintenance. The Finance and Resources Committee in January 2014 approved an overspend on backlog maintenance to be funded by the net underspend on pay budgets.
- 2.15 Electricity & Gas: (annual budget £380k). The provisional outturn underspend of £26k is largely due to the mild winter.
- 2.16 Rents: (annual budget £117k). The provisional outturn underspend is £28k. Of this, £8k relates to the recharges from the City Council in respect of Central Fire Station which were lower than budgeted for. The remainder is due to savings arising from Prince's Trust teams relocating out of commercial premises and into fire stations. These savings have already been taken into account in the budget for 2014/15

## Transport

- 2.17 Staff Travelling Allowances: (annual budget £416k). The provisional outturn underspend is £44k. Car allowances continue to underspend as they did in 2012/13, and this is once again due to the vacancies. Travel budgets for 2014/15 have been further reduced following a review during the budget process.
- 2.18 Motor Insurance: (annual budget £207k). The provisional outturn overspend of £60k arose during the year following the insurance tender and was the result of a worsened claims history as well as prevailing market conditions.
- 2.19 Vehicle Leasing & Hire: (annual budget £189k). The provisional outturn underspend is £39k and this is mainly in the area of finance lease extensions, which are difficult to predict due to the timing of appliance procurement.

## Supplies and Services

- 2.20 Operational Equipment: (annual budget £505k). The provisional outturn underspend is £119k. This year has seen an increase in the recycling of operational equipment wherever possible e.g. ladders, coupled with very careful monitoring of the budget with a view to making savings.
- 2.21 Furniture & Equipment: (annual budget £131k). The provisional outturn underspend of £68k has arisen mainly in the areas of office equipment (£27k) and cleaning equipment (£39k). Again, budgets have been carefully monitored and, in the case of office equipment, opportunities have been taken to recycle items.
- 2.22 Printing, Stationery, Office Expenses: (annual budget £90k). The provisional outturn underspend is £17k. As electronic communications increase, stationery requirements are reducing, resulting in this underspend.
- 2.23 Other Services: (annual budget £485k). The provisional outturn underspend is £97k. There are a number of variances within this budget. The marketing and publicity budget underspent by £23k, with a changeover of manager during the year and a detailed budget review due next year. Occupational Health costs underspent by £24k and almost all of this related to the contract for the provision of a physician, which was re-tendered during the year resulting in reduced costs with effect from October 2013. The budget surplus has been retained to allow for the increased costs of asbestos medicals with effect from April 2014. The uninsured losses budget underspent by £23k – this budget is difficult to predict and very much subject to claims received during the year. Finally the external audit fees budget underspent by £15k due to in-built contingency of £5k not being required, as well as two audit fee rebates for 2012/13 and 2013/14.
- 2.24 Protective Clothing & Uniform: (annual budget £354k). The provisional outturn underspend of £118k is made up of £81k re Protective Personal Equipment (PPE) and £37k re uniform. The uniform budget is very closely managed with a view to delivering savings, whilst the approach with PPE is

now to purchase very little new kit and to repair and recycle the existing kit, which has resulted in savings.

- 2.25 Communications and Computing: (annual budget £1,774k). The provisional outturn underspend is £143k. The contracts for computer software maintenance and non-contracted services have underspent by £102k and this area will be subject to a base budget review during the next budget process. The budget for public consultation has underspent by £78k because the amount required for IRMP consultation was not required in full. The budget for FireLink charges has overspent by £78k due to a combination of increasing contract costs during the year, and an accrual for indexation costs advised by DCLG plus the purchase of additional equipment over and above the contract. Some of these costs have been met by increased New Burdens grant. The budget for telephone costs has underspent by £41k, as a result of careful budget management, the introduction of new mobile phones with lower costs and an increasing emphasis on other communication technologies.
- 2.26 Other Expenses: (annual budget £589k). The provisional outturn underspend is £296k and is because the risk based budgeting contingency has not been spent within the year. 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 the underspend of £296k. This contingency has reduced to £50k in 2014/15.

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

- 2.27 Legal Services : (annual legal fees budget £113k). The provisional outturn underspend is £18k. This budget is always difficult to estimate as the demand for legal services varies from year to year.
- 2.28 Treasury Services: (annual budget £175k). The provisional outturn underspend is £29k and around £16k of this has arisen following the transfer of fire pension administration to Leicestershire County Council at a lower cost. The remaining savings come from reduced charges for the other services provided by Nottinghamshire County Council.

### **Income**

- 2.29 Recovered Costs: - There were receipts in the year of £49k above budget, mainly relating to the Tri-Service system project, with related expenditure showing in other categories.
- 2.30 Sales Income: (annual budget -£12k). receipts for the sale of solar energy generated exceeded the budget by around £25k.
- 2.31 Secondment Income: The provisional outturn surplus is £34k and is for income for seconded staff– the related costs are within the pay budget.
- 2.32 Government Grants: (annual budget -£479k). The provisional outturn surplus is £129k. This has arisen from two grants: the FireLink grant received was

£44k higher than budgeted and the reasons for this are explained above under "Communications and Computing". In addition, a grant of £85k was received for Council Tax Transition. This was not known at budget time and has been carried forward as an earmarked reserve to be used in future to support any deficits on the Collection Fund.

- 2.33 Other Grants, Reimbursements and Contributions: (annual budget -£612k excluding reserves contributions). The provisional outturn surplus is £158k. Recovered costs relating to insurance claims amounted to £46k in the year – this is a difficult budget to accurately predict. Car leasing contributions amounted to £40k more than the budget set as more officers leased cars during the year for higher sums. The surplus on secondment income was £34k, with the related costs shown within the pay budget. Local Authority and partnership income was £32k above the budget and mainly related to costs recharged as part of the Tri-Service system project.

### **Capital Financing**

- 2.34 Capital Financing: (annual budget £2,345k excluding revenue contributions to capital). The provisional outturn underspend is £36k, which comprises an overspend of £51k on the Minimum Revenue Provision charge and an underspend on loan interest paid which have arisen because budget assumptions about capital expenditure and loans were slightly different to actuals.
- 2.35 Voluntary Revenue Provision: (not budgeted). A charge of £1.0m has been made as outlined in paragraphs 2.2 and 2.5 above.
- 2.36 Revenue Contributions to Capital: (budgeted at £2,317k). Actual contributions were £1,736k, a surplus of £581k – this was to finance the amount of capital expenditure in the year which was not financed by capital grant (see paragraph 2.43).

### **Earmarked Reserves**

- 2.37 The Prince's Trust activity was budgeted to contribute a surplus of £70k to earmarked reserves but, due to funding changes in the year, made a deficit of £151k. The variances relating to this budget are spread over a number of budget headings and, with the exception of the budgeted earmarked reserve contribution, are individually too low to have been mentioned in the report above.
- 2.38 A new earmarked reserve of £219k was created for the remaining backlog maintenance approved by the Finance and Resources Committee in January 2014, and the Pensions / Ill Health reserve was increased by £50k as there is likely to be an overspend against the revenue budget over the next three years. In addition, two grants were received in the year which have been carried forward as earmarked reserves for spending in future years – a Council Tax Transition grant of £85k and a Local Transparency grant of £3k
- 2.39 Aside from the transactions outlined in paragraph 2.37, other net transfers to and from earmarked reserves totalled -£139k.

## RESERVES

- 2.40 At 31 March 2013, General Reserves stood at £7.764m and earmarked reserves totalled £4.564m. The provisional revenue outturn overspend of £1.554m will decrease General Reserves and give a new total of £6.210m as at 31 March 2014.
- 2.41 During the year, net changes were made to earmarked reserves of - £759k. This comprised new reserves totalling £444k, reserves no longer required and written back to the revenue budget totalling £171k and use of reserves amounting to £1,032k giving a provisional balance as at 31 March 2014 of £3.804m

## CAPITAL BUDGET

- 2.42 The approved capital programme for 2013/14 totalled £5.197m. Slippage brought forward from 2012/13 totalled £3.142m giving a total capital programme of £8.339m for the year. The provisional outturn is £3.327m, which is an underspend of £5.012m against the total programme.
- 2.43 It is not unusual for slippage to occur within Capital Programmes as capital schemes will often span more than one financial year and are often delayed for reasons outside the Fire Authority's control. The Fire Authority are therefore to be asked to approve the slippage of the 2013/2014 underspend into 2014/2015.
- 2.44 A capital grant of £1.087m was received from DCLG during the year and this has been used to partially finance the capital programme. A further £504k of a separate capital grant from DCLG has been used to finance expenditure on the Tri-Service Control project. The remaining capital expenditure of £1,736m has been financed by a revenue contribution.
- 2.45 The revenue contribution to finance the capital programme was budgeted to be £2.317m 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 2.5. 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 2013/14 capital expenditure will be financed out-right, with no on-going revenue impact.
- 2.46 Capital receipts totalling £2.033m were received in the year - £33k in respect of the sale of vehicles, and £2.0m for Dunkirk Fire Station. These receipts will be held in the Usable Capital Receipts Reserve and carried forward to 2014/2015 to finance capital programme slippage.



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

	<b>Total Capital Programme 2013/14</b>	<b>Provisional Actual 2013/14</b>	<b>Provisional Variance 2013/14</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Transport	2,662	1,056	(1,606)
Property	4,567	1,300	(3,267)
IT & Communications	1,110	971	(139)
<b>Total</b>	<b>8,339</b>	<b>3,327</b>	<b>(5,012)</b>

### **Transport**

2.48 An Aerial Ladder Platform appliance and a Water / Foam Unit were completed in the year, with a Flood Response Unit still in build at the year end. Work commenced in the year on specifications for three other special appliances, and the slippage to be carried forward will contribute towards the costs of these.

2.49 A number of light vehicles were purchased in the year in line with the replacement programme. Aside from this has been a deliberate hold on spending on light vehicles, pending the further budget reductions required over the next two to three years which may impact on the size of the light fleet.

### **Property**

2.50 Two key refurbishment projects were largely completed in the year namely the conversion of Edwinstowe Fire Station to be a wholtime station and the refurbishment of the Control room and surrounding area in preparation for the new Tri-Service system.

2.51 The project to rebuild Retford Fire Station commenced in the year and will continue next year with the slippage to be carried forward funding the remaining works.

2.52 The main reason for the underspend in this area of the programme is the delay in purchasing the land required to build a new fire station to replace the current Central Fire Station. This delay has occurred for reasons outside of the Authority's control and will now affect the timing of the building project.

### **Information and Communications Technology**

2.53 In addition to the usual replacement programme for equipment, two key ICT projects made significant progress in the year: the replacement HR system, which went live just after the year end and the Tri-Service system which is due to go live in 2014/15.

2.54 The ICT infrastructure was enhanced during the year, with the purchase of a new Wide Area Network and Remote Storage as well as improvements to the Microsoft infrastructure.

### **DEBTS WRITTEN OFF IN 2013/14**

2.55 During the 2013/2014 financial year, there were no debts written off.

### **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 2013/14. 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 £5.012m to be carried forward to 2014/2015.

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

None

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**TREASURER TO THE FIRE AUTHORITY**

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