



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

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

# REVENUE AND CAPITAL MONITORING REPORT TO 28 FEBRUARY 2018

Report of the Chief Fire Officer

**Date:** 27 April 2018

**Purpose of Report:**

To report to Members on the financial performance of the Service in the year 2017/18 to the end of February 2018.

## CONTACT OFFICER

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## 1. BACKGROUND

Budget monitoring is a key aspect of financial management for the Fire and Rescue Authority. Regular reporting of spending against the revenue budgets is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities.

## 2 REPORT

### REVENUE BUDGET

2.1 The revenue monitoring position is attached at Appendix A. It shows a forecast outturn position of £41.302m against a budget of £40.805m. The additional expenditure of £497k relates to approved projects and additional work which are to be funded from Earmarked Reserves. A summary position of expenditure and funding is shown in the table below:

**Table 1 – Summary Expenditure and Funding Position**

	<b>2017/18 Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Expenditure	40,805	41,302	497
Income	(40,279)	(40,328)	(49)
General Fund Reserves	(526)	(477)	49
Earmarked Reserves	0	(497)	(497)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

2.2 A more detailed analysis of expenditure can be found at Appendix A.

2.3 Details of the major variances are shown below:

- Wholtime pay (excluding overtime) is forecasted to overspend by £50k.
- Control pay is forecast to overspend by £69k.
- Firefighter pensions are forecast to overspend by £473k, an element of this will be met from earmarked reserves.
- The business rates budget is expected to overspend by £232k.
- The capital financing budgets for interest charges and minimum revenue provision are expected to underspend by a total of £207k.
- The budget for the rent of premises is forecasted to underspend by £73k due to the early vacation of Central Fire Station.
- Non-Domestic Rates income is currently expected to be £49k higher than originally budgeted for, which reduces the amount required from General Reserves to balance the budget.

- 2.4 These significant variances are explained further in the report below, together with details of other key variances.
- 2.5 **Wholetime Pay:** the net overspend to 28 February 2018 is £118k, although this is expected to drop to **£96k** by the end of the financial year. Expenditure relating to backfilling seconded posts has been funded from additional income of £203k and grant of £72k. This is mainly due to underspends on basic pay and bank holiday pay, and overspends on employer's national insurance and pension contributions:
- Wholetime superannuation costs are forecast to overspend by **£227k** once secondment income and grant funding are taken into consideration. The budget is overspent by £229k to date. This is due to a higher proportion of firefighters in the more expensive 1992 and 2006 scheme than was budgeted for.
  - The wholetime national insurance is expected to have a net overspend of **£59k** by the end of the financial year, after taking account of secondment and grant income.
  - Wholetime basic pay is anticipated to have a net underspend of **£171k** at the end of the financial year once grant funding and surplus secondment income have been taken into consideration. This is because there has been an under-establishment of posts for much of the year, although wholetime staff numbers increased at the end of February due to the migration of 10 firefighters from the retained duty system.
  - Overtime is expected to overspend by **£46k**. This relates to unplanned overtime which is incurred due to crews remaining at incidents after their shifts have ended. Planned overtime, which is used to cover shortfalls on the ridership, is expected to come in on budget.
  - Bank Holiday pay is expected to underspend by **£66k**. This is largely due to a recent change in accounting policy which means that bank holiday and overtime payments made in arrears will no longer be accrued for at year end. The budget assumptions have been reviewed in the 2018/19 budget.
  - An interim pay settlement of 1% has been agreed and backdated to July 2017 whilst the final pay settlement negotiations are ongoing. It is planned to make a £117k provision as part of the year end accounts to cover an additional 1% backdated pay award. The estimated outturn figures include the both the 1% pay award already agreed and the additional 1% provision (2% in total). This may change if negotiations have resulted in agreement before the statement of accounts is finalised.
- 2.6 **Retained Pay:** This budget is underspending by £65k to date, and this underspend is expected to increase to **£80k** by the end of the financial year. This is largely due to actual establishment numbers being lower than budgeted.

- 2.7 **Administrative and Support Pay:** the variance to date is an underspend of £32k, however the budget is expected to underspend by **£45k** by the end of the year. The Authority has opted to prepay the secondary LGPS contributions for the three years to 31 March 2020 by making a single lump sum payment of £602k. This has resulted in a saving of £33k over three years.
- 2.8 **Control Pay:** the variance to date is an overspend of £67k, and this budget is expected to overspend by **£69k** by the end of the financial year. £58k of this variance is due to the creation of a temporary group manager post to work on the Emergency Services Network project. This will be offset by grant funding.
- 2.9 **Pension Costs:** the year-end pension revenue budgets are expected to overspend by around **£474k**. £495k of this is due to some reclassifications of ill health pensions which need to be funded by the authority rather than the pension fund as reported to the Committee on 13 October 2017. There is an ongoing cost to the authority of £45k per annum, which has been built into the 2018/19 revenue budget.
- 2.10 Ill health charges are forecast to underspend by **£46k** based on lower than expected ill health retirements during the year.

#### **Premises Related Expenditure:**

- 2.11 The business rates budget is overspent to date by £213k, and this overspend is expected to increase to **£232k** by the end of the financial year after the authority lost appeals on several business rates revaluations as previously reported.
- 2.12 The budget for the rent of premises is forecasted to underspend by **£73k** by the end of the financial year due to the earlier vacation of the Central Fire Station at the Guildhall than was budgeted for (£35k) and an over accrual for 2016/17 utilities costs (£38k).
- 2.13 The budgets for the energy costs is forecasted to overspend by **£48k** by the end of the financial year, this is a volatile budget as it depends on consumption, weather conditions and prices.
- 2.14 The building maintenance budget is forecasted to overspend by **£95k** by the end of the financial year which is attributable to remedial work resulting from compliance testing which has been funded from earmarked reserves (£95k).

#### **Transport Related Expenditure:**

- 2.15 **Fuel:** the fuel budget is expected to underspend by **£43k** by the end of the financial year. This is due to a reduction in the use of light vehicles which has been made possible by their reallocation, fuel prices were lower due to the price of crude and fewer miles being travelled by fire appliances as a result of a decrease in mobilisations.

- 2.16 **Supplies and Services:** The Supplies and Services budget is expected to be overspent by £111k after taking account of £235k funded from the Emergency Services Mobile Communications Programme (ESMCP).
- 2.17 **Government Revenue Grants:** there is a forecasted surplus of **£89k** relating to Government Revenue Grants. The budget of £461k consisted of an estimated £122k relating to New Dimensions and £339k relating to Firelink. The Home Office has indicated that the amount of Firelink grant that the Authority will receive will increase to £373k, however the amount relating to New Dimensions will reduce to £91k due to the decision to withdraw funding for the Incident Response Unit (IRU). The IRUs will be replaced nationally by Mass Decontamination Units following a review of Mass Decontamination Capability carried out by the Home Office. The Authority has been chosen to host a Mass Decontamination Support vehicle, but it is not yet known what the funding arrangements for this will be. The Authority has also been notified that it will receive a £29k grant for National Resilience Service and Maintenance.
- 2.18 **Secondment Income:** additional secondment income of **£215k** was received after the budget for 2017/18 had been calculated. £203k of this surplus relates to the recovery of pay-related expenditure and has been used to offset overspends on wholetime pay (section 2.5).
- 2.19 **Non-Domestic Rates Income:** the forecast for business rate income is currently **£49k** higher than budgeted for. There is an element of volatility around business rate income and it can be difficult to predict collection levels and the outcome of appeals. Final Business Rate Income may change when final data is provided from the Billing Authorities.
- 2.20 **Capital Financing Costs:** Overall the capital financing budgets are forecasted to underspend by **£207k** by the end of the financial year. This variance is comprised of two elements:
- **Interest Charges:** the budget for interest charges is expected to underspend by **£116k**. In March 2017, the Authority took out a long-term loan for 2.45% from the Public Works Loans Board (PWLB). This was 0.41% lower than budgeted for. In addition, further borrowing of £2m has now taken place in December, one loan was for £1m over 9.5 years at 1.96% and a further £1m over 49.5 years at 2.3% these rates are again at a lower rate than budgeted for.
  - **Minimum Revenue Provision:** the budget for the minimum revenue provision (MRP) charge is expected to underspend by **£91k**. The budget for the MRP charge was calculated in the autumn of 2016 and was based on estimated capital expenditure for 2016/17 of £3,308k. The actual capital expenditure for the year was £2,048k, as there has been a significant amount of slippage into 2017/18. This has resulted in an underspend for 2017/18.

## RESERVES

2.21 Details of the use of reserve movement during 2017/18 can be found in Appendix B. A total of £1.139m is expected to be utilised from reserves during the year - £0.974m to fund revenue expenditure and £200k to fund the capital programme. The earmarked reserve balance (including items committed) at the end of the financial year is expected to be £2.1m and the General Reserve £7.3m.

2.22 The current reserve position is attached at Appendix B. Expected levels of reserves at 31 March 2018 are £9.6m:

Reserves	Balance 01/04/18	Anticipated Use 2018/19	Committed	Expected Balance 31/03/19
	£'000	£'000	£'000	£'000
Earmarked	4,002	(662)	(975)	2,365
General Fund	7,836	(477)	(0)	7,359
<b>Total</b>	<b>11,839</b>	<b>(1,139)</b>	<b>(975)</b>	<b>9,725</b>
<b>ESMCP* Regional Reserve</b>	892	(181)	(829)	117
<b>Total</b>	<b>12,731</b>	<b>(1,320)</b>	<b>(1,804)</b>	<b>9,608</b>

\* Emergency Services Mobile Communications Programme

2.23 The General Reserves is expected to be £7.3m. This remains above the minimum level of £4.3m agreed by Fire Authority on 16 February 2018.

2.24 The Emergency Services Mobile Communications Programme (ESMCP) regional reserve has been shown separately to those reserves held by the Authority to reflect that the funds are to be allocated regionally and do not belong to NFRS. This further demonstrates the Authority's commitment to collaboration and regional working.

## CAPITAL PROGRAMME

2.25 The current approved 2017/18 capital programme is £6.174m. The total spend to date is £3,213k, the forecast out-turn expenditure is £4.494m and the current capital programme is shown at Appendix C.

2.26 **Transport:** The decision to extend pumping appliance life to 15 years has changed the replacement programme for rescue pump appliances and there will be no further appliance acquisitions before 2019/20. A review of the existing appliance equipment inventory will help inform the types of vehicles required to meet the operational need of Service Delivery and help fulfil the objectives of the Sustainability Strategy 2020. The outcome of this work will determine the type and number of vehicles required for part of the overall long-term vehicle capital replacement plan.

2.27 Two new appliance builds have been completed. Following delivery to the Service these appliances will have their radio & mobile data equipment

installations completed. The vehicles will then be moved to Learning & Development for end user training before both vehicles go in to service.

- 2.28 The Command Support Unit is currently under review as a potential collaboration project with Derbyshire Fire and Rescue Service (DFRS). The HMEPU (Hazardous Materials and Environmental Protection Unit) requires re-specification to meet the changing needs of Service Delivery and duties of the Environment Agency. This vehicle is also under review as a potential collaboration project with DFRS. It is anticipated that £150k will require slipping from the Special Appliances budget into 2018/19.
- 2.29 A review of light vehicle utilisation has been undertaken and further work is now in progress to look at ways of working which will promote more effective use of the light vehicle fleet. The vans and the other light vehicles were delivered in March.

### **Equipment**

- 2.30 An estimated outturn of £536k is anticipated for the provision of breathing apparatus for this financial year. In addition, £52k will be slipped into 2018/19, the overall underspend to of £94k is due to a robust procurement and tendering process.
- 2.31 The £180k procurement of the lightweight fire coats is expected to slip to 2018/19 as this project will be carried out in collaboration with DFRS.

### **Estates**

- 2.32 The London Road Fire Station Project is now complete and the new station was handed over to NFRS on 12 August 2016. The contractor has now completed all the outstanding snagging works and the final account agreed; the final payment is £169k. The post project report for the London Road Fire Station will be completed by June 2018.
- 2.33 The contractor for the new Newark Fire Station Project was appointed in March 2017 and work started on site with the demolition of the buildings on the western part of the site completed in June. Progress on the new fire station is running approximately four to five weeks behind schedule; the first phase of the project is now due for completion in April 2018. The existing fire station remains operational throughout the new build project. The completion of the project is anticipated for May / June 2018.
- 2.34 Work with the East Midlands Ambulance Service on the potential collaboration concerning the existing Hucknall Fire Station continues. A progress report on this project forms part of the agenda for this meeting.
- 2.35 The initial work for a new Worksop Fire Station is currently underway; this will include a potential for collaboration with the Police and Ambulance Service in a joint project. A report regarding this project forms part of the agenda for this meeting.

## ICT

- 2.36 The £452k ICT Capital Programme is progressing to plan.
- 2.37 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service. A model of Android mobile phone will be rolled-out across the Service at the turn of the Financial Year, completing the spend against this budget.
- 2.38 Business Process Automation – this budget will continue to be used to finance ICT Strategic developments, most notably the implementation of the new Microsoft SharePoint website, intranet, extranet and document management solution. The slippage on this budget from 2016/17 will be used to fund the completion of the SharePoint programme of work, the upgrade of the Service electronic door-entry system, the implementation of new electronic learning management solution and a replacement Occupational Health system.
- 2.39 Performance Management – this project is piloting the use of two systems, as part of the feasibility study and options appraisal phase of the project. The assessment of the first product (Microsoft PowerBI) is completed and the review of the second product (Microsoft SQL Server Reporting Services) commenced in November 2017. The additional time required to fully assess both products will mean that the project will be slip beyond the end of the current Financial Year, but should be completed by June 2018 at the latest.
- 2.40 For business systems, the payroll replacement system project phase one is now implemented and went live on the 1<sup>st</sup> of May 2017; phase two is in its early stages with a go live date of 1<sup>st</sup> April 2018. It is anticipated that phase 2 will not need additional consultant days at this stage. Phase two of the Tri-Service Control system project is in progress and the project to upgrade the transport system is in the options appraisal stage.

### **3. FINANCIAL IMPLICATIONS**

The financial implications are set out in the body of the report.

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

There are no human resources or learning and development implications arising directly from this report. Some of the efficiency targets will have had staffing implications which were considered as part of the decision-making process at the time.



## **5. EQUALITY IMPLICATIONS**

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

## **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 directly from this report.

## **8. RISK MANAGEMENT IMPLICATIONS**

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting.

## **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 around asset use and ownership are continually being investigated.

## **10. RECOMMENDATIONS**

That Members note the contents of this report.

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

None.

John Buckley  
**CHIEF FIRE OFFICER**

**REVENUE BUDGET MONITORING POSITION  
AS AT 28 FEBRUARY 2018**

<b>Budget Area</b>	<b>Annual Budget £'000</b>	<b>Exp to Date £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Employees	32,487	30,022	33,342	855
Premises	2,147	2,098	2,432	285
Transport	1,521	1,314	1,466	(55)
Supplies & Services	3,588	3,022	3,834	246
Third Party	58	35	48	(10)
Support Services	165	39	162	(3)
Capital Financing Costs	2,505	1,929	2,298	(207)
Fees and Charges	(147)	(157)	(169)	(22)
Other Income	(1,519)	(1,925)	(2,111)	(592)
<b>Net Cost</b>	<b>40,805</b>	<b>36,377</b>	<b>41,302</b>	<b>497</b>
<b>Financed by:</b>				
RSG	(6,978)	(6,532)	(6,978)	0
Non-Domestic Rates	(10,129)	(10,178)	(10,178)	(49)
Council Tax	(23,172)	(21,241)	(23,172)	0
Reserves	(526)		(974)	(448)
<b>Funding Total</b>	<b>(40,805)</b>	<b>(37,951)</b>	<b>41,302</b>	<b>(380)</b>
<b>(Under) / Over Spend</b>	<b>0</b>	<b>(1,574)</b>	<b>0</b>	<b>0</b>

## ANTICIPATED USE OF RESERVES 2017/18

Reserve	Opening Balance	Revenue Expenditure to 14 March 18	Capital Expenditure to 14 March 18	Commitments Approved by SLT / EDT	Estimated Balance
	01/04/2017	2017/18	2017/18		31/03/2018
	£'000	£'000	£'000	£'000	£'000
<b>FUNDED BY GRANTS</b>					
Fire Investigation	-120	32		20	-68
Safe as Houses - Smoke Alarms	-22			7	-14
Community Safety - Innovation Fund	-201	1		174	-26
Resilience Crewing and Training	-452	77		67	-308
Thoresby Estate Charitable Trust	-3				-3
National Resilience					
LPSA Reward Grant	-174	48			-126
Public Health England - Safe and Well	-10	10		5	5
<b>Sub total</b>	<b>-981</b>	<b>168</b>		<b>272</b>	<b>-540</b>
<b>CREATED FROM REVENUE</b>					
Fire Control Collaboration Project	-363	112		36	-215
ICT SharePoint Internet/Intranet	-97	9	77		-11
Fire Cadets Project	-23				-23
Backlog Buildings Maintenance	-95			95	
Pensions Ill Health	-309	180			-129
On Fire Fund - Fire Safety	-87	8			-79
Capital Reserve	-1,114				-1,114
Operational Equipment	-10				-10
ICT Systems - Emergency Services Mobile Communications	-16				-16
Agresso Development	-63	4		20	-40
Organisation Transition - one off costs	-349			281	-67
Swan Project - Ashfield					
Taxation Compliance	-10			8	-2
HEP B - Vaccinations	-22	1			-21
Communications Development - ESN	-252	15	87	51	-98
Retained Policy Change	-212			212	
<b>Sub Total</b>	<b>-3,021</b>	<b>329</b>	<b>164</b>	<b>703</b>	<b>-1,825</b>
<b>Total Earmarked Reserves</b>	<b>-4,002</b>	<b>497</b>	<b>164</b>	<b>975</b>	<b>-2,365</b>
<b>General Reserve</b>	<b>-7,836</b>	<b>477</b>			<b>-7,359</b>
<b>Total NFRS Reserves</b>	<b>-11,839</b>	<b>974</b>	<b>164</b>	<b>975</b>	<b>-9,725</b>
ESN Regional Reserve	-892	180	1	829	117
<b>Total</b>	<b>-12,731</b>	<b>1,154</b>	<b>165</b>	<b>1,804</b>	<b>-9,608</b>

**APPENDIX C – Capital  
Monitoring to 28 February 2018**

	<b>2017/18 Revised Budget £000's</b>	<b>Actual to Feb £000's</b>	<b>Remaining Budget to be Spent £000's</b>	<b>Estimated Outturn £000's</b>	<b>Estimated Outturn Variance £000's</b>
<b>TRANSPORT</b>					
Rescue Pump Replacement		8	8		
Special Appliances	530		-530	0	-530
Appliance Equipment (radios)	58		-58	58	
Light Vehicle Replacement	849	82	-767	600	-249
	<b>1,437</b>	<b>97</b>	<b>-1,347</b>	<b>658</b>	<b>-779</b>
<b>EQUIPMENT</b>					
Special Appliances Equipment (Holmatro)					
BA Sets	682	536	-146	536	-146
Conversion of hose reel equipment	200		-200		-200
Lightweight Fire Coat	180		-180		-180
	<b>1,062</b>	<b>536</b>	<b>-526</b>	<b>536</b>	<b>-526</b>
<b>ESTATES</b>					
London Road Fire Station	120	169	49	170	50
Refurbishment and Rebuilding Fire Stations	126		-126		-126
Feasibility Studies & Station Design					
Newark Fire Station	1,858	1,797	-61	2,142	284
Hucknall Fire Station	730	24	-706	24	-706
Worksop Fire Station		22	22	22	22
Retention Payments					
	<b>2,834</b>	<b>2,012</b>	<b>-822</b>	<b>2,358</b>	<b>-476</b>
<b>I.T. &amp; COMMUNICATIONS</b>					
ICT Capital Programme - Replacement Equipment	140	209	69	210	70
Mobile Computing	20	20		20	
Business Process Automation	189	173	-16	173	-16
Telephony Replacement		19	19	19	19
Performance Management System	103	12	-91	28	-75
	<b>452</b>	<b>434</b>	<b>-18</b>	<b>450</b>	<b>-2</b>

**APPENDIX C – Capital  
Monitoring to 28 February 2018**

	2017/18 Revised Budget £000's	Actual to Feb £000's	Remaining Budget to be Spent £000's	Estimated Outturn £000's	Estimated Outturn Variance £000's
<b>TRANSPORT</b>					
Tranman Software	36	10	-26	52	16
	<b>36</b>	<b>3</b>	<b>-33</b>	<b>52</b>	<b>16</b>
<b>CONTROL</b>					
Emergency Services Mobile Communications	117	4	-113	117	
Emergency Services Mobile Communications -Earmarked Reserve Tri-Service Control & Mobilising System	171	87	87	87	87
	<b>288</b>	<b>91</b>	<b>-196</b>	<b>375</b>	<b>87</b>
<b>FINANCE</b>					
Payroll System Replacement	45	40	-5	45	
Finance Agresso Upgrade	20		-20	0	-20
	<b>65</b>	<b>40</b>	<b>-25</b>	<b>45</b>	<b>20</b>
<b>Grand Total</b>	<b>6,174</b>	<b>3,213</b>	<b>-2,960</b>	<b>4,494</b>	<b>-1,680</b>
<b>Financed by:</b>					
Capital Grant – Tri Service Reserves	171 200			171 165	0 (35)
Capital Receipts	477	586		586	109
Borrowing	5,326	2,462		3,572	(1,754)
Internal Financing Revenue					
<b>Total</b>	<b>6,174</b>	<b>3,213</b>		<b>4,494</b>	<b>(1,680)</b>