



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 MAY 2022

Report of the Chief Fire Officer

Date: 24 June 2022

Purpose of Report:

To report to Members on the 2022/23 financial performance of the Service and Prudential Code monitoring to the end of May 2022.

Recommendations:

That Members note the contents of this report.

CONTACT OFFICER

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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 £45.656m, which is a £469k underspend against the revised budget of £46.125m. The approved budget of £46.006m included a £153k contribution from general reserves to address a funding deficit. The revised budget reflects the planned use of £119k of earmarked reserves.

Table 1 – Summary Expenditure and Funding Position

	2022/23 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	46,006	46,125	45,656	(469)
Revenue Support Grant	(5,619)	(5,619)	(5,619)	0
Business Rates (including related grants)	(10,202)	(10,202)	(10,202)	0
Pension Grant	(2,340)	(2,340)	(2,340)	0
Council Tax	(27,692)	(27,692)	(27,692)	0
General Fund	(153)	(153)	316	469
Earmarked Reserves	0	(119)	(119)	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:** Wholetime pay is expected to underspend by £521k. Recruitment has been delayed pending the outcome of the Futures 25 Efficiency Strategy. As a result, the number of posts is currently 16.7 below the approved establishment. Plans are being made to recruit externally from other services and to offer fixed term contracts to On-call firefighters in order to address the shortfall in the establishment whilst maintaining flexibility. A wholetime trainee recruitment process is about to commence but the actual training course is not due to start until April 2023. The current estimated outturn assumes a pay increase of 3%, as per the budgeted assumptions. However, current inflationary pressures increase the risk that the actual pay award will be higher than budgeted. A pay award above 3% will incur additional costs in the region of £350k per 1% additional increase.
- 2.4 **ON-CALL PAY:** On-call pay can vary significantly from month to month depending on levels of activity and so it is difficult to forecast with any certainty so early in the financial year. Currently the On-call pay budget is expected to underspend by £165k overall. This is mainly due to underspends relating to employer's NI (£74k) and pension contributions (£45k). The level of employer's NI contributions depends on the extent to which each individual's earnings breach the secondary NI threshold. So far this year the level of individual's earnings exceeding this threshold is lower than expected, hence the underspend. The level of employer's pension contributions is affected by both the level of pensionable pay and also by the number of opt-outs from the pension scheme. There are also smaller underspends relating to training and retaining fee.
- 2.5 **NON-UNIFORMED PAY:** Non-Uniformed pay is expected to overspend by £121k. The budget included planned in year savings of £250k which are now proving difficult to achieve. There is currently a high level of vacant posts, and the savings from these vacancies are partially offsetting the overspend on the savings target of £250k.
- 2.6 **TRANSPORT COSTS:** transport costs are expected to overspend by £17k. There is a £71k estimated overspend on fuel resulting from the rising cost of diesel. Fuel prices will be closely monitored throughout the year and the forecast will be revised as necessary. There are also savings of £49k arising from the retendering of vehicle insurance.
- 2.7 **SUPPLIES AND SERVICES:** there is a forecast underspend of £78k for supplies and services. The most significant variance within this category is an £88k overspend on insurance premiums (excluding premise and vehicle insurance). This overspend has been caused by an increase in the cost of cyber security premiums and a transfer of £40k from the budget to fund new cyber security software.

RESERVES

- 2.8 Details of the use of reserves during 2022/23 can be found in Appendix B.
- 2.9 Expected levels of reserves at 31 March 2023 are £10.1m as detailed in Table 3 below.
- 2.10 The opening balances as at 1 April shown in the table below are provisional and may change, as the 2021/22 accounts have not yet to be finalised.

Table 3 – Anticipated Movement in Reserves 2022/23

Reserves	Balance 01/04/22 £'000	Anticipated Use 2022/23 £'000	Expected Balance 31/03/23 £'000
Contributions from earmarked reserves ¹	4,741	(119)	4,622
General Fund ¹	5,025	316	5,341
Total	9,766	197	9,963
ESMCP² Regional Reserve¹	114	0	114
Total	9,880	197	10,077

¹ Provisional opening balance figures

² Emergency Services Mobile Communications Programme

- 2.11 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).
- 2.12 The general reserve is predicted to be £5.3m at the end of the financial year. This is above the minimum level of £4.5m agreed by Fire Authority in December 2021.

CAPITAL PROGRAMME

- 2.13 The 2022/23 Capital Programme approved by Fire Authority in February 2022 is £3.909m. Slippage of £1.296m from the 2021/22 Capital Programme has previously been approved in previous budget monitoring reports, taking the programme value up to £5.205m. A further £2.104m of slippage is requested in the 2021/22 outturn report elsewhere on this agenda. If this slippage is approved the Capital Programme would increase to £7.308m. The total capital spend to date is £670k. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

- 2.14 The ICT programme 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. The progress on the projects will be reported as they progress throughout the year.

ESTATES

- 2.15 The Joint Head Quarters project is now in Phase 4 works (alterations and refurbishment of the existing buildings). It is likely the overall project budget will be overspent in the region of £500k on completion, largely due to the tender for phase 4 works being higher than originally estimated at the commencement of the project. The Service's contribution is capped at £3.461m. Phase 4 works are due to complete in August 2022, which may delay the closing of Bestwood Lodge. Other project works include the relocation of Stores and the Diesel Fuel Tank which are still in the design stage but forecasted to complete in July 2022.
- 2.16 Worksop Station was opened in May 2022, final invoices are still outstanding on the project.
- 2.17 Eastwood Station – A feasibility study has been undertaken for a new Fire and Ambulance station in Eastwood. Unfortunately, EMAS, on receiving the benchmark figures and after previously committing to the project have now withdrawn, meaning the original study is now flawed. The future of this project will now be considered as part of a larger review of the Capital Programme.
- 2.18 The Command Training Suite - the project to move the Command Training Suite out of the old Headquarters building to Mansfield fire station is now underway and is an opportunity to improve the site facilities that supports the cultural change/journey and EDI improvements.

EQUIPMENT

- 2.19 Projects within the equipment budget will be reported upon as the projects commence throughout the year.
- 2.20 The Fire Gloves project £104k was approved July 2021, with an additional £50k in and Earmarked Reserve. The expenditure in 2022/23 will be met from the Earmarked Reserve.
- 2.21 In January 2022 members of the Finance and Resources Committee approved a £13.7k addition to the capital programme for the purchase of National Inter-Agency Liaison Officer (NILO) equipment that was to be funded by a capital grant that had been received from the Home Office.

TRANSPORT

- 2.22 The Fleet Replacement programme is derived from the Fleet Strategy and reflects current and future expected demand. Progress of the projects will be reported as the projects commence.

- 2.23 The Rescue Pump Budget of £1.166m is for the purchase of fire appliances. The specification has been finalised with the order likely to be raised shortly. The lead time is expected to be approximately 12 weeks due to extended delivery times in the vehicle industry following Covid-19.
- 2.24 The light vehicles budget for of £194k, slipped from 2021/22 is for the purchase of 6 pool vehicles (£111k) 1 stores vehicle (£21k) and a principal officer's vehicle (£47k). Due to a worldwide shortage of parts, current new vehicles lead times are rather long.

PRUDENTIAL CODE MONITORING

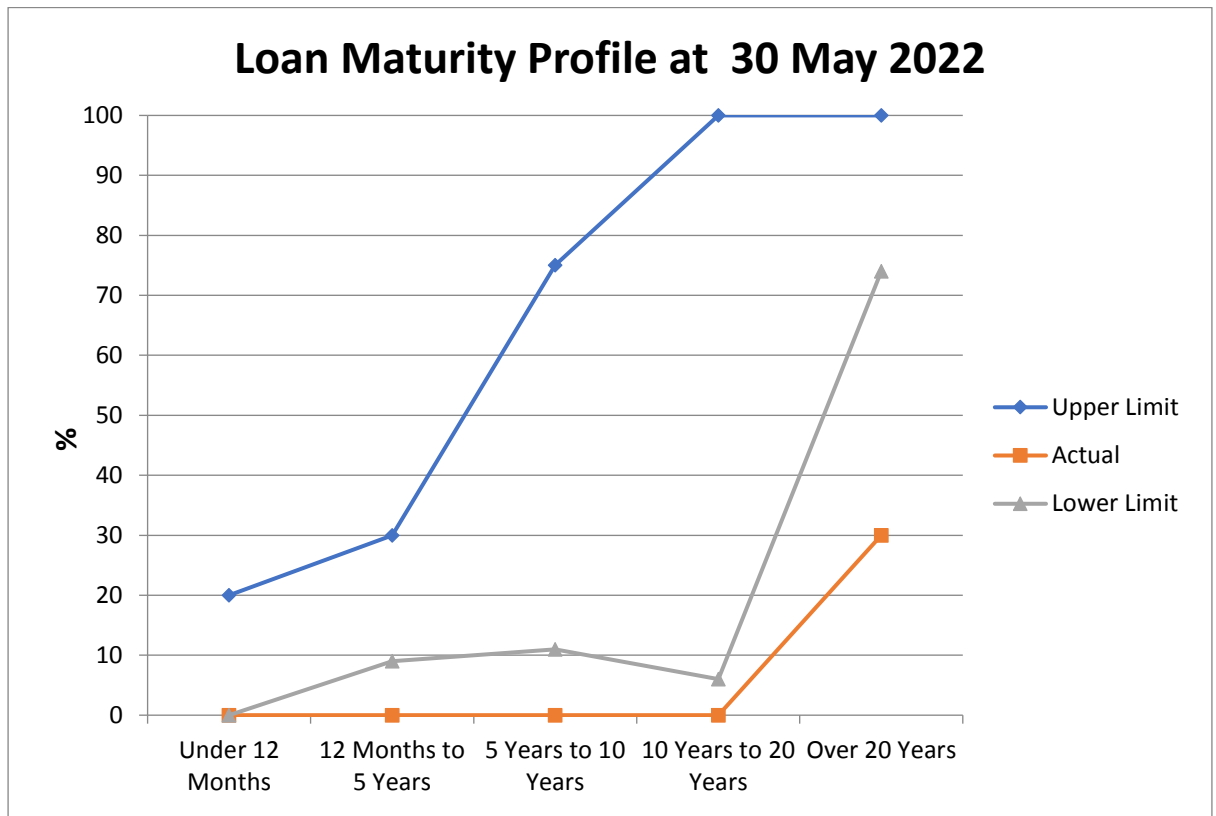
- 2.25 The Fire Authority approved the prudential indicators for 2022/23 at its meeting on 25 February 2022. The Prudential Code requires that performance against these indicators is reported to Members.
- 2.26 The approved indicators along with performance as of 30 May 2022 are shown in the table below. 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 28 February 2023
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.6%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£3,909,000	Year End Only
Actual Borrowing		£36,905,000
Estimate of Capital Financing Requirement	£34,526,000	£34,526,000
Operational Boundary	£36,907,000	£36,907,000
Authorised Limit	£40,598,000	£40,598,000
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%	4.92%

2.27 The total borrowing at the end of May 2022 was £36.9m. This exceeds the estimate of the Capital Financing Requirement but is within the Operational and Authorised Limits set out in Table 4. The Authority should ensure that gross debt does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimate of any additional capital financing requirement for the current and next two financial years. The Service will be undertaking a review of the long-term capital programme in the coming months to ensure it best meets the needs of the Community Risk Management Plan and ensures the long-term sustainability of the Authorities resources.

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



2.29 Investments as of 30 May 2022 totalled £6m. Investment rates are monitored thin the benchmarking group supported by Link Asset Services. There are seven councils and NFRS within the group. As at the end of March 2022, NFRS weighted average rate of return was 0.15%, compared with a group average of 0.51%.

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

That Members note the contents of this report.

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

None.

Craig Parkin
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 31 MAY 2022**

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	37,150	37,243	5,861	36,676	(567)
Premises	3,346	3,346	134	3,358	12
Transport	1,766	1,772	427	1,789	17
Supplies & Services	3,945	3,954	931	4,032	78
Third Party	908	908	1	908	0
Support Services	166	166	(11)	166	0
Capital Financing Costs	2,761	2,772	374	2,795	23
Fees and Charges	(374)	(374)	43	(374)	0
Other Income	(3,662)	(3,662)	(320)	(3,694)	(32)
Net Cost	46,006	46,125	7,440	45,656	(469)
Financed by:					
Revenue Support Grant	(5,619)	(5,619)	(2,213)	(5,619)	0
Non-Domestic Rates	(9,602)	(9,602)	(1,740)	(9,602)	0
Council Tax	(27,692)	(27,692)	(5,538)	(27,692)	0
Pension Grant	(2,340)	(2,340)	0	(2,340)	0
Business Rates Covid Relief Grant	(600)	(600)	0	(600)	0
Earmarked Reserves	0	(119)	(119)	(119)	0
General Reserve	(153)	(153)	0	316	469
Funding Total	(46,006)	(45,125)	(9,610)	(45,656)	469
Total	0	0	(2,170)	0	0

ESTIMATED RESERVE POSITION AT 31 MAY 2022

Reserve	Opening Balance* 01/4/22 £'000	Movement During 2022/23 £'000	Closing Balance 31/3/23 £'000
Resilience Crewing and Training	36	0	36
Prevention Protection and Partnerships	247	(14)	233
Business Systems Development	59	0	59
Transformation and Collaboration	552	(90)	462
Operational	444	(11)	433
Covid-19	30	(3)	27
ESN Reserve	1,243	0	1,243
Headquarters move	50	(1)	49
Budget Pressure Support	936	0	936
Efficiency Programme	900	0	900
Other	358	0	358
Total	4,855	(119)	4,736
General Reserve	5,025	316	5,341
Total Reserves	9,880	350	10,077

*Provisional opening balance figures

APPENDIX C

Capital Budget Monitoring as at 31 May 2022

CAPITAL PROGRAMME	Approved Budget 2022/23	Unapproved Changes to Budget 2022/23	Revised Budget 2022/23	Spend to Date	(Under)/ Over Budget	Estimated Outturn to the end of March 2023	Outturn Variance
ICT & COMMUNICATIONS							
Business Process Automation	40		40	2	-38	40	
Mobile Computing	30	18	48		-48	48	
HQ - Link ICT Replacement	30	60	90	5	-85	90	
ICT SharePoint Internet/Intranet	20		20	3	-17	20	
ESMCP Grant from DCLG (ESN)		41	41		-41	41	
Tri-Service Control Project		144	144		-144	144	
Replacement Equipment	200	16	216		-216	216	
HQ Project - Cloud Migration Work		137	137	14	-123	137	
Emergency Services Mobile Communication Programme ESN		100	100		-100	100	
Rostering Project - ICT Capital		168	168	42	-126	168	
CFMIS Quick Screens	100		100	13	-87	100	
CFMIS Accessibility Software	150		150		-150	150	
Cyber Security	75		75		-75	75	
HQ Core Switch upgrade	50		50		-50	50	
Upgrade of Core Switches over the estate	100		100		-100	100	
Airwave mobilisation system	60		60		-60	60	
Tri Service mobilisation system	40		40		-40	40	
Mobile Data Terminal replacement project	80		80		-80	80	
Occupational Health - ICT Capital		43	43	5	-38	43	
	975	727	1,702	83	-1,619	1,702	
ESTATES							
Joint Headquarters Project	199	671	870	31	-839	870	
Workshop Station	292	394	686	472	-214	686	
Command Training Suite	450		450	61	-389	450	
Newark Fire Station		10	10		-10	10	
Eastwood Fire station		1	1		-1	1	
	941	1,076	2,017	564	-1,453	2,017	
EQUIPMENT							
Replacement Duty Rig	250		250		-250	250	
Foam Branches	70		70		-70	70	
Water Rescue - Capital Gloves	50	106	156	6	-150	156	
	370	106	476	23	-453	476	
TRANSPORT							
Vans & Other Light Vehicles	158	194	352		-352	352	
Rescue Pumps	2,006		2,006		-2,006	2,006	
Special Appliances	754		755		-755	755	
	2,918	194	3,113		-3,113	3,113	
	5,204	2,103	7,308	670	-6,638	7,308	

TO BE FINANCED BY	Actual	Estimated Outturn
Revenue contributions to capital		
Earmarked Reserve	18	18
Capital Receipts - Vehicles	13	13
Capital Receipts - Property	0	
Internal Financing	639	7,277
Total	670	7,308