



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 2018/19

Joint Report of the Treasurer and Chief Fire Officer

Date: 28 June 2019

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2018/19, analysing significant variances against the original revenue and capital budgets. This final position is also reported in the Statement of Accounts for 2018/19 which also forms part of this agenda.

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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 2018/19 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 26 July 2019.
- 1.3. The purpose of this report is to give Members more detailed information regarding of the Authority's financial performance in 2018/19. 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 2018/19 revenue budget of £42.227m was approved by the Fire Authority in February 2018 it was on the basis that a budget deficit of £1.444m would be supported by general reserves in order to balance the budget.
- 2.2 Total expenditure for 2018/19 was £42.715m. Of this, net expenditure of £393k was funded from Earmarked Reserves, requiring £1.377m of funding from General reserves. This represents an underspend position of £67k against the planned use of general reserves of £1.444m.
- 2.3 Table 1 below shows a summary of expenditure and funding.

Table 1 – Summary Expenditure and Funding Position

	Annual Budget 2018/19	Actual 2018/19	Variance 2018/19
	£000's	£000's	£000's
Employees	33,566	34,357	791
Premises	2,317	2,530	213
Transport	1,752	1,965	213
Supplies & Services	3,447	3,462	15
Third Party Payments	58	35	(23)
Support Services	178	172	(6)
Capital Financing	2,432	2,291	(141)
Income	(1,523)	(2,097)	(574)
Net Expenditure	42,227	42,715	488
Funded by:			
General Fund Reserves	(1,444)	(1,377)	67
Earmarked Reserves	0	(393)	(393)
Revenue Support Grant	(5,961)	(6,123)	(162)
Non-Domestic Rates	(10,586)	(10,586)	0
Council Tax	(24,236)	(24,236)	0
Total Funding	(42,227)	(42,715)	(488)

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 £67k, which is relatively small at 0.2% of the overall budget, within this figure there are a few significant over and underspends. These are detailed below.

2.4.1 **Wholetime Pay** - An overspend of £216k was caused by additional pre-planned overtime required to fill gaps in the ridership prior to the recruitment courses being delivered.

2.4.2 **Retained pay** - This overall retained pay budget underspent by £351k. The drills and training budget had been increased to allow for additional hours to be undertaken. This was not achieved, resulting in the underspend.

2.4.3 **Car Tax Liabilities:** The Authority recently commissioned a tax review which has identified that some travel related expenses have been incorrectly treated for tax purposes. This has been corrected going forward. At its meeting on 28 September 2018 Fire Authority approved that the service would meet the tax liabilities previously incurred up to a maximum of £250k. A provision has been created

in the 2018/19 accounts to cover this expenditure when it is incurred.

- 2.4.4 **Redundancy and pension strain costs:** A provision of £647k has been included in the 2018/19 accounts to cover the termination payments for the Joint Control Room merger with Derbyshire Fire and Rescue Service and the planned closure of the Prince's Trust Programme. The provision was created to comply with the relevant accounting standard relating to termination benefits. These additional costs will be offset by ongoing savings in excess of £400k per year.
- 2.4.5 **Pension costs:** the forecast underspend is £111k. Ill health retirement costs can be difficult to predict as they are dependent on the number of ill health retirements during the year, and costs for each retirement can vary greatly.
- 2.4.6 **Prince's Trust:** there is a deficit of £223k relating to the net cost of the Prince's Trust project for 2018/19. As previously reported, there have been ongoing issues with the Princes Trust project which has been struggling to attract sufficient numbers to make it cost efficient. The project was the subject of a separate report to Policy and Strategy Committee in February where the decision was made to draw a close to the programme.
- 2.4.7 **Capital Financing Costs** - The cost of financing the capital programme was £141k lower than expected due to delayed capital expenditure resulting in lower than anticipated borrowing and continued lower than forecast interest rates.
- 2.4.8 **Income** - Additional secondment income of £267k was received to offset costs of officers seconded onto national projects such as the new inspection regime and the Emergency Services Mobile Communication Project. This is used to offset additional costs of backfilling these posts.
- 2.4.9 A further £96k was recovered under Central Government's Bellwin scheme to cover the additional costs incurred when the service supported Lancashire and Manchester Fire Services during the moorland fires in 2018.
- 2.4.10 **Revenue Support Grant** – An additional £163k was received by way of Revenue Support Grant (RSG). This was an additional allocation of RSG that had been previously top sliced from Authorities by Central Government to fund the floors and ceilings safety net programme. The cost of the programme was less than expected, resulting in an additional one off allocation. This has been used to create an operational resilience reserve as detailed in the Budget Proposal report to Fire Authority on 15 February 2019.

RESERVES

- 2.5 Details of the use of reserves during 2018/19 can be found in Appendix A. A net total of £1.77m has been utilised from reserves during the year. Total reserves as at 31 March 2019 were £10.337m. The earmarked reserve balance at the end of the financial year was £4.8m and the General Reserve £5.5m.

Table 2 – Breakdown of Reserve Movement during 2018/19

Reserves	Balance 01/04/18 £'000	Net Movement 2018/19 £'000	Balance 31/03/19 £'000
Earmarked	5,156	(393)	4,763
General Fund	6,953	(1,377)	5,576
Total	12,109	(1,770)	10,337

- 2.6 The £393k net movement in Earmarked reserves includes £234k contribution into reserves and £2,004k expenditure from reserves (see Appendix A). The movement into reserves requires the approval of Finance and Resources Committee. It consists of:
- £163,735 funding from additional RSG which was used to create an operational resilience reserve as detailed in the Budget Proposal report to Fire Authority in February 2019 (see 2.4.10);
 - £50,000 to create a reserve to fund any necessary work resulting from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection which was approved as part of the 2018/19 budget process;
 - £20,324 resilience grants which were not spent in 2018/19 and thus transferred into 2019/20.
- 2.7 After using £1.77m to finance the deficit for 2018/19, general fund reserves stand at £5.5m as at 31 March 2019. At its meeting on 15 February 2019 Fire Authority approved the use of £1.2m of General Reserves to enable a balanced budget to be set. However, early monitoring of the 2019/20 position would indicate that the amount required will be less than this, which will ensure that general fund reserve levels will remain above the minimum level of £3.9m agreed by Fire Authority on 15 February 2019.

CAPITAL BUDGET OUTTURN

- 2.8 Details of project expenditure can be found in Appendix B. Final expenditure as at 31 March 2019 was £1.075m, which is an underspend within the year of £2.153m against the Revised Budget of £3.227m.
- 2.9 A summary of variances is shown in the following table with explanations of major variances in the following paragraphs.

	Revised Budget 2018/19	Actual 2018/19	(Under) / Over spend 2018/19	Slippage to 2019/20
	£000's	£000's	£'000	£000's
Transport	372	69	(303)	303
Operational Equipment	690	113	(577)	493
Property	1,453	566	(887)	884
IT & Communications	713	327	(386)	401
Total	3,227	1,075	(2,153)	2,081
Funded by:				
Capital Grant				41
Borrowing		898		1,991
Earmarked Reserves		62		0
Capital Receipts		115		49
Total		1,075		2,081

- 2.10 The 2018/19 capital programme has been smaller than in previous years as the service is between building projects. In April 2018 crews moved into the new Fire Station in Newark. The completion of this station and demolition of the old station accounted for almost half of capital expenditure incurred (£465k). The station has been designed to be much more energy efficient and will reduce future annual running costs.

Transport

- 2.11 **Light Vehicle Replacement** – Several electric vehicles have been ordered, but delivery times have become problematic due to high demand levels, resulting in alternative suppliers being considered.
- 2.12 **Special Appliances** – The chassis of the new Hazardous Materials Environmental Protection Unit (HMEPU) is expected to be delivered in

August, with the body build being completed around December 2019. The budget of £150k is requested to be slipped into 2019/20.

Equipment

- 2.13 **Lightweight Fire Coats** - the light weight fire coats are again being considered as a collaborative project which has delayed the £200k project.
- 2.14 **Breathing Apparatus (BA) Communications** -The updated BA communication equipment has been delayed to ensure proper testing of the equipment. This has been done collaboratively with Derbyshire Fire and Rescue Service who operate with the same BA kits as Nottinghamshire. Working collaboratively is expected to deliver savings in the region of £20k. Slippage of £110k is required to facilitate this work.
- 2.15 **CCTV installation in vehicles** – this project has been delayed due to insufficient staff resources. The £200k budget will be slipped into 2019/20.

Property

- 2.16 **Hucknall Fire Station** - The Retained Duty System station in Hucknall is being co-located with the East Midlands Ambulance Service (EMAS) station in Hucknall. Again, the collaborative approach has taken longer to deliver than originally anticipated but leases have now been signed and work is commencing. Slippage of £363k is required for this project.
- 2.17 **Refurbishment of stations** – This project included work to the smoke house at the Service Development Centre (SDC) which has not yet been completed. Slippage of £110k is requested for this project.
- 2.18 **Workshop** – This project is on hold whilst utility access rights are sorted out. Once this has been completed, the site can be procured and the project can commence. The delays require that the budget of £171k is slipped into 2019/20.

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 £41k.
- 2.20 The tri service control and mobilising system work has largely been completed under the maintenance contract. The remaining budget is to be slipped into 2019/20 to enable any development work following the creation of Joint Fire Control to be undertaken.
- 2.21 The Finance Agresso Upgrade commenced in May 2019. The upgrade is being undertaken in a collaborative way with both Leicestershire and Derbyshire Fire Services. The £45k budget requires slippage into 2019/20.
- 2.22 A summary of requests for slippage is shown in the table below:

Scheme	Slippage Required £'000
Special Appliances	150
Light Vehicle Replacement	153
Breathing Apparatus sets	113
CCTV vehicles	200
Lightweight Fire Coats	180
Refurbishment of stations	110
Newark Fire Station	242
Hucknall Fire Station	361
Worksop Fire Station	171
ICT replacement equipment	67
SharePoint	26
HQ core switch upgrade	30
Business Process Automation	11
Performance Management	10
Emergency Services Network	41
Tri Service Control	171
Finance Agresso Upgrade	45
Total	2,081

DEBTS WRITTEN OFF IN 2018/19

2.23 Three debts totalling £1,491.05 have been written off during the 2018/19 financial year. The majority of this (£1,346.36) related to the overpayment of pension when a pensioner died shortly after payment.

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 or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report summarises only the financial impact of activities undertaken in 2018/19. 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 includes income and expenditure from several collaboration agreements. Opportunities for collaboration are continually being investigated.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Approve the transfer into reserves totalling £234k as detailed in Paragraph 2.6.
- 10.3 Approve the total capital slippage of £2,081k to be carried forward to 2019/20 as detailed in Paragraph 2.22.

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 01/4/18 £'000	Movement into Reserve £'000	Use of Reserve £'000	Movement During 2018/19 £'000	Closing Balance 31/3/19 £'000
Prevention, Protection and Partnership	513	20	(159)	(139)	374
Resilience	405	164	(32)	132	537
Capital	1,114		(77)	(77)	1,037
Transition	848	50	(184)	(134)	714
Estates	95	0	(95)	(95)	0
Information, Communication and Technology (ICT)	1,360	0	(8)	(8)	1,352
Operational	480	0	(65)	(65)	415
Pension	309	0	0	0	309
Other	31	0	(7)	(7)	24
Total Earmarked Reserves	5,156	234	(627)	(393)	4,763
General Reserve	6,953	0	(1,377)	(1,377)	5,576
Total Reserves	12,109	234	(2,004)	(1,770)	10,339

CAPITAL EXPENDITURE 2018/19

Scheme	Revised Budget 2018/19 £'000	Actual Expenditure 2018/19 £'000	(Under) / Over Spend £'000	Slippage required to 2019/20 £'000
Transport				
Special Appliances	150	0	(150)	150
Light Vehicle Replacement	222	69	(153)	153
	372	69	303	303
Equipment				
BA Sets	110	(3)	(113)	113
Central Fire Station				
Conversion Hose Reel Equipment	200	116	(84)	0
CCTV - Vehicles	200	0	(200)	200
Lightweight Fire Coat	180	0	(180)	180
	690	113	(577)	493
Estates				
Refurbishment of Fire Stations	126	16	(110)	110
Newark Fire Station	707	465	(242)	242
Hucknall Fire Station	380	17	(363)	361
Worksop Fire Station	240	69	(171)	171
	1,453	566	(887)	884
IT & Communications				
ICT replacement equipment	140	73	(67)	67
Mobile Computing	20	20	0	0
SharePoint development	150	124	(26)	26
HQ core switch upgrade	30	0	(30)	30
Business Process Automation	49	38	(11)	11
Performance Management	67	57	(10)	10
Emergency Service Mobile Communications	41	0	(41)	41
Tri Service Control	171	0	(171)	171
Payroll System Upgrade	0	15	15	0
Finance Agresso Upgrade	45	0	(45)	45
	713	327	(386)	401
Total	3,227	1,075	(2,153)	2,081
Financed by:				
Capital Grant		0		
Capital Receipts		115		
Earmarked Reserves		62		
Borrowing		898		
Total		1,075		