



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 NOVEMBER 2023

Report of the Chief Fire Officer

Date: 19 January 2024

Purpose of Report:

To report to Members on the 2023/24 financial performance of the Service and Prudential Code monitoring to the end of November 2023.

Recommendations:

It is recommended that Members:

- Note the contents of this report;
- Approve the transfer of the £160k previously approved for breathing apparatus wash facilities to the capital programme (see Paragraph 2.28).

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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

- 2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £49.451m, which is an £0.606m underspend against the revised budget of £50.057m. The approved budget of £49.965m included a £404k contribution from the earmarked reserve for Budget Pressure Support to address a funding deficit. As things currently stand, this contribution is not required. The revised budget reflects the planned use of £239k of earmarked reserves relating to various projects, plus a £147k contribution to earmarked reserves.

	2023/4 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	49,965	50,057	49,451	(606)
Revenue Support Grant	(6,189)	(6,189)	(6,189)	0
Business Rates (including related grants)	(11,286)	(11,286)	(11,286)	0
Pension Grant	(2,340)	(2,340)	(2,340)	0
Council Tax	(29,746)	(29,746)	(29,746)	0
General Fund	0	0	202	202
Earmarked Reserves	(404)	(496)	(92)	404
Total	0	0	0	0

Table 1 – Summary Expenditure and Funding Position

- 2.2 At the previous meeting of the Finance and Resources Committee, Members approved plans for £927k of virements to fund wholetime recruitment activity plus a number of improvements works and projects. This has significantly reduced the forecast underspend from the previously reported level of £1.477m to £0.606m. As the £404k budgeted contribution from earmarked reserves is not required at this stage, the £606k forecasted underspend would result in a £202k contribution to general reserves. However, it is proposed instead that any underspend be used to fund capital expenditure, as this will result in budget savings in future years. A final decision will be taken at year end when the outturn position is known.
- 2.3 A more detailed analysis of expenditure can be found at Appendix A. Major variances on specific budgets are shown below.

WHOLETIME PAY

- 2.4 Wholetime pay is expected to underspend by £344k in total. At the end of November, the number of posts was 15.4 FTE below the approved establishment. 11 transferees from other fire and rescue services are expected to join in January and a recruitment course for 20 new apprentices is planned for April, subject to affordability. Overtime is being used to cover the ridership in the short term, resulting in an £80k overspend against the preplanned overtime budget.

ON-CALL PAY

- 2.5 On-call pay can vary significantly from month to month depending on levels of activity, so it can be difficult to forecast with certainty. At this stage it is expected that the on-call pay budgets will underspend by £112k. The largest variances relate to incident related costs and drills, which are both expected to underspend by around £46k. The number of mobilisations can be highly variable, and although activity levels have generally been lower than expected so far in 2023/24 there was a spike in October due to the flooding. Expenditure on drills has been lower than expected and as a result this budget will be reduced for 2024/25.

NON-UNIFORMED PAY

- 2.6 Non-uniformed pay is expected to underspend by £122k overall due to vacancies in the establishment.

PENSIONS

- 2.7 The pensions budgets are expected to overspend by £37k overall. The largest variance relates to gratuity payments, which has a forecasted overspend of £28k.

TRANSPORT RELATED COSTS

2.8 There is expected to be a net overspend of £1k. Significant variances include:

- A £100k underspend relating to fuel. Fuel prices have reduced during the year.
- A £50k overspend on unplanned fleet maintenance. This is due to an ageing fleet and unscheduled repairs to water and foam tanks.
- A £30k underspend on planned fleet maintenance. This is due to the restructuring of service patterns, plus the disposal of a number of vehicles and plant items from the fleet.
- A £33k overspend relating to mileage claims and public transport costs. There are a number of reasons for this, including an increase in detachments resulting from wholetime vacancies, and mileage allowances/public transport costs paid to staff compulsorily transferred to the Joint HQ.
- A £48k overspend relating to other transport-related supplies and services. These include a £20k overspend on tyres which has arisen due to extending the useful lives of some vehicles, and a £20k overspend on outsourced vehicle maintenance. This relates to specific repairs that cannot be carried out by the main contracted company.

PREMISES COSTS

2.9 Premises costs are expected to underspend by £49k. The most significant underspends relate to energy costs. At this stage electricity and gas are expected to underspend by £37k and £52k respectively. However, there is currently a dispute over a £85k invoice for gas so it is possible that this variance could be largely eliminated if the dispute is settled in the energy company's favour.

SUPPLIES AND SERVICES

2.10 Supplies and services are expected to overspend by £65k. Significant variances include:

- A £42k overspend relating to Firelink contract charges. The contractual price increases are linked to RPI inflation. In 2023/24 the prices have increased by 13.5%, which exceeds the 5% budgeted increase.
- The budget for contributions to partnership working is forecasted to underspend by £45k. This is mainly due to the budget relating to the Emergency Services Network Dimetra Communications Service no longer being required as the work is being carried out in-house.

OTHER INCOME

2.11 There is a forecasted surplus of £116k. £101k of this relates to secondment income due to recent secondment agreements which were not provided for in the budget.

RESERVES

- 2.12 Details of the use of reserves during 2023/24 can be found in Appendix B.
- 2.13 Expected levels of reserves at 31 March 2024 are £10.408m as detailed in Table 2 below.

Reserves	Balance 01/04/23 £'000¹	Anticipated Use 2023/24 £'000	Expected Balance 31/03/24 £'000
Net contributions from earmarked reserves	5,236	(92)	5,144
General Fund	4,961	202	5,163
Total	10,197	110	10,307
ESMCP² Regional Reserve	101	0	101
Total	10,298	110	10,408

Table 2 – Anticipated Movement in Reserves 2023/24

¹ The opening balances are still subject to external audit and are therefore provisional.

² Emergency Services Mobile Communications Programme

- 2.14 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).
- 2.15 The general reserve is predicted to be £5.163m at the end of the financial year, which is above the minimum level of £4.5m general fund reserve agreed by Fire Authority in December 2022.

CAPITAL PROGRAMME

- 2.16 The current approved 2023/24 capital programme is £9.168m. The total capital spend to the end of November 2023 was £3.220m. The current capital programme is shown at Appendix C. The most significant areas of variance are detailed below.

TRANSPORT

- 2.17 The appointment of a delivery and build contractor for two Aerial Ladder Appliances (ALPs) is still pending, which presents a risk that the chassis will not be delivered and invoiced this financial year. This will result in £1.1m being slipped into 2024/25, however further information will be known once the Working Group has visited one of the manufacturers in late January.
- 2.18 The chassis for the Command Support Unit (CSU) was delivered in late November 2023. Costs of the vehicle build, ICT and electrical fitout have been confirmed, with a total cost including chassis at £475k. This is £225k

over the original budget. An exception report increasing the budget was approved by SLT on 21 Nov 2023. It is anticipated that £394k will be spent in 2023/24 with the remainder slipping into next year.

- 2.19 Light Vehicle budget: this budget is for the replacement of the Chief's and the Assistant Chief Fire Officers' cars, five Flexi Duty Officers cars, two vans and blue light fits. The Flexi Duty cars have been delivered and the blue lights have been fitted. The vans have now been delivered and the modifications for stowage of equipment will be completed before the end of March 2024. Orders have now been placed for the Assistant Chief Officers' cars and it is expected that they will be received by the end of the financial year. In addition, an order for the Chief Officers car has been placed but is not expected to be delivered in this financial year and therefore may slip into the next financial year.
- 2.20 Fire Appliances (£2.840m in 2023/24, £2.820m in 2024/25): Angloco Ltd recently issued a revised build programme for the 17 new pumping appliances which showed a quicker than expected delivery of the chassis from Scania. All 17 chassis now having been delivered. This has capital budget implications as the 2023/24 budget for this project only accounted for 12 to be delivered. The revised forecast spend for this FY is now £3.410m (including equipment), up from the original forecast of £2.8m. The programme also indicates that only one appliance will be fully completed and delivered into service this year (March 2024). The remaining 16 are forecast to be fully completed and in service by December 2024. The additional funding will be partially offset by delayed expenditure in other projects, and permission will be requested to bring forward the budget in 2024/25 if required. This will be requested in the next report to the Finance and Resources Committee if necessary, when further delivery information will be available.
- 2.21 An area of risk has been identified with the contract pricing, with the supplier who have submitted a cost increase of 10% (in line with CPI inflation), meaning an approximate uplift of £30k per Appliance. Legal advice has been obtained and a solicitor's letter issued to challenge the cost increase.
- 2.22 The 2024/25 Fire Appliance programme includes funding for equipment such as ladders and PPVs (fans) and LPPs (light portable pumps). Reduced lead times mean that some of this equipment can now be delivered this financial year. Depending on the timings of deliveries of both appliances and equipment, it may be necessary to bring forward the £141k from the 2024/25 programme to allow the Service to take advantage of the change in circumstances. An update will be provided at the March meeting of this Committee along with a request to bring the budget forward if necessary.
- 2.23 Rural unit: a list of options was presented to SLT members in December 2023. Some clarifications were requested and these will be presented in January 2024 before any decisions are made. Depending on the preferred options chosen, there will be slippage of the capital allocated to this project. Any required slippage will be requested in the next report to the Finance and Resources Committee.

EQUIPMENT

- 2.24 Replacement Duty Rig: it is anticipated that the order will be placed before the end of the financial year. The procurement process is taking longer than expected, with suppliers not getting the premarket samples to NFRS in a timely manner. This has impacted upon on the timing of the trials. Bulk purchase lead times are also impacting on the project, with lead times expected to be between 7-9 months. It is now anticipated that this project will not be fully completed until 2024/25. Members will be kept up to date, and it may mean that the budget will be slipped into 2024/25.
- 2.25 Gas Tight Suits: these will be purchased in year for operational use.
- 2.26 A capital grant previously received for Marauding Terrorist Attack (MTA) equipment is held in the Capital Grant Unapplied reserve.

ESTATES

- 2.27 Access and Inclusion (£760k): tenders for alteration works to 9 On-call stations and Ashfield Fire Station have been received and are being analysed. Works are planned to commence in early January 2024 with three stations undergoing works concurrently. The £760k budget for 2023/24 includes an additional £260k approved at the October meeting of the Finance and Resources Committee for the Ashfield Fire Station works.
- 2.28 Training and Development Centre (£500k): this project is for the alteration and refurbishment of existing welfare and training facilities, including the replacement of the Fire House control system. Tenders were returned above the original budget, therefore an additional £160k was approved at the October meeting of the Finance and Resources Committee. In addition, £500k has been built into the 2024/25 budget. This will allow the project to continue without reducing the scope of works and the requirements. Works will commence on site 8 January. The expected spend in 2023/24 is £660k, which includes an additional £160k allocated to install BA Wash facilities at SDC and Mansfield Fire station. This additional £160k was initially approved by Members as revenue expenditure but as it meets the criteria for capital expenditure it is requested that Members now approve it as an addition to the capital programme, to be funded by a revenue contribution.
- 2.29 Electric Charging Points (£25k in 2023/24, £100k in 2024/25): this is for the cost of the installation of vehicle charging points at selected fire stations the estate. In addition, funding has been secured from D2N2 shared public sector charging network for four sites. Orders will be raised for this work and a refund for the work will be received on proof of completion. These will be added to the programme once costs are known.
- 2.30 Energy Reduction and Decarbonisation (£50k in 2023/24, £250k in 2024/25): a consultant has been appointed to determine NFRS's roadmap to Net '0' Carbon, and the data gathering exercise is underway. Detailed surveys to decarbonise Eastwood and Highfields Fire Stations have been completed, leading to a Public Sector Decarbonisation Scheme grant application for

Highfields. If successful, NFRS can expect to receive £190k of grant funding to offset works to replace the gas boilers, although match funding of £153k will be required. The remaining 2024/25 budget will be used to improve the energy efficiency at across the site.

- 2.31 Worksop Station was opened in May 2022 and is fully operational. All the works and retentions have been paid, and it is expected that a further £25k will be paid to resolve the heat pump technology issue. This can be contained within the remaining budget.
- 2.32 The original offer we accepted from for the sale of the old headquarters has now formally fallen through and an increased alternative offer has been accepted. Members will be kept informed in future reports.

ICT

- 2.33 Replacement Equipment £520k: the budget will fund any replacement equipment that is required to keep the Service's ICT provision robust and sustainable. The more significant projects include software replacement for the Wide Area Network (WAN) which is required for mobilising (£120k), laptop replacement (£100k) and devices on appliances (£90k).
- 2.34 CFRMIS (Community Fire Risk Management Information System): two projects are still in the scoping stage due to the priority given to other projects. Work is planned to commence. Progress on the project will be reported in March.
- 2.35 Cyber Security project: a consultant has been appointed to implement the system. Progress will be reported to Members in due course.
- 2.36 Appliance Handheld Airwave Radio: this project involves the purchase of 30 handheld radios and aims to improve business continuity and resilience. An order has been placed for £40k and the radios are expected to be in service before the end of this financial year. An additional revenue contribution of £10k has been approved to fund the additional cost.
- 2.37 System upgrades: a budget of £30k is set aside to upgrade core systems to enable them to be maintained and supported. This may be slipped into 2024/25.
- 2.38 The ICT programme includes replacement equipment and software and supports specific schemes which underpin the Community Risk Management Plan (CRMP). Overall spend has been slower than originally anticipated due to vacancies within the ICT team. The rate of expenditure is expected to pick up as this year progresses. The mobile computing, and Mobile Data Terminal (MDT) replacement projects have been merged into the replacement equipment budget, to come in line with the spending objectives of the ICT section.
- 2.39 The Replacement Mobilising System was added to the capital programme at the Fire Authority meeting on 23 September. This is the 2023/24 anticipated

cost of the project. There are some elements of the project that are still out to tender. The future year capital costs for the overall project will be included in the Medium Term Financial Strategy and budget reports.

- 2.40 £100k for the Regional Mobilising System (Server) was approved at the October meeting of the Finance and Resources Committee. It has been allocated in 2023/24 and will be funded by a revenue contribution.

PRUDENTIAL CODE MONITORING

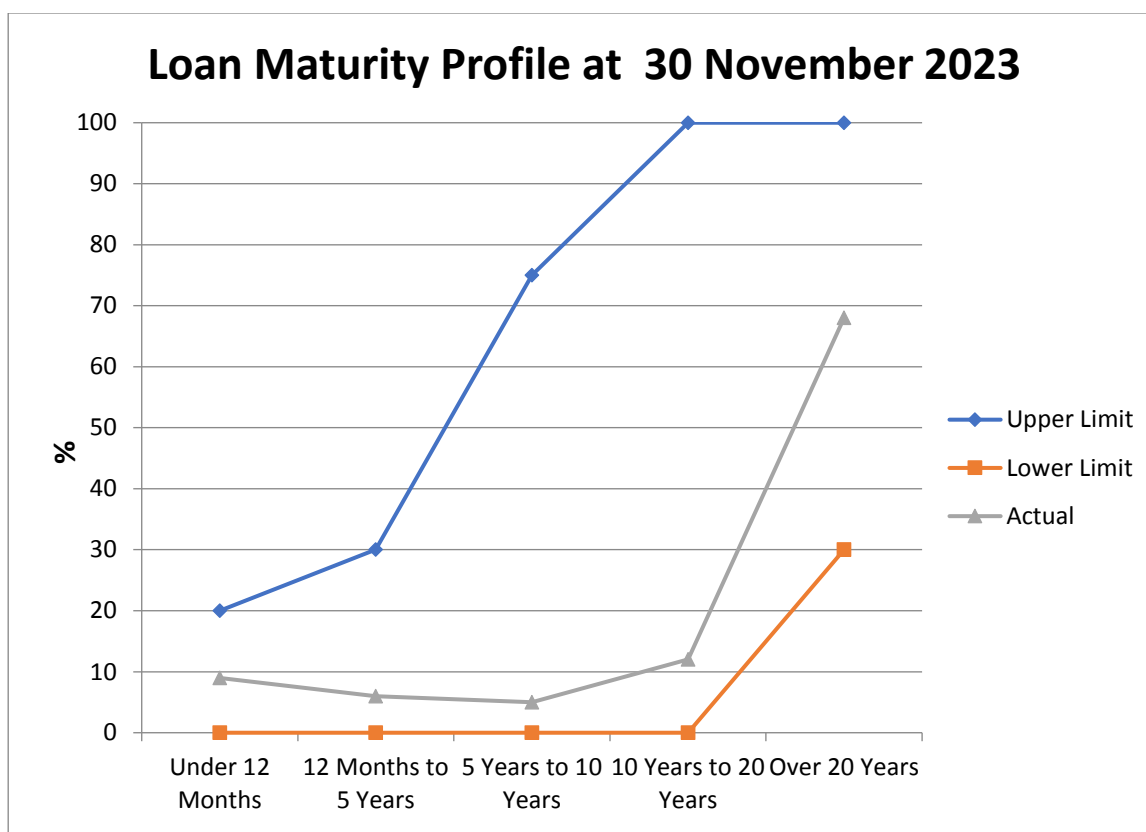
- 2.41 The Fire Authority approved the prudential indicators for 2023/24 at its meeting on 24 February 2023. The Prudential Code requires that performance against these indicators is reported to Members.
- 2.42 The approved indicators along with performance as of 30 April 2023 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Prudential Indicator	Approved Indicator	As of 30 November 2023
Estimate of Ratio of Financing Costs to Net Revenue Stream	8%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£3,995,000	Year End Only
Actual Borrowing		£32,900,000
Estimate of Capital Financing Requirement	£30,646,000	£30,646,000
Operational Boundary	£36,901,000	£36,901,000
Authorised Limit	£41,591,000	£41,591,000
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%	10.21%

Table 3 - Prudential Code Monitoring

2.43 The total borrowing at the end of November 2023 was £32.9m. This is within the Operational and Authorised Limits set out in Table 4. It does, however, exceed the Capital Financing Requirement of £30.646m. This is because borrowing has been taken out earlier than the funding is required to avoid expected rises in interest rates. There is a £3m loan repayment due in March 24 which will bring the borrowing level back below the CFR by the end of the year. This is permitted within the Code of Practice guidance which states that 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.

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



2.45 Investments as of 30 November 2023 totalled £13.5m. Investment rates are monitored by a benchmarking group including councils and police which is supported by Link Asset Services. As at the end of September 2023, NFRS weighted average rate of return was 5.02%, compared with a group average of 5.17%.

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.

5. EQUALITIES AND ETHICAL 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. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental and sustainability implications arising directly 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

There are no collaboration implications arising directly from this report.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Approve the transfer of the £160k previously approved for breathing apparatus wash facilities to the capital programme (see paragraph 2.28).

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

None.

Craig Parkin
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 30 NOVEMBER 2023**

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	39,942	39,947	25,987	39,408	(539)
Premises	4,111	4,477	3,264	4,428	(49)
Transport	2,220	2,224	1,478	2,225	1
Supplies & Services	4,392	4,399	3,986	4,464	65
Third Party	951	951	455	951	0
Support Services	171	171	82	171	0
Capital Financing Costs	2,692	2,915	2,547	2,943	28
Fees and Charges	(425)	(519)	(215)	(515)	4
Other Income	(4,088)	(4,508)	(2,331)	(4,624)	(116)
Net Cost	49,965	50,057	35,253	49,451	(606)
Financed by:					
Revenue Support Grant	(6,189)	(6,189)	(4,688)	(6,189)	0
Non-Domestic Rates	(11,286)	(11,286)	(7,748)	(11,286)	0
Council Tax	(29,746)	(29,746)	(20,822)	(29,746)	0
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	0
Earmarked Reserves	(404)	(496)	(92)	(92)	404
General Reserve	0	0	0	202	202
Funding Total	(49,965)	(50,057)	(35,690)	(49,451)	606
Total	0	0	(437)	0	0

ESTIMATED RESERVE POSITION AT 30 NOVEMBER 2023

Reserve	Opening Balance* 01/4/23 £'000	Movement During 2023/24 £'000	Closing Balance 31/3/24 £'000
Resilience Crewing and Training	36	0	36
Prevention Protection and Partnerships	261	88	349
Business Systems Development	59	0	59
Transformation and Collaboration	360	(61)	299
Operational	480	(360)	120
Covid-19	15	(15)	0
ESN Reserve	1,620	473	2,093
Headquarters move	49	(49)	0
Budget Pressure Support	1,125	0	1,125
Efficiency Programme	900	(164)	736
Other	370	(4)	366
Estates	62	0	62
Total	5,337	(92)	5,245
General Reserve	4,961	202	5,163
Total Reserves	10,298	110	10,408

*Provisional opening balance figures

CAPITAL - BUDGET MONITORING REPORT – 30 NOVEMBER 2023

Scheme	Revised Budget 2023/24 £'000	Actual Expenditure 2023/24 £'000	Forecast Outturn 2023/24 £'000	(Under)/ Overspend Against Revised Budget £'000
Transport				
Special Appliances	1,355	0	394	(961)
Light Vehicle Replacement	346	206	275	(71)
Fire Appliances	2,840	2,445	3,361	521
Rural Equipment	100	0	20	(80)
	4,641	2,651	4,050	(591)
Equipment				
Replacement Duty Rig	100	0	0	(100)
Gas Tight Suits	50	0	50	0
BA Quick Connect Cylinder Valve	50	50	50	0
Digital Voice Recorders (MTA Grant)	12	1	12	0
Personal Issue Dry Suits	65	0	65	0
	277	51	177	(100)
Estates				
Access and Inclusion	760	38	760	0
Training Development Centre	660	19	660	0
Electric Vehicle charging points	25	0	25	0
Estate Energy Reduction and Decarbonisation	50	0	50	0
Workshop Fire Station	192	115	192	0
Joint Head Quarters	230	171	230	0
	1,917	343	1,917	0
IT & Communications				
Replacement Equipment	520	131	520	0
CFRMIS Quick Screens	100	51	100	0
CFRMIS Accessibility	150	0	150	0
Cyber Security	46	22	46	0
Appliance Handheld Airwave Radio Addition	30	0	40	10
Payroll, Finance and Occy health Upgrade	30	(2)	30	0
Upgrade of Switches - Estate Wide	0	6	6	6

Scheme	Revised Budget 2023/24 £'000	Actual Expenditure 2023/24 £'000	Forecast Outturn 2023/24 £'000	(Under)/ Overspend Against Revised Budget £'000
Airwave - Mobilisation system DCS	60		60	0
ICT SharePoint Internet/Intranet	13		13	0
Tri-Service Control Project	103	(57)	103	0
Cloud Migration	30	10	30	0
ESMCP Grant from DCLG (ESN)	41		41	0
Emergency Services Mobile Communication Programme ESN	100		100	0
Tri Service Mobilisation Infrastructure Replacement	40		40	0
Replacement Mobilising System	970	0	970	0
RMS server Costs	100		100	0
Rostering	0	14	14	14
	2,333	175	2,363	30
Total	9,168	3,220	8,507	(661)
Financed by:				
Capital Grant	12	12	12	0
Capital Receipts	3,310	0	3,310	0
Revenue Contribution to Capital and Earmarked Reserves	595	10	595	0
Borrowing	5,251	3,198	4,590	(661)
Total	9,168	3,220	8,507	(661)