



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE, CAPITAL AND PRUDENTIAL CODE MONITORING REPORT TO 30 APRIL 2021

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To report to Members on the 2021/22 financial performance of the Service and Prudential Code monitoring to the end of April 2021.

Recommendations:

It is recommended that Members:

- Note the content of this report.
- Approve the budget of £1.258m in 2022/23 for Worksop to be brought forward into 2021/22.

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1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire 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.
- 1.2 This report covers those areas with a higher risk of significant variance. An assessment of this risk has been made in the light of the size of the budgets selected and/or previous experience of variances, as well as the emergence of actual variances. It is vital that an overview of the budgetary position during the year is maintained, so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.
- 1.3 Monitoring against the revised prudential indicators is also included in this report, as required in the Prudential Code published by the Chartered Institute of Finance and Accountancy (CIPFA).

2 REPORT

REVENUE BUDGET

- 2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £45.999m, which is a £88k (0.2%) underspend against the revised budget of £46.087m.

Table 1 – Summary Expenditure and Funding Position

	2021/22 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	45,302	46,087	45,999	(88)
Revenue Support Grant	(5,452)	(5,452)	(5,452)	0
Business Rates (including related grants)	(10,860)	(10,860)	(10,860)	0
Pension Grant	(2,340)	(2,340)	(2,340)	0
Council Tax	(26,650)	(26,650)	(26,650)	0
General Fund	0	0	88	88
Earmarked Reserves	0	(785)	(785)	0
Total	0	0	0	0

- 2.2 A more detailed analysis of expenditure can be found at Appendix A. Major variances on specific budgets are shown below.

- 2.3 **WHOLETIME PAY:** Total wholetime pay is £223k above the set budget, however this is reduced to a small underspend of £65k once secondment income is taken into account. This is less than 0.3% of the £23.559m budget and is likely to be required once the final pay settlement has been agreed. A 1.5% award has been offered to the unions against the 1% included in the budget. If the award is agreed at 1.5% the additional cost on firefighter pay will be in the region of £100k.
- 2.4 **ON-CALL PAY:** Overall, on-call pay is anticipated to underspend by £124k, although it is difficult to predict final expenditure levels for this budget so early in the year as activity in April was still affected by Covid-19. The number of recruits recently taken on has been slightly lower than expected which has resulted in an underspend on pay and training. This may pick up later in the year.
- 2.5 **NON-UNIFORMED PAY:** non-uniformed pay is expected to overspend by £18k (after compensating for secondment income and posts being funded from grants). The estimated figures include a pay award of 1% but employers have offered 1.5%. If this offer is agreed the additional cost will be £26k.
- 2.6 **PREMISES COSTS:** the forecasted underspend is £53k. The majority of this variance relates to business rates, which is expected to underspend by £51k. A review of business rates has been carried out and this has led to the Authority receiving refunds of £265k 2020/21 (net of £97k in fees paid to the surveyors). Further refunds are expected in 2021/22. It is possible that the Authority will also receive a business rates refund relating to Head Quarters, but as it is not certain at this stage this has not been included in the estimated outturn.
- 2.7 **SALES, FEES & CHARGES:** There is a forecasted surplus of £143k relating to recovered costs and secondment income. This is mainly due to the recharging of costs to partner agencies for work carried out on Covid-19 related activities. This has been used to offset the additional costs incurred.
- 2.8 **CAPITAL FINANCING COSTS:** There is a forecasted underspend of £45k. The net overspend is comprised of the following variances:
- Interest charges are expected to underspend by £24k as interest rates are lower than anticipated.
 - Minimum revenue provision (MRP) charges are expected to underspend by £21k. This is due to a decision to fund some ICT capital expenditure from a revenue contribution to capital in 2020/21.

RESERVES

- 2.9 Details of the use of reserves during 2021/22 can be found in Appendix B.
- 2.10 Expected levels of reserves at 31 March 2022 are £10.718m as detailed in Table 3 below.

- 2.11 The opening balances as at 1 April shown in the table below are provisional and may change, as the 2020/21 Statement of Accounts has yet to be finalised.

Table 3 – Anticipated Movement in Reserves 2021/22

Reserves	Balance 01/04/21 £'000	Anticipated Use 2021/22 £'000	Expected Balance 31/03/22 £'000
Contributions from earmarked reserves ¹	5,529	(706)	4,823
General Fund ¹	5,087	88	5,175
Total	10,616	(618)	9,998
ESMCP² Regional Reserve¹	182	(79)	103
Total	10,798	(697)	10,101

¹ Provisional opening balance figures

² Emergency Services Mobile Communications Programme

- 2.12 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 Nottinghamshire Fire and Rescue Service (NFRS).
- 2.13 The general reserve is predicted to be £5.175m at the end of the financial year. This is above the minimum level of £4.5m agreed by Fire Authority in November 2020.

CAPITAL PROGRAMME

- 2.14 The 2021/22 Capital Programme approved by Fire Authority in February 2021 is £5.835m. This does not include the slippage of £2.741m from 2020/21 that has been requested in the 2020/21 Revenue and Capital Outturn report elsewhere on this agenda. The total capital spend to date is £138k and the forecast outturn expenditure is £5.835m. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

- 2.15 The ICT programme (£765k) has been developed from the Digital Strategy. It includes replacement equipment and software and supports the specific schemes which underpin the strategy. Overall spend has got off to a slow start but is expected to pick up as the year progresses.
- 2.16 The HR system upgrade was a 2020/21 project created to enable document scanning to retain documents electronically ahead of the move to the new

joint Head Quarters. Additional expenditure of £8k has been incurred on the project – this will be funded from the ICT Replacement Equipment Budget.

ESTATES

- 2.17 The joint Headquarters project is progressing well. Building work is on schedule however a redesign of the Electrical and Mechanical elements may lead to some additional costs and programme extension which are yet to be determined. The refurbishment of the existing Sherwood Lodge Accommodation is under design review which should be completed and ready for tender in October 2021. The planning for the decant from Bestwood Lodge is underway with options for the site disposal being explored. Additional works linked to this project to relocate NFRS Stores and the Incident Command Training Centre will commence in late 2021.
- 2.18 Worksop Station - The design for the new station and the tendering process is complete. Additional costs have been identified mainly due to the inclusion of renewable energy devices (Air Source Heat Pump) and self-generated electrical power. The site also requires piled foundations due to deep buried made-up ground. The overall budget over 3 years was estimated at £3.820m, with £1.258 in 2022/23. The tender is estimated at £3.911m which is over budget by £239k. The project will be monitored closely to try to bring it back on budget. If this is not possible, it may be necessary to re-allocate underspends from elsewhere in the capital programme to fund the increased expenditure.
- 2.19 The contractors are due to complete in March 2022, which is ahead of the original schedule. The budget £1.258m in 2022/23 is requested to be brought forward into 2021/22.

EQUIPMENT

- 2.20 The equipment budget largely relates to projects that have slipped from 2020/21 (see Revenue and Capital Outturn report elsewhere on this agenda). The airbag replacement project is now complete. The remaining projects are expected to be completed as the year progresses.
- 2.21 Rescue Gloves were due to be replaced at a cost of £152k, but the funding was not included in the 2021/22 budget. Slippage of £102k and an earmarked reserve of £50k have been requested in the Revenue and Capital Outturn report – if this is approved the project will be added to the programme.

TRANSPORT

- 2.22 The fleet replacement programme is derived from the Fleet Strategy and reflects current and future expected demand.
- 2.23 The Special Appliances budget of £150k is for the purchase of the replacement of an Arial Ladder Platform (ALP). The order for the chassis will be placed during 2021/22 for the build to commence in 2022/23.

- 2.24 The Rescue Pump Budget of £1.018m is for the purchase of 3 pumps. The Chassis, body fit and electricals are estimated at £305k per pump. The rescue pump project has been delayed due to covid, progress of this project will be monitored and reported in future budget monitoring reports.
- 2.25 The light vehicles budget for 2021/22 of £178k, is for the purchase of 6 pool vehicles (£111k) 1 stores vehicle (£21k) and a principal officer's vehicle (£47k).

PRUDENTIAL CODE MONITORING

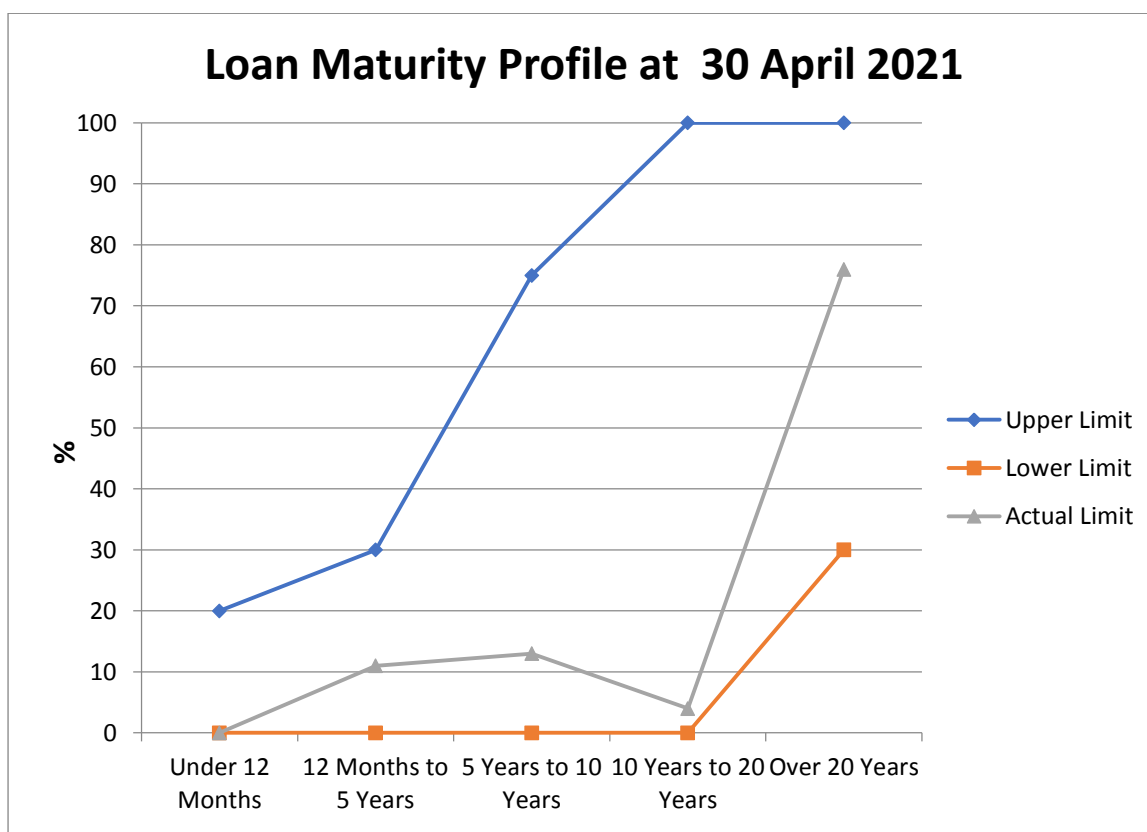
- 2.26 The Fire Authority approved the prudential indicators for 2021/22 at its meeting on 26 February 2021. The Prudential Code requires that performance against these indicators is reported to Members
- 2.27 The approved indicators along with performance as at 30 April 2021 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Table 4 - Prudential Code Monitoring

Prudential Indicator	Approved Indicator	As at 30 April 2021
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.4%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£5,835,000	Year End Only
Actual Borrowing		£25,599,417
Estimate of Capital Financing Requirement	£31,971,000	£31,971,000
Operational Boundary	£33,959,000	£33,959,000
Authorised Limit	£38,255,000	£38,255,000
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	30%
Loan Maturity:	<u>Limits:</u>	
Under 12 months	Upper 20% Lower 0%	See Graph
12 months to 5 years	Upper 30% Lower 0%	See Graph
5 years to 10 years	Upper 75% Lower 0%	See Graph
Over 10 years	Upper 100% Lower 0%	See Graph
Over 20 years	Upper 100% Lower 30%	See Graph
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000	0
Upper limit for internal borrowing as a % of the Capital Financing Requirement	20%	15.68%

2.28 The total borrowing at the end of April 2021 was £26.9m which is within the operational and authorised limits set out in Table 4. Borrowing activity has remained within these boundaries throughout the period covered by the report. There has been no borrowing activity since the start of the financial year.

2.29 The loan maturity profiles are all within the limits set. These are best demonstrated by graph:



2.30 Investments as at 30 April 2021 totalled £5.5m. Investment rates are monitored within the benchmarking group supported by Link Asset Services. There are seven councils and NFRS within the group. As at the end of December 2020, NFRS weighted average rate of return was 0.18%, compared with a group average of 0.39%.

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. EQUALITIES 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 Police. Opportunities for collaboration around asset use and ownership are continually being investigated.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the content of this report.
- 10.2 Approve the budget of £1.258m in 2022/23 for Worksop to be brought forward into 2021/22.

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

None.

John Buckley
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 30 APRIL 2021**

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	36,140	36,809	3,129	36,945	136
Premises	2,801	2,802	767	2,750	(53)
Transport	1,794	1,796	173	1,794	(2)
Supplies & Services	3,757	3,940	1,303	3,940	0
Third Party	783	783	(177)	783	0
Support Services	177	166	65	177	11
Capital Financing Costs	2,431	2,456	0	2,411	(45)
Fees and Charges	(362)	(362)	32	(546)	(183)
Other Income	(2,220)	(2,303)	(28)	(2,255)	48
Net Cost	45,302	46,087	5,264	45,999	(88)
Financed by:					
Government Funding	(12,729)	(12,729)	(1,817)	(12,729)	0
Non-Domestic Rates	(2,010)	(2,010)	(281)	(2,010)	0
Council Tax	(26,650)	(26,650)	(2,665)	(26,650)	0
Pension Grant	(2,340)	(2,340)	0	(2,340)	0
Business Rates Covid Relief Grant	(1,573)	(1,573)	0	(1,573)	0
Earmarked Reserves	0	(785)	(785)	(785)	0
General Reserve	0	0	0	88	88
Funding Total	(45,302)	(45,941)	(5,548)	(45,999)	0
Total	0	0	(284)	0	0

ESTIMATED RESERVE POSITION AT 31 MARCH 2022

Reserve	Opening Balance* 01/4/21 £'000	Movement During 2021/22 £'000	Closing Balance 31/3/22 £'000
Resilience Crewing and Training	348	(1)	347
Prevention Protection and Partnerships	428	(76)	352
Business Systems Development	59	0	59
Transformation and Collaboration	1,799	(239)	1,560
Operational	673	(103)	570
Covid-19	1,054	(210)	844
ESN Reserve	1,307	(132)	1,175
Other	42	(23)	19
Total	5,710	(784)	4,926
General Reserve	5,087	88	5,175
Total Reserves	10,797	(696)	10,101

*Provisional opening balance figures

CAPITAL - BUDGET MONITORING REPORT – APRIL

CAPITAL PROGRAMME	Approved Budget 2021/22	Slippage to be Approved	Revised Budget (if slippage approved) 2021/22	Spend to Date	(Under)/ Over Budget	Estimated Outturn to the end of March 2021	Outturn Variance
ICT & COMMUNICATIONS							
Human Resources System Upgrade				8	8	0	
Business Process Automation		19	19	10	-9	0	
Mobile Computing	100	6	106	3	-103	100	
Head Quarters - Link ICT Replacement	30	40	70	-2	-72	30	
Cyber Security		16	16		-16	0	
ICT Sharepoint Internet/Intranet Performance Management System	20		20		-20	20	
Grant from DCLG (ESN)		41	41		-41		
Emergency Services Network		161	161		-161		
Tri-Service Control Project							
Unit4 Business World Upgrade	30		30		-30	30	
Replacement Equipment	50		50	3		50	
Head Quarters Project (Enabling Works - ICT)	150		150			150	
Emergency Services Mobile Communication	100		100			100	
Rostering Project - ICT Capital	185		185			185	
One off Projects - ICT Capital	35		35			35	
Occupational Health - ICT Capital	65		65	28	-37	65	
	765	283	1,048	49	-481	765	0
ESTATES							
Joint Headquarters Project	1,623	1,155	2,778	3	-2,775	1,623	
Air Conditioning - London Road							
Workshop Fire, Police and Ambulance Station Project (capital – strategic new build project)	2,000	404	2,404	7	-2,397	2,000	
Newark Fire Station		10	10		-10		
Hucknall Fire Station		169	169	10	-159		
	3,623	1,738	5,361	20	-5,341	3,623	
EQUIPMENT							
CCTV - vehicles		114	114		-114		
Structural (PPE) Personnel Protective Equipment		52	52		-52		
Helmets		44	44		-44		
Lightweight Fire Coat		44	44		-44		
Water Rescue - ICT Capital	100		100			100	
Air Bag Replacements		49	49	43	-6		
	100	259	359	43	-216	100	
TRANSPORT							
Vans & Other Light Vehicles	179	313	492	26	-466	179	
Resilience Crewing and Training - Earmarked Reserves							
Rescue Pumps	1,018	148	1,166			1,018	
Special Appliances	150		150		-150	150	
	1,347	461	1,808	26	-616	1,347	
	5,835	2,741	8,576	138	-6,655	5,835	0

TO BE FINANCED BY	Actual	Estimated Outturn
Capital Receipts - Property	0	300
Internal Financing	138	5,335
Total	138	5,835