



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE AND CAPITAL OUT-TURN FOR 2017/18

Joint Report of the Treasurer and Chief Fire Officer

Date: 29 June 2018

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2017/18, analysing significant variances against the original revenue and capital budgets. This final position will also be reported in the Statement of Accounts for 2017/18 at the Combined Fire Authority meeting on 20 July 2018.

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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 2017/18 was required to be completed and then authorised for issue to the external auditor before 31 May 2018 by the Treasurer to the Fire Authority.
- 1.2. The audit of the Statement of Accounts is due to be completed in July 2018, 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 July 2018.
- 1.3. The purpose of this report is to give Members early sight of the Authority's financial performance in 2017/18 prior to receiving the audited accounts in July. The out-turn position may be subject to change if any issues are identified by the auditor which require amendments to revenue or capital expenditure.

2. REPORT

- 2.1 When the 2017/18 revenue budget of £40.804m was approved by the Fire Authority in February 2017 it was on the basis that a budget deficit of £526k would be supported by general reserves in order to balance the budget. This was in line with the Medium Term Financial Strategy which sets out as a principle that financial planning will take account of the possible use of reserves as a transitional measure to minimise the impact of reductions in funding.
- 2.2 During the year, a further £595k of planned expenditure has been incurred, funded from Earmarked Reserves and payments of £616k have been paid to other authorities out of the ESMCP Regional project reserve (total £1.211m). Total expenditure for 2017/18 was £41.971m, requiring £384k of funding from General reserves compared to the planned use of general reserves of £526k.
- 2.3 Table 1 below shows a summary of expenditure and funding.

Table 1 – Summary Expenditure and Funding Position

	Annual Budget 2017/18	Actual 2017/18	Variance 2017/18
	£000's	£000's	£000's
Employees	32,487	33,506	1,019
Premises	2,147	2,402	255
Transport	1,697	1,548	(149)
Supplies & Services	3,412	4,113	701
Third Party Payments	58	39	(19)
Support Services	165	159	(6)
Income	(1,666)	(2,093)	(427)
Capital Financing	2,505	2,297	(208)
Net Expenditure	40,805	41,971	1,166
Funded by:			
General Fund Reserves	(526)	(384)	142
Earmarked Reserves	0	(1,211)	(1,211)
Revenue Support Grant	(6,979)	(6,979)	0
Non-Domestic Rates	(10,128)	(10,225)	(97)
Council Tax	(23,172)	(23,172)	0
Total Funding	(40,805)	(41,971)	(1,166)

2.4 Details of variances have been reported on to Finance and Resources Committee throughout the year. Whilst the revenue budget underspend in total is £142k, which is relatively small at 0.3% of the overall budget, within this figure there are a few significant over and underspends. These are detailed below.

2.4.1 **Pay Award** - A pay increase of 2% has been included in both uniformed and non-uniformed staff. Non-uniformed staff had their pay award confirmed and backdated to April 2017. Whilst a 2% pay award was initially offered for uniformed staff, only 1% has been paid to date from July 2017 whilst pay negotiations are ongoing. Costs for the full 2% have been included in the final expenditure position to reflect the original offer. Given that the budget for 2017/18 included funding for a 1% pay award across the board, this has resulted in a **£243k** overspend.

2.4.2 It should be noted that whilst Uniformed pay negotiations are ongoing it is possible that an agreement is reached at a rate higher than 2%. A contingent liability has been included in the Authority's Statement of Accounts identifying this risk. Any additional costs incurred will need to be met from either the 2018/19 budget or from General Reserves.

- 2.4.3 **Pension Costs** - A reconciliation exercise during the year highlighted that ill health pensions had been incorrectly classified when the 2006 pension fund was created. This resulted in an overpayment of Pension Top Up Grant from central government of **£449k**. This has been repaid during 2017/18.
- 2.4.4 **Superannuation / National Insurance** - The employer's superannuation budget didn't reflect the correct numbers of employees in the more expensive 1992 and 2006 pension schemes leading to a **£268k** overspend. There was also a **£101k** shortfall in the budget for employers National Insurance contributions.
- 2.4.5 **Business Rates** - The business rates budget is overspent to date by **£172k**, after the authority lost appeals on several business rates revaluations as previously reported. This has reduced from the **£232k** previously reported due to a refund from Central Fire Station and over accruing for prior year costs relating to London Road Fire Station.
- 2.4.6 **Planned Fleet Maintenance** – an overspend of **£178k** has occurred due to several fire appliances requiring unexpected maintenance works late on in the year.
- 2.4.7 The additional expenditure wasn't picked up earlier due to £190k of invoices being paid in March 2018, throwing the budget into an overspend position. New procedures have been put into place to improve the monitoring in this area.
- 2.4.5 **Capital Financing Costs** - The cost of financing the capital programme has underspent by **£208k** due to delayed capital expenditure resulting in lower than anticipated borrowing and continued lower than forecast interest rates.
- 2.4.6 **Secondment Income** - Additional secondment income of **£214k** was received to offset costs of officer seconded onto national projects such as the new inspection regime and the Emergency Services Mobile Communication Project.

RESERVES

- 2.5 Details of the use of reserves during 2017/18 can be found in Appendix A. A total of £1.595m has been utilised from reserves during the year and £0.973m was transferred into reserves relating to grant received but not yet spent. This was mostly relating to Emergency Services Mobile Communications Project (ESMCP). The earmarked reserve balance at the end of the financial year was £5.1m and the General Reserve £6.9m.
- 2.6 The current reserve position is attached at Appendix A. Total reserves at 31 March 2018 are £12.1m:

Table 2 – Breakdown of Reserve Movement during 2017/18

Reserves	Balance 01/04/17 £'000	Net Movement 2017/18 £'000	Movement between reserves	Balance 31/03/18 £'000
Earmarked	4,002	516	500	5,018
General Fund	7,837	(384)	(500)	6,953
Total	11,839	132	0	11,971
ESMCP* Regional Reserve	892	(754)	0	138
Total	12,731	(622)	0	12,109

* Emergency Services Mobile Communications Programme

- 2.7 The ESMCP regional reserve has been shown separately to those reserves held by the Authority to reflect that the funds are to be allocated to the regional project and do not belong entirely to NFRS. This further demonstrates the Authority's commitment to collaboration and regional working.
- 2.8 The Transition Earmarked Reserve was set up to fund one off costs arising from organisational change. It has been used to cover costs such as redundancy costs and the financing of the Shaping Our Future Team. The reserve has a balance of £349k. £281k of this has already been committed to projects, leaving a balance of £68k available for new transitional work. With the forthcoming opportunities for collaboration work around estates and opportunities with Derbyshire Fire and Rescue Service this will be insufficient to fund developmental work and other potential costs. Finance and Resources committee are requested to recommend to Fire Authority to approve the transfer of £500k from General Fund to the Transition Reserve to support future transitional projects.
- 2.9 After using £384k to finance the deficit for 2017/18 and allowing for the £500k transfer to the Transition Reserve, General Reserves stand at £6.9m as at 31 March 2018. At its meeting on 16 February 2018 Fire Authority approved the use of £1.4m of General Reserves to enable a balanced budget to be set, which will have the impact of reducing the level of general reserves to £5.5m. This remains above the minimum level of £4.3m agreed by Fire Authority on 16 February 2018, but leaves reduced capacity for future use of General Fund reserves to balance the budget in future years.

CAPITAL BUDGET OUTTURN

- 2.10 Details of project expenditure can be found in Appendix B. Final expenditure as at 31 March 2018 was £4.060m, which is an underspend within the year of £2.114m against the Revised Budget of £6.174m.

- 2.11 Of the £2.1m underspends, £666k represents savings made by robust procurement and reviewing requirements before projects commence. The remaining £1.4m of the underspend is delayed expenditure, largely caused by the slower progress of schemes where the Service is collaborating with its partners. Details of this slippage is provided in paragraphs 2.12 to 2.21.
- 2.12 A summary of variances is shown in the following table with explanations of major variances in the following paragraphs.

	Revised Budget 2017/18	Actual 2017/18	Slippage	(Under) / Over spend 2017/18
	£000's	£000's	£'000	£000's
Transport	1,437	574	150	(713)
Operational Equipment	1,062	539	490	(33)
Property	2,834	2,328	506	0
IT & Communications	841	619	302	80
Total	6,174	4,060	1,448	(666)
Funded by:				
Borrowing	(5,326)	(3,405)		1,921
Grant Funding	(371)	(25)		346
Capital Receipts	(477)	(630)		(153)
Total	(6,174)	(4,060)		2,114

- 2.13 The largest scheme in the 2017/18 capital programme is the rebuilding of Newark Fire Station which was largely completed during the year, and crews moved into the new station in April 2018. The station has been designed to be much more energy efficient and will reduce future annual running costs. Expenditure on the project to date is £2.1m. There remains some work still to be completed, including the demolition of the station's old appliance bays and outbuildings and the improvement of parking facilities and vehicular access.

Transport

- 2.14 **Light Vehicle Replacement** – this project has delivered savings of £283k following a review of usage and a robust procurement exercise.

Special Appliances – collaboration opportunities are being explored for these vehicles. This has resulted in £530k delay in expenditure, but is anticipated to deliver savings in the region of £380k once delivered.

Equipment

- 2.15 **Equipment** - the light weight fire coats are again being considered as a collaborative project which has delayed the £180k project. The conversion of

the hose reel equipment has not commenced due to a delay in the feasibility study.

- 2.16 Whilst the replacement of Breathing Apparatus equipment is largely complete, the BA communications part of the project is still ongoing and slippage of £110k is required to facilitate this work.

Property

- 2.17 **Hucknall Fire Station** - The Retained Duty System station in Hucknall is being co-located with the East Midlands Ambulance Service (EMAS) station in Hucknall. The collaborative approach has taken longer to deliver than originally anticipated and the project has been delayed resulting in the need for slippage of £380k.
- 2.18 The refurbishment of stations project included work to the smoke house at the Service Delivery Centre (SDC) which has not yet been completed. Slippage of £126k is requested for this project.

Information and Communications Technology

- 2.19 The delays in the national Emergency Services Mobile Communication Project (ESMCP) have had a knock-on effect on anticipated expenditure on project related equipment, resulting in an underspend of £192k.
- 2.20 The performance management system is awaiting the outcome of the proof on concept work and slippage of £67k is requested for this project.
- 2.21 A summary of requests for slippage is shown in the table below:

Scheme	Slippage Required £'000
Special Appliances	150
Breathing Apparatus sets	110
Lightweight Fire Coats	180
Refurbishment of stations	126
Hucknall	380
Business Process Automation	49
Performance Management	67
Tri Service Control	171
Finance Agresso Upgrade	15
Total	1,248

DEBTS WRITTEN OFF IN 2017/18

2.22 One £325.09 service charge debt dating back to March 2015 was written off in the 2017/18 financial year.

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 2017/18. 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. COLLABORATION IMPLICATIONS

This report identifies several areas where collaboration is taking place between NFRS, other fire authorities, East Midland Ambulance Service and Nottinghamshire Constabulary. Opportunities for collaboration are continually being investigated.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Recommend to Fire Authority the transfer of £500k from General Fund to the Transition Earmarked Reserve.
- 10.2 Approve the total capital slippage of £1,248k to be carried forward to 2018/19 as detailed in paragraph 2.21.

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

None.

Charlotte Radford
TREASURER TO THE FIRE AUTHORITY

John Buckley
CHIEF FIRE OFFICER

Reserve Position at 31 March 2018

Reserve	Opening Balance 01/4/17 £'000	Movement During 2017/18 £'000	Closing Balance 31/3/18 £'000
Funded by Grants			
LPSA Reward Grant	(174)	48	(126)
Fire Investigation	(120)	48	(72)
Safe as Houses	(22)	0	(22)
Community Fire Safety Innovation	(200)	6	(194)
Resilience Crewing and Training	(451)	69	(382)
New Threats / MTFA	0	(22)	(22)
Thoresby Estate Charitable Trust	(3)	0	(3)
Public Heath England safe and well	(10)	10	0
	(980)	159	(821)
Other Earmarked Reserves			
Pensions Ill Health	(208)	0	(208)
Pensions Other	(100)	0	(100)
Fire Safety – On Fire Fund	(87)	12	(75)
Business Systems Development	(64)	4	(60)
ESMCP	(16)	0	(16)
ICT Sharepoint	(97)	35	(62)
Operational Equipment	(10)	0	(10)
Capital Reserve	(1,114)	0	(1,114)
Organisational Transition	(349)	(500)	(849)
Backlog Building Maintenance	(95)	0	(95)
Duke of Edinburgh	(23)	0	(23)
Tri Service Control phase 2	(363)	105	(258)
HEP B Vaccinations	(22)	1	(21)
Taxation Compliance	(10)	0	(10)
Retained Policy Change	(212)	0	(212)
Emergency Service RAP work	0	(452)	(452)
System Security PSN Work	0	(266)	(266)
System Airwave ESN Transition	0	(173)	(173)
Communications Development ESN	(252)	59	(193)
Total NFRS Controlled Reserves	(4,002)	(1,017)	(5,018)
ESMPC Regional Reserves	(892)	754	(138)
Total Earmarked Reserves	(4,894)	(262)	(5,156)
General Reserve	(7,837)	884	(6,953)
Total Reserves	(12,731)	622	(12,109)

Capital Expenditure 2017/18

Scheme	Revised Budget 2017/18 £'000	Actual Expenditure 2017/18 £'000	Slippage required to 2018/19 £'000	(Under) / Over Spend £'000
Transport				
Rescue Pump Replacement	0	8	0	8
Special Appliances	530	0	150	(380)
Appliance Equipment	58	0	0	(58)
Light Vehicle Replacement	849	566	0	(283)
	1,437	574	150	(713)
Equipment				
BA Sets	682	539	110	(33)
Conversion Hose Reel Equipment	200	0	0	(200)
Lightweight Fire Coat	180	0	180	0
	1,062	539	290	(233)
Estates				
London Rd Station	120	169	0	49
Refurbishment of Fire Stations	126	0	126	0
Newark Fire Station	1,858	2,105	0	247
Hucknall Fire Station	730	32	380	(318)
Workshop Fire Station	0	22	0	22
	2,834	2,328	506	0
IT & Communications				
ICT replacement equipment	140	220	0	80
Mobile Computing	20	20	0	0
Business Process Automation	189	140	49	0
Telephony replacement	0	21	0	21
Performance Management	103	12	67	(24)
Tranman Software	36	63	0	27
ESMCP	117	93	0	(24)
Tri Service Control	171	0	171	0
Payroll System Upgrade	45	50	0	5
Finance Agresso Upgrade	20	0	15	(5)
	841	619	302	80
Total	6,174	4,060	1,248	(866)
Financed by:				
Capital Grant	371	25		
Capital Receipts	477	630		
Earmarked Reserves	0	170		
Borrowing	5,326	3,235		
Total	6,174	4,060		