



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 31 AUGUST 2021

Report of the Chief Fire Officer

Date: 15 October 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 August 2021.

Recommendations:

It is recommended that Members:

- Note the content of this report.
- Approve an early commencement of feasibility work on the Eastwood Fire Station capital project - £16k to be brought forward into 2021/22.
- Approve the Special Appliances capital budget of £150k be slipped into 2022/23.
- Approve the increase to the ICT Replacement Equipment capital budget of £125k to be funded from underspends from the following budgets: £20k Performance Management system; £30k Business world upgrade; and £75k Hucknall Fire Station.

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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 £46.399m, which is a £23k overspend against the revised budget of £46.376m.

Table 1 – Summary Expenditure and Funding Position

	2021/22 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	45,302	46,376	46,399	23
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	(23)	(23)
Earmarked Reserves	0	(1,074)	(1,074)	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:** The forecast for total wholetime pay is £169k above the set budget. However, £221k of this expenditure relates to supporting partner agencies with activities such as administering Covid-19 vaccinations and driving ambulances, and most of these costs will be recovered. Once these costs are excluded and secondment income is taken into consideration there is an overall estimated underspend of £84k. More details about the cost of supporting the vaccination programme can be found at section 2.6 below.
- 2.4 **ON-CALL PAY:** Overall, on-call pay is expected to overspend by £218k. The main areas of overspend are turnout payments and payments relating to sickness absence and modified duties. The number of turnout hours claimed during the first five months of the year is significantly higher than the same period in 2020. Turnout payments are difficult to forecast as they are driven not only by the number of incidents, but also by the duration of the incidents and by the numbers of people crewing the appliance. Expenditure in this area is being closely monitored and the forecast will be adjusted as the year progresses. The payment rate received by individuals for both sick pay and modified duties is based on their earnings from the previous year. On-call earnings in 2020/21 were particularly high due to high availability levels resulting from staff being furloughed from their primary employment, and additional activities carried out to support the community during the pandemic. This has pushed up the average cost of sick pay and payments for modified duties. Current sickness absence levels are also higher than average, with Covid-19 accounting for a third of on-call sickness absence in August.
- 2.5 **NON-UNIFORMED PAY:** non-uniformed pay is expected to come in on budget (after compensating for secondment income, posts being funded from grants, and expenditure being recovered from partner agencies).
- 2.6 **VACCINATION PROGRAMME:** The Service has been providing both uniformed and non-uniformed staff to the vaccination programme since January 2021. During the period from 1 April to 1 August over 13,000 staff hours have been provided, and two people have continued to support the vaccination programme until the end of September. The majority of the costs are reclaimed from the clinical commissioning group, but it is estimated that around £30k of the costs are unfunded and will have to be met by the Authority.
- 2.7 **TRAINING COSTS:** the forecasted underspend of £115k has two underlying causes. Firstly, many training courses have switched from in-person delivery to webinars and online conferences, and this has reduced training costs. The second factor is that some departments are focussing on their core business in order to catch up on projects and workloads affected by the pandemic, and as a result some development training has

been delayed. A zero-based budgeting approach will be taken when preparing the training budget for the following year in order to identify areas where this budget requires amendment.

- 2.8 **TRANSPORT COSTS:** the forecasted underspend is £64k. Much of this variance relates to a reduction in mileage payments and public transport costs as more meetings and training events are now taking place online. The decrease in detachments due to measures put in place to reduce the spread of the Covid-19 virus between stations has also affected spending on mileage payments.
- 2.9 **PREMISES COSTS:** the forecasted underspend is £49k. 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 Headquarters, but as it is not certain at this stage this has not been included in the estimated outturn.
- 2.10 **SUPPLIES & SERVICES:** the forecasted overspend is £186k. This is largely comprised of the following significant variances:
- The operational equipment budget is expected to overspend by £50k. This relates to delayed expenditure from 2020/21 - funding was put into earmarked reserves from the 2020/21 underspend to cover these costs;
 - The consultancy fees budget is expected to overspend by around £27k as a result of expenditure on recruitment consultants;
 - The budget for computer software maintenance contracts is expected to overspend by £53k, due to the costs of the Microsoft Enterprise Agreement coming in higher than budgeted;
 - There is a £20k overspend caused by the Authority's contribution towards the resurfacing of Bestwood Lodge Drive, which was not included in the budget.
- 2.11 **SUPPORT SERVICES:** The £63k overspend for support services is matched by additional income from the Home Office. It relates to the additional costs of dealing with the McCloud pension remedy.
- 2.12 **SALES, FEES & CHARGES:** The forecasted surplus of £184k mostly relates to the recovery of costs related to Covid-19 related activities. This has been used to offset the additional costs included in the paragraphs above.
- 2.13 **OTHER INCOME:** There is a forecasted surplus of £224k relating to other income. £104k of this relates to government grants, including £63k (see 2.11) for pensions administration and £83k for fire protection. There is also a £112k surplus relating to apprenticeship levy income, which was not

budgeted for as it was not clear at the time how much income the Authority could expect to receive. This income will be included in the budget for 2022/23. A further £45k of the surplus income relates to Childs Home Safety Equipment partnership work carried out with Nottinghamshire County Council. This income is being used to offset additional costs arising from the project.

2.14 **CAPITAL FINANCING COSTS:** There is a forecasted underspend of £81k. The net overspend is comprised of the following variances:

- Interest charges are expected to underspend by £60k as interest rates are lower than anticipated. The Authority is expected to undertake additional borrowing towards the end of the financial year, so this estimate may change depending on the timing of the borrowing.
- 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

2.15 Details of the use of reserves during 2021/22 can be found in Appendix B.

2.16 Expected levels of reserves at 31 March 2022 are £9.7m as detailed in Table 3 below.

2.17 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	(995)	4,534
General Fund ¹	5,087	(23)	5,064
Total	10,616	(1,018)	9,598
ESMCP² Regional Reserve¹	182	(80)	102
Total	10,798	(1,098)	9,700

¹ Provisional opening balance figures

² Emergency Services Mobile Communications Programme

2.18 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).

- 2.19 The general reserve is predicted to be £5.064m at the end of the financial year. This is above the minimum level of £4.5m agreed by Fire Authority in November 2020.
- 2.20 The Authority received Covid-19 grants from central government totalling £1.211m. At 31 March 2021 the unspent balance of £453k was transferred to an earmarked reserve and carried forward to 2021/22. The entire balance of this earmarked reserve has now either been spent or committed to fund future spending plans. The Authority will continue to record additional expenditure arising as a result of the pandemic even though the government funding has been spent, so that the impact on the revenue budget can be assessed. The earmarked reserve has been allocated as follows:

Expenditure description	Total 2021/22 £'000
Employee costs	306
Premises costs	52
Transport costs	24
Supplies and Services costs	71
Total	453

CAPITAL PROGRAMME

- 2.21 The 2021/22 Capital Programme approved by Fire Authority in February 2021 is £5.835m. In addition, slippage of £2.741m from 2020/21, and £1.258m for Worksop fire station to be brought forward into 2021/22 was approved in July 2021. The revised Capital Programme for 2021/22 is £9.834m. The total capital spend to date is £1.275m and the forecast outturn expenditure is £7.977m. The current capital programme is shown at Appendix C. The most significant areas of variance are detailed below.

ICT

- 2.22 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.
- 2.23 The Human Resources (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 Headquarters. Additional expenditure of £8k has been incurred on the project. This will be funded from underspends elsewhere in the capital programme.
- 2.24 The £185k Rostering project has been slightly delayed and slippage in the region of £35k is anticipated. This will be monitored, and the underspend will be requested to be slipped into 2022/23.
- 2.25 The ICT Replacement Programme is used to replace equipment that has reached the end of its life. A review of the programme has recently been

undertaken and it has become apparent that some IT equipment has not been included, particularly the IT equipment at stations which is becoming obsolete and now needs replacing as a matter of urgency. It is anticipated that £125k will be required to fund this project. Approval is requested to re-allocate underspends from elsewhere in the capital programme to fund the increased expenditure. A robust long-term plan is now being put in place and future budgets will be reviewed as part of the budget process.

- 2.26 The Performance Management System project is now complete and the £20k budget is recommended to be used to put towards the ICT replacement Equipment project.
- 2.27 The Unit 4 Business world upgrade is no longer required this year, the £30k budget is recommended to be used to fund the Station Equipment.
- 2.28 The Emergency Services Mobile communications project original timeframe has slipped nationally, and it is currently anticipated that £50k will be slipped into 2022/23 at this stage.
- 2.29 The Occupational Health system original budget may prove to be insufficient for the project - an additional £18k is available in Earmarked Reserves for this purpose should it be required.

ESTATES

- 2.30 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. The forecast outturn is £2.369m for 2020/21 – slippage of £409k will be requested to be slipped into 2021/22.
- 2.31 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. The 3-year budget was set at £3.820m. The tender has been awarded and costs are expected to be nearer £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. The project was expected to start in 2021/22 but there have been delays in the supply of the steel for the project and this has resulted in anticipated slippage into 2021/22 of £281k.
- 2.32 The £1.5m project to replace Eastwood Fire Station was due to commence in 2022/23. However, feasibility work for this project needs to commence in the later part of 2021/22 to enable works to start in 2022/23. A budget of £16k is recommended to be brought forward into 2021/22 to fund the feasibility costs.

- 2.33 Hucknall Fire Station project is now complete with an overall underspend of £159k, it is recommended that £75k, is approved to fund the ICT Replacement Programme, a capital receipt of £385k for the sale of Hucknall will be used to finance the capital programme.

EQUIPMENT

- 2.34 The CCTV and the Airbag Replacement projects are now complete.
- 2.35 The Fire Gloves project £104k was approved July 2021, with an additional £50k in and Earmarked reserve. This project is now underway and sizings for staff are being collated. It is anticipated that the order will be placed by the end of October 2021.
- 2.36 The Department for Environment, Food and Rural Affairs (DEFRA) have drawn up the specification for the water rescue equipment, which has been adopted by NFRS. The tender process will commence shortly, and the project is expected to be completed by the end of 2021/22.

TRANSPORT

- 2.37 The Fleet Replacement programme is derived from the Fleet Strategy and reflects current and future expected demand.
- 2.38 The Special Appliances budget of £150k is for the purchase of the replacement of an Aerial Ladder Platform (ALP). The project is now on hold due a special vehicle review taking place to understand if the provision of the current fleet is fit for purpose. It is anticipated that this review will be completed by the end of the year. It is recommended that £150k is approved to be carried forward into 2022/23.
- 2.39 The Rescue Pump Budget of £1.018m is for the purchase of 3 fire appliances. The specification has been finalised and the tender progress will commence November, but it is likely that the project will be delayed due to extended delivery times in the vehicle industry following Covid-19. Progress of this project will be monitored and reported in future reports, the forecast outturn at this stage is £400k.
- 2.40 The light vehicles budget for 2021/22 of £179k, is for the purchase of 6 pool vehicles (£111k) 1 stores vehicle (£21k) and a principal officer's vehicle (£47k), which is likely to now be required in 2022/23.

PRUDENTIAL CODE MONITORING

- 2.41 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

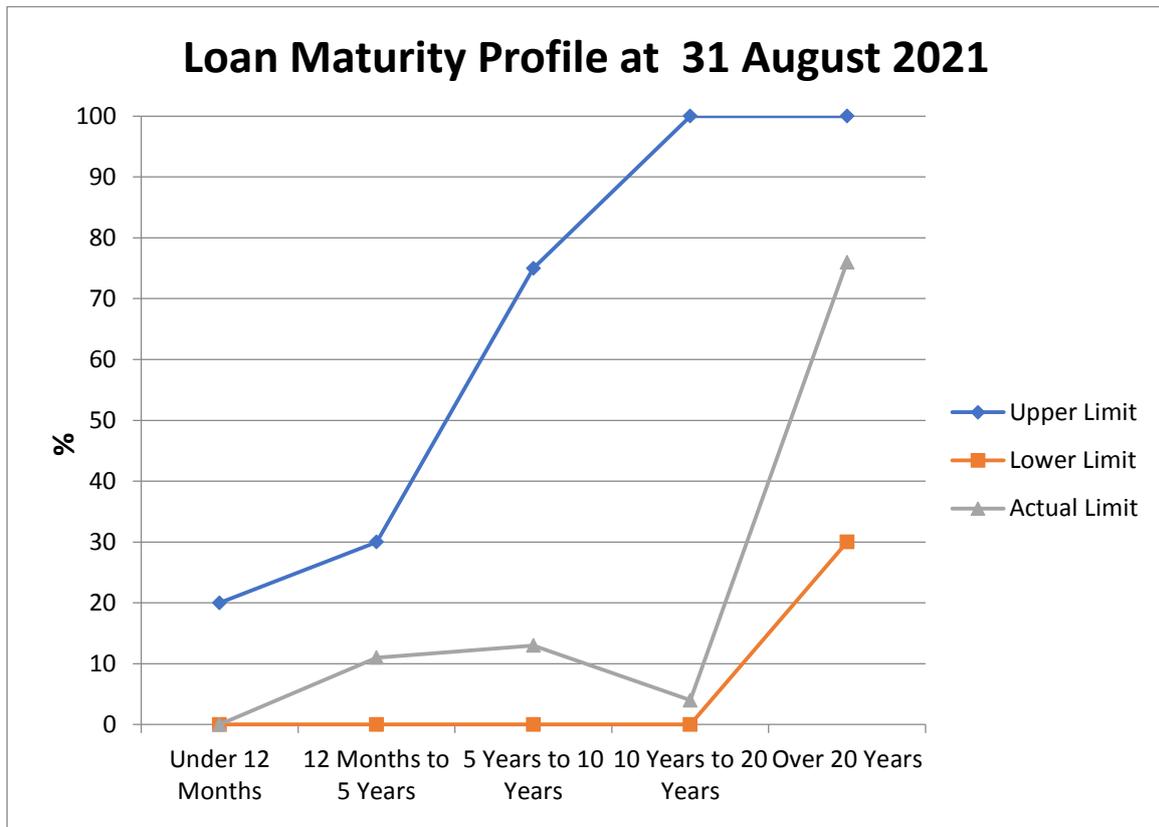
2.42 The approved indicators along with performance as at 31 August 2021 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Table 4 - Prudential Code Monitoring

Prudential Indicator	Approved Indicator	As at 31 August 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		£26,958,000
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%	18.59%

2.43 The total borrowing at the end of August 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.

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



2.45 Investments as of 31 August 2021 totalled £12.5m. 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 June 2021, NFRS weighted average rate of return was 0.09%, compared with a group average of 0.16%.

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 early commencement of feasibility work on the Eastwood Fire Station capital project - £16k to be brought forward into 2021/22.
- 10.3 Approve the Special Appliances capital budget of £150k be slipped into 2022/23.
- 10.4 Approve the increase to the ICT Replacement Equipment capital budget of £125k to be funded from underspends from the following budgets: £20k Performance Management system; £30k Business world upgrade; and £75k Hucknall Fire Station.

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	37,010	15,538	37,385	375
Premises	2,801	2,850	983	2,801	(49)
Transport	1,794	1,828	663	1,764	(64)
Supplies & Services	3,757	3,931	1,917	4,117	186
Third Party	783	783	(174)	783	0
Support Services	177	166	40	229	63
Capital Financing Costs	2,431	2,485	(10)	2,404	(81)
Fees and Charges	(362)	(374)	(229)	(558)	(184)
Other Income	(2,220)	(2,303)	(1,506)	(2,526)	(223)
Net Cost	45,302	46,376	17,222	46,399	23
Financed by:					
Government Funding	(12,729)	(12,729)	(6,341)	(12,729)	0
Non-Domestic Rates	(2,010)	(2,010)	(1,118)	(2,010)	0
Council Tax	(26,650)	(26,650)	(10,660)	(26,650)	0
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	0
Business Rates Covid Relief Grant	(1,573)	(1,573)	0	(1,573)	0
Earmarked Reserves	0	(1,074)	(1,074)	(1,074)	0
General Reserve	0	0	0	(23)	(23)
Funding Total	(45,302)	(46,376)	(21,533)	(46,399)	(23)
Total	0	0	(4,311)	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	(7)	341
Prevention Protection and Partnerships	429	(168)	261
Business Systems Development	59	0	59
Transformation and Collaboration	1,799	(329)	1,470
Operational	673	(73)	600
Covid-19	1,054	(395)	659
ESN Reserve	1,307	(80)	1,227
Other	42	(23)	19
Total	5,711	(1,075)	4,636
General Reserve	5,087	(23)	5,064
Total Reserves	10,798	(1,098)	9,700

*Provisional opening balance figures

APPENDIX C

Capital Budget Monitoring as at 31 August 2021

CAPITAL PROGRAMME	Approved Budget 2021/22	Approved Changes to Budget 2021/22	Revised Budget 2021/22	Spend to Date	(Under)/Over Budget	Estimated Outturn to the end of March 2022	Outturn Variance
ICT & COMMUNICATIONS							
HR System Upgrade Business Process Automation		19	19	8	8	8	8
Mobile Computing	100	6	106	6	-100	106	
HQ - Link ICT Replacement	30	40	70	2	-68	70	
ICT SharePoint Internet/Intranet		16	16	10	-6	29	13
Performance Management System	20		20		-20		-20
ESMCP Grant from DCLG (ESN)		41	41		-41	41	
Tri-Service Control Project		161	161		-161	161	
Unit4 Business World Upgrade	30		30		-30		-30
Covid - Capital				10	10	10	10
Replacement Equipment	50		50	42		50	
HQ Project	150		150			150	
Emergency Services							
Mobile Communication	100		100			50	-50
Rostering Project	185		185			150	-35
One off Projects	35		35	21		35	
Occupational Health - ICT Capital	65		65	28	-37	83	83
	765	283	1,048	139	-452	962	-86
ESTATES							
Joint Headquarters Project	1,623	1,155	2,778	292	-2,486	2,369	-409
Workshop Joint Station	2,000	1,662	3,662	407	-3,255	3,381	-281
Newark Fire Station		10	10		-10		-10
Hucknall Fire Station		169	169	10	-159	10	-159
Eastwood Fire station						16	16
	3,623	2,996	6,619	709	-5,910	5,776	-843
EQUIPMENT							
CCTV - vehicles		114	114	72	-42	100	-14
Water Rescue - Capital	100		100			100	
Gloves		104	104			104	
Air Bag Replacements		41	41	43	2	43	2
	100	259	359	115	-40	347	-12
TRANSPORT							
Vans & Light Vehicles	179	313	492	293	-199	492	
Rescue Pumps	1,018	148	1,166			400	-766
Special Appliances	150		150	20	-130		-150
	1,347	461	1,808	313	-329	892	-916
	5,835	3,999	9,834	1,275	-6,731	7,977	-1,857

Capital Programme Financing 2021/22

TO BE FINANCED BY	Actual	Estimated Outturn
Revenue		43
Capital Receipts	385	385
Borrowing	890	7,549
Total	<u>1,275</u>	<u>7,977</u>