



NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

FINANCE AND RESOURCES COMMITTEE

Date: Friday, 18 January 2019 **Time:** 10.00 am

Venue: Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD

Members are requested to attend the above meeting to be held at the time, place and date mentioned to transact the following business

Clerk to the Nottinghamshire and City of Nottingham Fire and Rescue Authority

AGENDA

Pages

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ANY COUNCILLOR WHO IS UNABLE TO ATTEND THE MEETING AND WISHES TO SUBMIT APOLOGIES SHOULD DO SO VIA THE PERSONAL ASSISTANT TO THE CHIEF FIRE OFFICER AT FIRE SERVICES HEADQUARTERS ON 0115 967 0880

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ABOVE, PLEASE CONTACT THE CONSTITUTIONAL SERVICES OFFICER SHOWN ON THIS AGENDA, IF POSSIBLE BEFORE THE DAY OF THE MEETING.

Governance Officer:

Cath Ziane-Pryor
0115 8764298
catherine.pryor@nottinghamcity.gov.uk

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NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

FINANCE AND RESOURCES COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 19 October 2018 from 10.00 am - 10.36 am

Membership

Present

Councillor Malcolm Wood (Chair)
Councillor Andrew Brown
Councillor John Clarke
Councillor Brian Grocock
Councillor Mike Quigley MBE

Absent

Colleagues, partners and others in attendance:

| | |
|-----------------------|-----------------------------|
| John Buckley | - Chief Fire Officer |
| Wayne Bowcock | - Deputy Chief Fire Officer |
| Charlotte Radford | - Treasurer |
| Becky Smeathers | - Head of Finance |
| Ian Pritchard | - Head of Estates |
| Catherine Ziane-Pryor | - Governance Officer |

12 APOLOGIES FOR ABSENCE

None.

13 DECLARATIONS OF INTERESTS

None.

14 MINUTES

The minutes of the meeting held on 29 June 2018 were confirmed as a true record and signed by the Chair.

15 PRUDENTIAL CODE MONITORING REPORT TO AUGUST 2018

Becky Smeathers, Head of Finance, presented the report which informs members of the financial activity from 31 May to 31 August 2018 against the prudential Indicators which were confirmed by the Fire Authority at the February 2018 meeting.

Nottinghamshire & City of Nottingham Fire & Rescue Authority - Finance and Resources - 19.10.18
Borrowing to the end of August stood at £24.238m which is well within the operational boundary of £29.723m.

There are no issues of concern to report to the Committee.

RESOLVED to note the report.

16 REVENUE AND CAPITAL MONITORING REPORT TO 31 AUGUST 2018

Becky Smeathers, Head of Finance, presented the report which informs the Committee of the financial performance of the Service for the period 31 May to 31 August 2018.

The following points were highlighted and members' questions responded to:

- (a) There has been an underspend of £141,000 which is lower than that reported in June of £475,000;
- (b) As a result of the additional call-outs during the hot, dry summer, the retained pay budget was unavoidably overspent by £129,000. Some of this relates to the Lancashire moorland fires for which £79k is being recovered under the Belwin scheme. There were underspends of £289,000 for drilling and training which took place at lower than anticipated levels;
- (c) A provision was made in the 2017/18 accounts for a 2% firefighter pay increase. However, the National Joint Council have now confirmed a 1% pay increase for 2017/18 so the provision is no longer required and has been returned to Revenue;
- (d) The Service currently is expecting year end reserves levels to be in the region of £10.115m, the details of which are set out in the report. Reserves levels compared to those held by other Fire Authorities were discussed. Further analysis will be included in the Reserves Strategy which will be considered at December Fire Authority;
- (e) The underspend of £20,000 on fire alarms is a result of the delay in rolling out the 'Safe and Well' programme which replaced the Home Safety Check;
- (f) Expected slippage in the capital programme totalling £308,000 is outlined in Appendix C to the report;
- (g) Recovered costs for services beyond the Service's statutory duty were discussed. These charges are approved by the Fire Authority as part of the budget process each year. The current budget for income from these charges is £6k;
- (h) The agreement between the Service and the East Midland's Ambulance Service (EMAS) to have space in a base at Hucknall Fire Station is with each organisation's solicitors but it is encouraging that EMAS have proposed a completion target date of 1 January 2019. Once legal agreement has been reached and the contract signed, the building work can be sent out for tender and contractors engaged;
- (i) The potential use of the surplus land around Newark Fire Station, including the building of affordable housing, is being investigated and the Chief Fire Officer and the Head of Estates have met with the Chief Executive of the Local Council and an arm's length housing provider. Members will be informed of any firm progress, possibly to the Policy and Strategy Committee or Full Fire Authority in February 2019.

Members' comments included:

- (j) When next setting the Council Tax precept, it will be worth highlighting the additional £590,000 wholetime overspend due to the increased service demand during the exceptionally dry summer;
- (k) The Authority needs to ensure that the return from the use of the Newark Fire Station surplus land provides a good long term income for the Service.

RESOLVED

- (1) to note the report;**
- (2) to approve the temporary virement of £183k from the secondment income surplus to wholetime pre-planned overtime (as detailed in Section 2.5 of the report);**
- (3) to approve temporary virements of £52k from wholetime bank holiday pay to wholetime pre-planned overtime (as detailed in Section 2.5 of the report);**
- (4) for the Committee to further consider reserves at a future meeting, including comparative data against the value of reserves held by other Services.**

17 CORPORATE RISK MANAGEMENT

John Buckley Chief Fire Officer, presented the report which is brought before the Committee following changes to some of the work undertaken by Wayne Bowcock, Deputy Chief Fire Officer, and Craig Parkin, Assistant Chief Fire Officer. No other changes have occurred.

RESOLVED to note the report.

18 MANAGEMENT OF OCCUPATIONAL ROAD RISK

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which updates the Committee on the management of operational road risk and the measures taken to mitigate those risks within the Road Risk Management Plan.

The following points were highlighted and member's questions responded to:

- (a) To ensure that the cost of insurance does not increase beyond the cost of 2016/17 insurance rates, the Service has agreed to raise the claim excess from £1,000 to £2,500 per claim;
- (b) Between September 2017 and September 2018, there were 49 incidents, 41 of which were as a result of low speed manoeuvring;
- (c) There were two high cost incidents including an appliance being lodged in a ditch (£42,898.03 cost) having swerved to avoid an on-coming vehicle, and the overturning of a water foam unit whilst exiting the motorway (due to the camber of the road and angle taken by the driver) the cost is yet to be confirmed;

- (d) An employee has been injured during a reversing incident and the Health and Safety Inspectorate is currently examining the filed report;
- (e) There is a new Health and Safety Officer in post;
- (f) Staff are randomly tested for drugs and alcohol by a third party organisation to a standard process. Tests can also be undertaken on staff at an incident;
- (g) Dash-cams are not required as appliances are already fitted with 360° CCTV cameras. Some incident footage is used for training purposes.

RESOLVED to note the report.

19 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining item in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

20 INSTALLATION OF AN ELECTRICAL SUBSTATION BY WESTERN POWER AT BINGHAM FIRE STATION

John Buckley, Chief Fire Officer, and Ian Pritchard, Estates Manager, presented the report which informs members of the request by Western Power for the installation of an electrical substation at Bingham Fire Station.

Although it is acknowledged that Western Power maintain a standard set of charges, Members requested that officers continue to seek the best deal for the Service.

RESOLVED to approve the recommendations as set out in the report.



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 30 NOVEMBER 2018

Report of the Chief Fire Officer

Date: 18 January 2019

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2018/19 to the end of November 2018.

CONTACT OFFICER

Name : Becky Smeathers
Head of Finance

Tel : 0115 967 0880

Email : becky.smeathers@notts-fire.gov.uk

Media Enquiries Therese Easom
Contact : (0115) 967 0880 therese.easom@notts-fire.gov.uk

1. BACKGROUND

- 1.1 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.
- 1.2 For this report, those key areas with a higher risk of significant variance are reported on. 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.

2 REPORT

REVENUE BUDGET

- 2.1 The revenue monitoring position is attached at Appendix A. It shows a forecast outturn position of £42.985m against a revised budget of £43.069m. Within the forecast outturn of £42.985m there is expenditure of £842k that will be met from the earmarked reserves. A summary position of expenditure and funding is shown in the table below:

Table 1 – Summary Expenditure and Funding Position

| | 2018/19 Budget £'000 | Revised Budget £'000 | Forecast Outturn £'000 | Variance £'000 |
|--------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------|
| Expenditure | 42,227 | 43,069 | 42,985 | (84) |
| Income | (40,783) | (40,783) | (40,783) | 0 |
| General Fund Reserves | (1,444) | (1,444) | (1,360) | 84 |
| Earmarked Reserves | 0 | (842) | (842) | 0 |
| Total | 0 | 0 | 0 | 0 |

- 2.2 A more detailed analysis of expenditure can be found at Appendix A.
- 2.3 Details of the major variances are shown below:
- Wholetime pay (including overtime) is forecast to overspend by £551k.
 - Non-uniformed pay is forecast to underspend by £219k.
 - Retained pay is forecast to underspend by £244k.

- Car Tax Liabilities prior year liabilities to be met by the Authority have been estimated at £225k.
- Firefighter pension charges to revenue are forecast to underspend by £85k.
- Training is forecast to underspend by £83k.
- Business rates are forecast to overspend by £54k.
- Estates-related professional fees are forecast to overspend by £55k.
- Capital financing costs (interest costs and minimum revenue provision charges) are forecast to underspend by £141k.
- There is a forecast deficit of £121k relating to the Prince's Trust.

2.4 These significant variances are explained further in the report below, together with details of other key variances.

2.5 **WHOLETIME PAY:** the total forecast overspend on wholetime pay is £551k.

- Basic pay is forecast to underspend by £107k. This represents just 0.6% of the budget and is down to the establishment changing slightly differently to that assumed in the budget due to retirements, leavers and recruitment.
- Pre-planned overtime is forecast to overspend by £508k. The total estimated spend is based on the best information available, however it is difficult to forecast the extent to which gaps in the ridership can be covered by detachments rather than overtime. The estimated spend includes £25k for the training of retained recruits for Ashfield and Retford. The wholetime trainers will be paid overtime to deliver much of this recruitment course in order to ensure that it is completed in time for the planned implementation of mixed crewing in April 2019. This training cost will be met from the organisational transition earmarked reserve, and this funding is reflected in the revised budget figure.
- Employer's national insurance and pension contributions are expected to overspend by a total of £121k as a result of the overspend on overtime.

2.6 **RETAINED PAY:** This overall retained pay budget is expected to underspend by £244k.

- The most significant area of underspend relates to drills and training, which is forecast to underspend by £321k. The budget calculation was based on the assumption that RDS staff would undertake 3 hours of drills per week, which has not been achieved. This budget has been reduced for 2019/20. Recruitment levels are lower than budgeted and this has also contributed to the training underspend.

- The underspend on drills and training is partially offset by a forecast overspend of £152k relating to turnouts, disturbance allowances and attendance fees. The expenditure against these budgets is driven by incident numbers and so can be difficult to predict. This has been largely caused by the spike in incident numbers caused by the unusually warm weather. The forecast overspend includes £43k relating to the assistance given to Lancashire and Greater Manchester Fire and Rescue Services during the moorland fires. These costs have been recovered under the Bellwin Scheme (contributing to the surplus relating to recovered costs).
 - The budget for RDS community safety activity is forecast to underspend by £46k. Activity levels are expected to increase now that the Safe and Well project has been fully implemented.
- 2.7 **NON-UNIFORMED PAY:** non-uniformed pay is expected to underspend by £219k due to vacancies (12 vacant posts as at the end of November, two of which are currently filled by agency staff).
- 2.8 **PROVISION FOR PAY AWARDS:** a provision of £183k was charged to revenue in 2017/18 as it had seemed likely that an additional pay award of 1% would be backdated to July 2017. The National Joint Council (NJC) have now confirmed a 2% pay award for 2018/19 and that there will be no additional amount backdated for 2017/18. The provision is therefore no longer required and has been written back to revenue.
- 2.9 **CAR TAX LIABILITIES:** The Authority recently commissioned a tax review which has identified that some travel related expenses have been incorrectly treated for tax purposes. This has been corrected going forward. At its meeting on 28 September 2018 Fire Authority approved that the service would meet the tax liabilities previously incurred up to a maximum of £250k. £225k has been included in the forecast outturn figures to cover the liability.
- 2.10 **PENSION COSTS:** the forecast underspend is £85k. Ill health retirement costs can be difficult to predict as they are dependent on the number of ill health retirements during the year, and costs for each retirement can vary greatly. The current forecast is based on the anticipated ill health retirements of one wholetime and two retained firefighters. This budget will be monitored closely and any changes will be reported.
- 2.11 **TRAINING:** the forecast underspend is £83k. Several of the training courses that were included in the budget are now not expected to take place.
- 2.12 **PREMISES RELATED COSTS:** the budgets for premises related costs are expected to overspend by £57k. This variance mostly relates to Business Rates which are expected to overspend by £54k due to backdated rating appeals not being expected to result in the reductions first anticipated. The gas and electricity budget are expected to overspend by £18k due to price increases but this has been offset slightly by reduced energy consumption over the summer. In addition, the insurance costs overall have come in

lower than anticipated at budget time, this has resulted in an underspend of £19k on the premises insurance costs.

2.13 TRANSPORT RELATED COSTS: These are expected to underspend by £21k, due to a reduction in travel compared to previous years. There have been some difficulties with the maintenance contract for which a temporary solution has been put into place. The contract is currently out to tender and the results will be known shortly.

2.14 SUPPLIES AND SERVICES COSTS: expenditure is forecast to be over budget by £45k. Significant variances include:

- Smoke alarms: underspend of £30k. This is due to the delay in the roll-out of the Safe and Well programme, plus a number of vacant Home Safety Check Operative roles. The Safe and Well programme has now been fully implemented and expenditure is picking up.
- Estates-related professional fees: overspend of £32k due to work on the business case for the Joint Estates Strategy.
- Hydrant Maintenance: underspend of £10k. This is due to fewer defects being found during hydrant inspections.
- Computer software maintenance contracts: net expenditure is over budget of £36k due to the Systel maintenance charges which were not transferred from capital to revenue as part of the budget process.
- Stock adjustments: a comprehensive reconciliation of the stock system has been carried out recently. This has resulted in £36k being credited to the revenue budget. Stock adjustments of this nature are fairly common, although usually of a relatively low value. It is likely that further adjustments will be made before the end of the year, but it is not possible to predict the value at this stage.
- Insurance: underspend of £47k. The budget will be revised for 2019/20.

2.15 PRINCE'S TRUST INCOME: there is a forecast deficit of £121k relating to the net cost of the Prince's Trust project for 2018/19. The project was expected to run at a deficit of around £66k, so this is £55k higher than budgeted for. Some of the courses have not run at full capacity and funding is lower than anticipated for some students following a misunderstanding with RNN who provide the funding for the scheme. In addition, the funding levels assumed when calculating prior year accruals totalling £187k in the 2017/18 accounts are also affected. A significant amount of work has been undertaken with representatives from the RNN group and it is now thought that the figure is likely to be in the region of £118k, a reduction of £69k (over 2 years) which, once finalised will become an additional charge to the 2018/19 accounts. This will increase the overall forecast deficit to £190k, which is £124k higher than budgeted. With the issues that have arisen and student numbers currently being lower than expected Princes Trust is receiving additional scrutiny and will be the subject of a separate report to Policy and Strategy Committee.

2.16 **CAPITAL FINANCING COSTS:** overall the capital financing budgets are forecast to underspend by £142k by the end of the financial year. This variance is comprised of two elements:

- Interest charges: underspend of £104k. The forecast is based on current loans and additional loans of £2m being taken out in December to replace a maturing £1.5m loan and to support current year capital expenditure. In addition, it is anticipated at this stage that an additional short term loans will be taken out at the end of December and then again at the end of the financial year for cash flow purposes.
- Minimum Revenue Provision: the budget for the minimum revenue provision (MRP) charge is expected to underspend by £37k. The budget for the MRP charge was calculated in the autumn of 2017 and was based on estimated capital expenditure for 2017/18 of £4,827k. The actual capital expenditure for the year was £4,060k due to slippage into 2018/19. This has resulted in an underspend for 2018/19.

RESERVES

2.17 Details of the use of reserve movement during 2018/19 can be found in Appendix B.

2.18 The current reserve position is attached at Appendix B. Expected levels of reserves at 31 March 2019 are £9.907m:

| Reserves | Balance 01/04/18 £'000 | Anticipated Use 2018/19 £'000 | Expected Balance 31/03/19 £'000 |
|------------------------------------|---------------------------------------|--|--|
| Earmarked | 5,022 | (768) | 4,254 |
| General Fund | 6,953 | (1,360) | 5,593 |
| Total | 11,975 | (2,128) | 9,847 |
| | | | |
| ESMCP* Regional Reserve | 134 | (74) | 60 |
| | | | |
| Total | 12,109 | (2,202) | 9,907 |

*Emergency Services Mobile Communications Programme

2.19 The General Reserve is expected to be £5.593m. This remains above the minimum level of £4.3m agreed by Fire Authority on 16 February 2018.

2.20 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). This further demonstrates the Authority's commitment to collaboration and regional working.

CAPITAL PROGRAMME

- 2.21 The current approved 2018/19 capital programme is £3.2m. The total spend to date is £745k, the forecast out-turn expenditure is £2.9m and estimated slippage of £338k, the current capital programme is shown at Appendix C.

TRANSPORT

- 2.22 The Command Support Unit requires upgrading to allow it to perform in line with current operational procedures. Following a successful collaboration project with Derbyshire Fire and Rescue Service (DFRS) there is no longer a requirement to purchase a second command support vehicle. NFRS and DFRS have also successfully collaborated on the use of the HMEPU, this will still require replacement in 2018/19 and the budget of £150K will be used in 2018/19 to complete this project. The business case will be presented to EDT for the approval of the project.
- 2.23 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.

EQUIPMENT

- 2.24 The breathing apparatus project of, £110k was slipped from 2017/18 and is expected to be completed before the end of the financial year.
- 2.25 Conversion of hose reel equipment is due to be completed in 2018/19 the project will start in November 2018.
- 2.26 CCTV in vehicles - this is a major project that, due to resourcing issues, will be delayed until 2019/20 and therefore the budget will be slipped. The business case will be presented to EDT for the approval of the project.
- 2.27 The £180k procurement of the lightweight fire coats will be slipped into 2019/20. The project will be amalgamated with the structural PPE project and will be delivered in collaboration with DFRS. There is a six months' lead time on purchase of light weight jackets which has caused the delay in the project.

ESTATES

- 2.28 The new Newark Fire Station is now complete and operational. The building contractor is currently working on completion of a number of outstanding items; these are being dealt with through the contract. The demolition of what's left of the old fire station will be tendered over the next two months. Subject to the tenders received the old station should be demolished between January 2019 and March 2019.
- 2.29 The disposal of the old fire station land will be the subject of an options report to the Finance and Resources Committee in the New Year.
- 2.30 Work with the East Midlands Ambulance Service on the potential collaboration concerning the existing Hucknall Fire Station continues. The

details of the draft lease and agreement to lease are currently with our respective solicitors for agreement on the terms and conditions.

- 2.31 The initial work for a new Worksop Fire Station is currently underway; this will include the potential for collaboration with the Ambulance Service in a joint project. Authority to proceed with the project and to purchase the preferred site was granted in April 2018 through the Finance and resources Committee. The due diligence has been carried out for the purchase of the land for the new site between our solicitors and the appointed professional team. As part of the due diligence searches it has been identified that there are no rights to lay services (water, sewage, gas etc) in the road to the site. The project has been temporarily paused due to ongoing negotiations for the rights to lay services to the site; these negotiations are being undertaken by the land owner and owner of the adjacent business park. It is anticipated that once the rights have been granted to the site NFRS can then purchase the land and proceed with the project.
- 2.32 The options appraisal for the proposed Joint Headquarters between Nottinghamshire Police and NFRS was presented to the Strategic Collaboration Board 5th September 2018. The business case is now to be presented to the February 2019 Fire Authority with recommendations on the next steps.

ICT

- 2.33 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.34 Business Process Automation – this budget will continue to be used to finance ICT Strategic developments, most notably small digital transformation projects related to the implementation of the new Microsoft SharePoint workflows.
- 2.35 Performance Management – work to pilot a hybrid solution using Microsoft PowerBI and Microsoft SQL Server Reporting Services commenced in June 2018. The Performance Management Framework Policy has completed consultation and has been published across the Service, enabling the external technical consultancy required to implement the solution to be procured. The additional time required to complete the system implementation, undertake a pilot and develop the Performance Management Framework will mean that the project is now scheduled to be completed on the February 2019.
- 2.36 ICT SharePoint Internet/Intranet – this budget will be used to finance the final phase of the ICT SharePoint Strategy, which will involve the implementation of a new Microsoft SharePoint document management solution and the digitisation of current manual business process using SharePoint workflows.
- 2.37 The HQ Core Switch Upgrade project has been cancelled after reviewing the long-term needs of the Service in relation to IT networking at HQ. No expenditure will be recorded against the project.

- 2.38 Community Fire Safety - Innovation Fund has been used to purchase a sophisticated data matching, cleansing and geocoding solution to improve the accuracy of address data used throughout the Service.
- 2.39 The ICT Capital Programme - Replacement Equipment is being utilised to maintenance the current ICT infrastructure throughout the financial year.

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 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

APPENDIX A

REVENUE BUDGET MONITORING POSITION AS AT 30 NOVEMBER 2018

| Budget Area | Annual Budget £'000 | Revised Budget £'000 | Exp to Date £'000 | Forecast Outturn £'000 | Variance against Revised budget £'000 |
|-----------------------------|------------------------|-------------------------|----------------------|---------------------------|--|
| Employees | 33,577 | 34,346 | 22,541 | 34,466 | 120 |
| Premises | 2,367 | 2,414 | 1,665 | 2,471 | 57 |
| Transport | 1,747 | 1,761 | 1,011 | 1,741 | (21) |
| Supplies & Services | 3,407 | 3,586 | 2,345 | 3,631 | 45 |
| Third Party | 58 | 58 | 11 | 58 | 0 |
| Support Services | 168 | 179 | 107 | 181 | 3 |
| Capital Financing Costs | 2,430 | 2,431 | 1,828 | 2,289 | (142) |
| Fees and Charges | (210) | (206) | (255) | (289) | (82) |
| Other Income | (1,317) | (1,500) | (1,119) | (1,563) | (63) |
| Net Cost | 42,227 | 43,069 | 28,134 | 42,985 | (84) |
| | | | | | |
| Financed by: | | | | | |
| RSG | (5,962) | (5,962) | (4,155) | (5,962) | 0 |
| Non Domestic Rates | (10,585) | (10,585) | (6,332) | (10,585) | 0 |
| Council Tax | (24,236) | (24,236) | (14,542) | (24,236) | 0 |
| Reserves | (1,444) | (1,444) | 0 | (1,360) | 84 |
| Earmarked Reserves | 0 | (842) | 0 | (842) | 0 |
| Funding Total | (42,227) | (43,069) | (25,029) | (42,985) | 84 |
| | | | | | |
| (Under) / Over Spend | 0 | 0 | 3,105 | 0 | 0 |

APPENDIX B

ANTICIPATED USE OF RESERVES UP TO NOVEMBER 2018

| | Balance at 31 March 2018 | Revenue Expenditure up to November 2018 | Committed Expenditure up to 31 March 2019 | Estimated Balance |
|--|-----------------------------------|---|--|----------------------|
| Funded by Grants | £000 | £000 | £000 | £000 |
| | | | | |
| LPSA Reward Grant | (126) | 63 | | (63) |
| Fire Investigation | (72) | 46 | 4 | (22) |
| Safe as Houses - Smoke Alarms | (22) | 3 | | (19) |
| Community Fire Safety - Innovation Fund | (194) | 29 | 15 | (150) |
| Resilience Crewing and Training | (382) | 49 | 3 | (330) |
| New Threats / MTFA | (22) | | | (22) |
| Thoresby Estate Charitable Trust | (3) | | | (3) |
| SubTotal | (821) | 190 | 22 | (609) |
| | | | | |
| | | | | |
| | Balance at 31 March 2018 | Revenue Expenditure up to August 2018 | Committed Expenditure up to 31 March 2019 | Estimated Balance |
| | £000 | £000 | £000 | £000 |
| Earmarked Reserves | | | | |
| Pensions - Ill Health | (209) | | | (209) |
| Pensions - General | (100) | | | (100) |
| Fire Safety - On Fire Fund | (75) | | | (75) |
| Business Systems Development | (60) | | | (60) |
| ICT Sharepoint / Internet / Intranet | (62) | | | (62) |
| Operational Equipment | (10) | | | (10) |
| Capital Reserve | (1,114) | 28 | 14 | (1,072) |
| Organisational Transition - One-off Costs | (849) | 110 | 126 | (613) |
| Backlog Buildings Maintenance | (95) | | 95 | 0 |
| Duke of Edinburgh | (23) | | | (23) |
| Tri Service Control Project Phase 2 | (258) | 73 | 30 | (155) |
| HEP B Vaccinations | (21) | | | (21) |
| Taxation Compliance | (10) | | 10 | 0 |
| Retained Policy Change | (212) | | | (212) |
| Communications Development – ESN | (192) | 48 | 22 | (122) |

| | Balance at 31 March 2018 | Revenue Expenditure up to November 2018 | Committed Expenditure up to 31 March 2019 | Estimated Balance |
|---|-----------------------------------|---|--|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Systel Security PSN Work | (266) | | | (266) |
| Systel Airwave ESN Transition | (173) | | | (173) |
| Emergency Services Network – RAP Work | (452) | | | (452) |
| ESN Control Room ICT | (20) | | | (20) |
| Sub Total | (4,201) | 259 | 297 | (3,645) |
| | | | | |
| | | | | |
| ESN Regional Reserves | | | | |
| ESN Balance | (118) | 37 | 37 | (44) |
| Emergency Services Mobile Communications Programme | (16) | | | (16) |
| Sub Total | (134) | 37 | 37 | (60) |
| | | | | |
| | | | | |
| Total | (5,156) | 486 | 356 | (4,314) |

BUDGET MONITORING REPORT FOR NOVEMBER 2018

| CAPITAL PROGRAMME | 2018/19 Approved Budget | Slippage from 2017/18 | 2018/19 Revised Budget | Actual to November | Remaining Budget to be Spent | Estimated Outturn | Outturn Variance |
|---|-------------------------------|-----------------------------|------------------------------|-----------------------|------------------------------------|----------------------|---------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| TRANSPORT | | | | | | | |
| Special Appliances | | 150 | 150 | | -150 | 150 | |
| Light Vehicle Replacement | 197 | 25 | 222 | 37 | -185 | 222 | |
| | 197 | 175 | 372 | 37 | -335 | 372 | |
| EQUIPMENT | | | | | | | |
| Special Appliances Equipment (Holmatro) | | | | | | | |
| BA Sets | | 110 | 110 | -3 | -113 | 110 | |
| Conversion of hose reel equipment | 200 | | 200 | 0 | -200 | 200 | |
| CCTV - vehicles | 200 | | 200 | | -200 | | -200 |
| Lightweight Fire Coat | | 180 | 180 | | -180 | | -180 |
| | 400 | 290 | 690 | -3 | -693 | 310 | -380 |
| ESTATES | | | | | | | |
| Refurbishment and Rebuilding Fire Stations | 0 | 126 | 126 | | -126 | 126 | |
| Central Fire Station | | | | 10 | 10 | 10 | 10 |
| Newark Fire Station | 707 | | 707 | 428 | -279 | 600 | -107 |
| Hucknall Fire Station | | 380 | 380 | 13 | -367 | 539 | 159 |
| Worksoy Fire Station | 240 | 0 | 240 | 66 | -174 | 230 | -10 |
| Retention Payments | 0 | | | | | | |
| | 947 | 506 | 1,453 | 517 | -936 | 1,505 | 52 |

| CAPITAL PROGRAMME | 2018/19 Approved Budget | Slippage from 2017/18 | 2018/19 Revised Budget | Actual to November | Remaining Budget to be Spent | Estimated Outturn | Outturn Variance |
|--|-------------------------------|-----------------------------|------------------------------|-----------------------|------------------------------------|----------------------|---------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| I.T. & COMMUNICATIONS | | | | | | | |
| ICT Capital Programme - Replacement Equipment | 140 | | 140 | 27 | -113 | 140 | |
| Mobile Computing | 20 | | 20 | 20 | | 20 | |
| Sharepoint Development | 150 | | 150 | 84 | -66 | 150 | |
| HQ Core Switch Upgrade | 30 | | 30 | | -30 | 0 | 30 |
| Business Process Automation | | 49 | 49 | 38 | -11 | 49 | |
| Performance Management System | | 67 | 67 | | -67 | 67 | |
| Community Fire Safety - Innovation Fund | | | | 2 | 2 | 6 | 6 |
| | 340 | 116 | 456 | 171 | -285 | 432 | -24 |
| CONTROL | | | | | | | |
| Emergency Services Mobile Communications | 41 | | 41 | 10 | -31 | 41 | |
| Tri-Service Control & Mobilising System | 0 | 171 | 171 | | -171 | 171 | |
| | 41 | 171 | 212 | 10 | -202 | 212 | |
| FINANCE | | | | | | | |
| Payroll System Replacement | | | | 14 | 14 | 14 | 14 |
| Finance Agresso Upgrade | 30 | 15 | 45 | | -45 | 45 | |
| | 30 | 15 | 45 | 14 | -31 | 59 | 14 |
| Grand Total | 1,954 | 1,273 | 3,227 | 745 | -2,482 | 2,890 | -338 |

| | Actual August 2018 £000's | Estimated Outturn £000's |
|---|------------------------------------|--------------------------------|
| To Be Financed By : | | |
| Capital Grant - General | | |
| Capital Grant - TriService Control | | |
| Emergency Services Mobile | | |
| Communications -Earmarked Reserve | 10 | 41 |
| ICT SharePoint Internet/Intranet - | | |
| Earmarked Reserve | 62 | 62 |
| Community Fire Safety - Innovation Fund | 2 | 6 |
| Capital Receipts - Property | | 300 |
| Capital Receipts - Vehicles | 49 | 49 |
| New Borrowing | 621 | 2,461 |
| Internal Financing | | |
| Revenue contributions to capital | 1 | 1 |
| Total | 745 | 2,920 |



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

BUDGET PROPOSALS FOR 2019/20 TO 2021/22 AND OPTIONS FOR COUNCIL TAX 2019/20

Report of the Chief Fire Officer

Date: 18 January 2019

Purpose of Report:

To allow Members to consider the options for the recommendation of a balanced revenue budget to the Fire Authority for acceptance. Implications for Council Tax are also considered.

CONTACT OFFICER

Name : Becky Smeathers
Head of Finance

Tel : (0115) 967 0880

Email : becky.smeathers@notts-fire.gov.uk

**Media Enquiries
Contact :** Therese Easom
(0115) 967 0880 therese.easom@notts-fire.gov.uk

1. BACKGROUND

- 1.1 The Finance and Resources Committee is charged with considering the financial position of the Authority and proposing revenue and capital budgets to the Fire Authority for approval. The Fire Authority will also decide upon levels of Council Tax for the coming year and will consider the recommendations of the Finance and Resources Committee in doing so.
- 1.2 In mid-December, the government announced the provisional grant settlement for 2019/20 which was largely in line with the indicative finance settlement published as part of the four year funding offer from 2016/17 to 2019/20. The final settlement for 2019/20 will be laid before Parliament in February.
- 1.3 Fire Authority approved the Medium Term Financial Strategy (MTFS) 2018/19 to 2021/22 on 14 December 2018. The strategy considers the current financial position of the Authority and looks at the estimated budgetary position over the next three years against a backdrop of both the national and local financial position, including the levels of reserves that the Authority holds.
- 1.4 The process for the preparation of revenue and capital budgets continues to develop each year to accommodate the changing financial environment. There is now positive involvement of business plan owners in the development of the budgets which has increased ownership around budget decisions. The Finance and Resources Committee has full involvement in the process and the Chair of the Finance and Resources Committee plays an active part in reviewing budget changes and reserve levels.

2. REPORT

CAPITAL BUDGET PROPOSALS 2019/20 TO 2021/22

- 2.1 The Authority maintains a sustainable Capital Programme that reflects and supports the ICT, Property and Fleet strategies. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme that will ensure that property remains fit for purpose, is appropriately located and can be contained within the internal capacity of the organisation to complete.
- 2.2 The proposed Capital Programme for 2019/20 to 2021/22 is as follows:

| Capital Programme Item | 2019/20 Proposed | 2020/21 Proposed | 2021/22 Proposed |
|-------------------------------------|---------------------|---------------------|---------------------|
| | £ | £ | £ |
| Appliance Replacement | 0 | 0 | 0 |
| Special Appliances | 0 | 0 | 115,000 |
| Appliance Equipment | 90,000 | 0 | 0 |
| Light Vehicle Replacement | 235,000 | 80,000 | 310,000 |
| Transport Total: | 325,000 | 80,000 | 425,000 |
| Fire Helmets | 0 | 170,000 | 0 |
| Personal Protective Equipment (PPE) | 850,000 | 0 | 0 |
| CCTV - Vehicles | 40,000 | 0 | 0 |
| Equipment Total: | 890,000 | 170,000 | 0 |
| Hucknall Fire Station | 200,000 | 170,000 | 0 |
| Newark Fire Station | 75,000 | 0 | 0 |
| Worksop Fire Station | 2,486,000 | 1,038,000 | 0 |
| Headquarters | 250,000 | 2,500,000 | 1,250,000 |
| Property Total: | 3,011,000 | 3,708,000 | 1,250,000 |
| ICT Capital Programme | 100,000 | 200,000 | 200,000 |
| Mobile Computing | 50,000 | 20,000 | 20,000 |
| Business Process Automation | 50,000 | 50,000 | 30,000 |
| HQ Enabling works | 50,000 | 0 | 0 |
| Cyber Security | 20,000 | 20,000 | 20,000 |
| ICT Total: | 270,000 | 290,000 | 270,000 |
| Finance Upgrade | 50,000 | 5,000 | 30,000 |
| Payroll Upgrade | 0 | 15,000 | |
| IT Systems Total: | 50,000 | 20,000 | 30,000 |
| | | | |
| Total Capital Programme: | 4,546,000 | 4,268,000 | 1,975,000 |
| Funding | | | |
| Grant | 0 | 0 | 0 |
| Capital Receipts | 0 | 650,000 | 0 |
| Revenue / Reserves | 0 | 0 | 0 |
| Borrowing | 4,546,000 | 3,618,000 | 1,975,000 |
| Total | 4,546,000 | 4,268,000 | 1,975,000 |

- 2.3 The rescue pump renewals programme has been suspended whilst a review of appliance equipment is undertaken as part of the Sustainability Strategy 2020. The decision to extend pumping appliance life has changed the replacement programme for rescue pump appliances and there will be no further appliance acquisitions before 2022/23. 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.

- 2.4 The light vehicle programme has been reviewed in order to match vehicles with reduced requirements. The lives of vehicles have also been extended where possible.
- 2.5 The special appliance budget of £115k in 2021/22 allows for the purchase of a chassis to be ordered and the build will take place in 2022/23.
- 2.6 The equipment programme includes the purchase of CCTV to be fitted in all appliances.
- 2.7 The fire helmets replacement project will allow for all of the helmets to be upgraded and replaced during 2019/20.
- 2.8 The structural PPE project will allow for all operational staff to be issued with two sets of tunics and trousers during 2019/20.
- 2.9 The property programme allows for one fire station to be re-built during the three-year period in addition the programme allows for the work to be carried out on the Headquarters project, together with a feasibility study to prepare for the next project. The programme covers the construction of a new fire station at Worksop and this budget sets aside the resources to continue with the Authority's sustainable capital programme which will ensure that all property assets remain fit for purpose over time.
- 2.10 The ICT programme has been pared back and now contains budget to replace items by way of a rolling programme and provision for the general expansion of ICT usage across the organisation.
- 2.11 The Capital Programme is funded from Capital Receipts, grant funding, contributions from revenue, reserves and borrowing.
- 2.12 **CAPITAL RECEIPTS** – these are received from the sale of assets and can be used to fund either the revenue cost of reform projects, to fund capital expenditure or to reduce borrowing. The Flexible use of Capital Receipts Strategy was approved at Fire Authority on 14 December 2018. It is not proposed to fund any transitional projects using capital receipts during 2019/20.
- 2.13 **GRANT FUNDING** – there is no anticipated grant funding available at present to support the capital programme.
- 2.14 **REVENUE AND RESERVES** – given the anticipated deficit position of the revenue budget and requirement to use reserves to transition into a break-even position, it is not proposed to use any revenue or reserves to fund the capital programme between 2019/20 and 2021/22.
- 2.15 **BORROWING** – the majority of the proposed capital programme set out in section 2.2 will be funded from borrowing. The related costs will be tested for affordability as part of the Prudential Code for Capital Finance to be considered

by Fire Authority on 1 February 2019. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2019/20 TO 2021/22

- 2.16 The Medium Term Financial Strategy and Budget Guidelines report at Fire Authority on 14 December 2018 provided an estimate of the budgetary shortfall for 2019/20 of between £0.7m and £1.5m, depending on the level of Council Tax increase. There would also continue to be a budget deficit going forward up to 2021/22. This took account of the £800k savings arising from Mixed Crewing at Ashfield and Retford Fire Stations and an estimated £200k additional pension costs arising from increased employer pension contributions.
- 2.17 Since the December report, more detailed budgets have been developed. The main pressures on budgets and / or changes in assumptions are detailed below.
- 2.18 **PENSIONS** – the Government Actuary Department’s valuation of fire pension schemes has resulted in a reduction to the discount rate applied to future payments into the pension scheme. Whilst consultation is still ongoing between the government and the LGA it is anticipated that this will lead to significant increases in the employers’ contribution rates. The Home Office have agreed to cover the majority of the costs by way of £2m additional grant for 2019/20. However, there remains an anticipated cost to the authority in the region of £200k. This remains very much an estimate as the HO have released an estimated average rate for the 3 firefighter pension schemes and the scheme specific rates could be released as late as March 2019. Costs for 2020/21 onwards will form part of the negotiations for the CSR and more information will be known in autumn 2019. The £2m grant has been included in business rate top up grant from 2020/21 onwards to reflect that it will be included in the CSR.
- 2.19 On 14 December, the Court of Appeal handed down the judgement that the transition arrangements in the 2015 firefighters’ pension scheme were age discriminatory. The government have the ability to seek an appeal to the Supreme Court. If the judgement holds, the transition arrangements for the 2015 scheme will need to be reviewed. This may lead to significant additional costs. Whilst it is anticipated that these will be picked up by the Home Office as part of the funding of the pension scheme, there remains some risk that some of these costs may filter through to individual Fire Authorities. The situation will be closely monitored and the Fire Authority will be informed of any developments. Any additional costs incurred by the Authority in 2019/20 will need to be funded from reserves.
- 2.20 Another risk area is that of Ill Health retirements. All the costs from such retirements now fall directly on to Authority budgets and costs per early retiree could be as high as £120,000. With firefighters now expected to work longer before retirement there may be an increase in ill health retirements if staff are unable to meet fitness standards. The Authority continues to maintain a budget for ill health retirements based on historical data and also has set aside an earmarked pension reserve to ensure that the volatility of these payments is “smoothed” through to the revenue account in a manageable fashion.

- 2.21 **FIREFIGHTER PAY INCREASE** – a pay award of 2% has been assumed for all years to 2021/22. If an agreement is settled at a higher rate than 2%, there will be a further pressure on firefighter pay related budgets in total of £270k per 1% increase.
- 2.22 **WHOLETIME PAY** – the pay budget has been budgeted on full establishment. The impact of recent firefighter recruitment will be that there will be periods where the ridership will be over-established as courses finish and newly trained firefighters gain competency. These additional costs have been built into the budget for 2019/20.
- 2.23 **OVERTIME** – this budget has been under significant pressure during 2018/19 and has consistently overspent due to the under-establishment of wholetime crews. Whilst this has largely been addressed with the recruitment of additional firefighters, it is felt to be prudent to increase the original overtime budget from £200k to £300k.
- 2.24 **ON CALL PAY** – the On Call pay budget has been calculated on staff numbers as at September 2018 adjusted for anticipated recruitment and turnover. Five recruitment courses have been budgeted for which is more than in previous years in an attempt to keep the on call section at full establishment. The additional cost of the courses has been offset by a reduction in the drill training budget to bring it in line with actual expenditure incurred. There has also been a reduction in other work, including community fire safety work to bring the budget back in line with actual activity. In total, the on call budgets have reduced by £39k.
- 2.25 **RESILIENCE** – this remains an area of uncertainty and a number of measures are being implemented to ensure adequate resilience going forward. A reserve of £200k was approved by Fire Authority in December 2018. This will be created from using additional 2018/19 Revenue Support Grant (RSG) of £163k announced in December as part of the Draft Local Government Finance Settlement and £37k from the 2019/20 budget. £100k has been included in budgets for 2020/21 and beyond. This will need reviewing as part of the 2020/21 budget process when costs are more predictable.
- 2.26 **ADMINISTRATIVE AND SUPPORT PAY** – these budgets include a vacancy factor of 1.5% and a pay increase of 2%. The Local Government Association (LGA) have revised pay points in the pay structure for non-uniformed staff with effect from 1 April 2019 to reflect the revised National Living Wage of £9 per hour. This has required the Authority to similarly review its grading structure. Whilst the structure is still not finalised, the cost is expected to be in the region of £180k.
- 2.27 **ICT RESTRUCTURE** – at its meeting on 13 December 2018, the Fire Authority approved the restructure of the ICT department at a cost of £253k, which mostly related to creating permanent posts for work that has previously been undertaken via fixed term contracts. This has been built into the budget for 2019/20 onwards.

- 2.28 **HMI INSPECTION** – the Authority is due to be inspected by HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services) in January 2019 as one of the second tranche of authorities under the new inspection regime. It is anticipated that there may be additional costs incurred going forward to deal with any issues raised by the inspection. These will be built into future years budgets once more certainty is known.
- 2.29 **COLLABORATION** – the organisational development, whilst originally working on ensuring that the savings identified in the Sustainability Strategy were met are now heavily involved with collaboration projects such as joint control and Joint headquarters. There remains two members of staff that are funded from reserves. The structure of the team is currently under review and the budgets for any permanent changes will be amended accordingly.
- 2.30 **MINIMUM REVENUE PROVISION (MRP) (Increase of £100k)** – MRP is the amount charged to revenue for the repayment of debt required to fund prior years' capital expenditure. The revenue impact of the capital programme included in section 2.2 has been built into the MRP. The MRP has increased by £100k to reflect the capital cost related to the 2018/19 capital programme which will see Newark Fire Station completed as well as various equipment and ICT schemes for which the debt charges have to be written off over a shorter life. The MRP figure has been adjusted to allow for an expectation of slippage in the capital programme.
- 2.31 **SAVINGS** – The savings that have been identified and built into the budget are as detailed in the following paragraphs.
- 2.32 **MIXED CREWING (£800k)** – the mixed crewing model was approved by Fire Authority for Ashfield and Retford fire stations in February 2018. This has resulted in £800k savings which will be achieved during 2019/20.
- 2.33 **JOINT CONTROL ROOM (£350k)** – the joint control room project between Derbyshire Fire and Nottinghamshire Fire was approved by Fire Authority in December 2018. This will result in savings in the region of £350k per year once implementation is complete. It is planned for the new control room to open in summer 2019. Savings for 2019/20 are expected to be in the region of £175k.
- 2.34 **BUDGET MANAGER REDUCTIONS** – miscellaneous reductions in excess of £200k have been identified by careful scrutiny of existing budgets by finance staff and budget managers as part of the budget process.

RESERVES AND BALANCES

- 2.35 The Reserves Strategy for 2018/19 to 2020/21 was approved by Fire Authority on 14 December 2018. The strategy shows that reserve levels held at 1 April 2018 of £12.1m are expected to drop to just 7.7m by 2020/21 through the use of earmarked reserves to fund specific projects and £1.4m that has been allocated to balance the 2018/19 budget.

- 2.36 The General Reserve is expected to be in the region of £5.5m by 31 March 2019. This is just £1.6m above the minimum level agreed by Fire Authority in December 2018. This represents the maximum level of available reserves to support future years budget deficits.
- 2.37 Earmarked Reserves have been created in the past from underspends to fund areas of expenditure such as supporting the capital programme, ICT systems development and transitional work to enable change. With the Authority being in a deficit position, these reserves cannot be replenished, and once used, such projects will need to be funded from within the Revenue Budget, thus creating an additional pressure.
- 2.38 The General Reserve may be required to fill any short term funding gaps caused by potential government funding reductions resulting from the CSR. There is also a real risk that the increase in pension employer rates will not receive the same level of funding going forward that has been provided for 2019/20 (£2m).
- 2.39 To summarise, there is a substantial risk that reserve levels going forward will be insufficient to meet future budget deficits. The Authority needs to ensure that current reserves are used in the most prudent manner to ensure that there is sufficient to enable any future transitional work to be undertaken should savings need to be made.

FUTURE YEARS

- 2.40 Detailed budgets have been prepared for the three years 2019/20 to 2021/22, which can be found in Appendix A. The budget for 2019/20 will not be finalised until the end of January 2019, when the surplus or deficit on collection fund and the taxbase are confirmed by the billing authorities.
- 2.41 The detail of the budget requirements for 2019/20 to 2021/22 will be set out in the budget paper to be presented to the Fire Authority in February. The estimated budget requirements for these years as at 31 December 2018 are:

| Year | £000's |
|-------------|---------------|
| 2018/19 | 42,227 |
| 2019/20 | 42,562 |
| 2020/21 | 44,774 |
| 2021/22 | 44,633 |

FINANCING THE BUDGET

- 2.42 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. The government announced the provisional finance settlement on 13 December 2018 for 2019/20. The settlement was in line with figures published in February 2018. These figures are being used for planning purposes with the final settlement for 2019/20 expected in February 2019. Experience shows that there is likely to be little change from the provisional figures.

- 2.43 For 2019/20 the Authority has also been awarded £2m grant to cover the expected increased costs of fire fighter pension employer contribution. There is a real risk that this level of funding will not be reflected in the Comprehensive Spending Review (CSR) settlement from 2020/21 onwards. Any additional funding will form part of the relative need calculations and will be picked up as part of the top up grant for business rates. It has been assumed for planning purposes that it will remain at £2m.
- 2.44 Funding for 2020/21 and beyond will be determined as part of the CSR which will not be announced until the autumn of 2019. The uncertainty of Brexit and the possibility of a general election will affect the CSR.
- 2.45 A reformed business rates retention scheme is due to be introduced in April 2020. The final details of the scheme are still to be determined but it is anticipated that the level of business rates being retained by local government will increase from the current 50% to the equivalent of 75% in April 2020. As part of the review, the government has announced that Revenue Support Grant will be withdrawn. It is still to be determined whether Fire will continue to receive funding from business rates or whether this will be replaced with a Fire Grant in a similar way to the police.
- 2.46 The Nottinghamshire precepting authorities, Nottinghamshire County Council and the Fire Authority submitted a joint bid for the 2019/20 pilot business rate retention scheme but the bid was unsuccessful. This means that business rates funding will remain as indicated in the provisional finance settlement.
- 2.47 Finally, the fire funding formula which determines the breakdown of government funding between Fire Authorities is currently under review with a view to implement a revised formula from the start of 2020/21. Temporary arrangements will be put in place to protect Fire Authorities from significant changes in their funding levels.
- 2.48 In making predictions about budget financing some other assumptions have been made. These are:
- i) **That business rates collected by the billing authorities will increase by 1% per year in 2019/20 and beyond.**
Growth rates have exceeded those assumed in the financial settlement in recent years. A modest growth of 1% has been assumed but this may need to be revisited if Brexit has a significant negative result on the local business economy. Business rates funding estimates will be confirmed by billing authorities at the end of January 2019.
 - ii) **That the taxbase will increase in line with forecasts provided by the billing authorities**
This again is unknown until the end of January 2019 but it is unlikely that the actual taxbase will be significantly different from forecasts.

- iii) **That the actual settlement is the same as the provisional.**
This is a reasonably safe assumption, given that changes in these figures is unusual.
- iv) **That surpluses and deficits on the collection fund accounts will be broadly the same as they were in 2017/18.**
This is probably the most risky assumption in that most billing authorities will not declare their position until the very end of January and the actual amounts declared as uncollectable will vary from one authority to another. The budget assumes that there will be an overall surplus on collection which is the same as the current year i.e. £193k – if there is a material difference from this assumption then this will most likely have to be managed through General Reserves.

- 2.49 Clearly there are many uncertainties around levels of government funding for 2020/21 and beyond. For the purposes of estimating future funding levels to assess the financial position of the Authority, grant levels for 2021/22 have been assumed to remain unchanged from 2019/20 apart from the £2m pension fund additional grant. This is a clear risk to the Authority and Appendix B shows the impact that a 5% increase or decrease on government funding levels would have on the Authority's finances. A 5% reduction in government funding would represent approximately a £600k reduction in grant.
- 2.50 The government has confirmed within the provisional finance settlement, that the council tax increase threshold, above which a referendum would be triggered, would remain at 3% for 2019/20 and at 2% for 2020/21 and beyond.
- 2.51 The following table brings together the budget requirement and the finance settlement figures and presents the position for the Authority if there was no change to the level of council tax in each of the three years:

| | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--------------------------------|------------------|------------------|------------------|------------------|
| External Funding | | | | |
| Revenue Support Grant | 5,962 | 5,335 | 0 | 0 |
| Business Rates Assumption | 3,585 | 3,621 | 5,486 | 5,541 |
| Top Up Grant | 7,000 | 7,161 | 12,631 | 12,576 |
| Total External Funding | 16,547 | 16,117 | 18,117 | 18,117 |
| Council Tax Yield* | 24,236 | 24,563 | 24,894 | 25,230 |
| Planned use of reserves | 1,444 | 0 | 0 | 0 |
| Estimated Total Funding | 42,227 | 40,680 | 43,012 | 43,348 |
| Budget Requirement | 42,227 | 42,562 | 44,774 | 45,633 |
| Budget Shortfall | 0 | (1,882) | (1,762) | (2,285) |

*Assumes a rise in tax base but no rise in Council Tax (2018/19 figures are actual).

- 2.52 The above figures show that a budget deficit of £1.9m will need to be eliminated in order for the Fire Authority to approve a balanced budget for 2019/20 and 2020/21 should there be no increase in Council Tax for these years.
- 2.53 If Council Tax is not increased there will be insufficient surplus reserves (estimated to be £1.6m - paragraph 2.36), to cover the £1.9m shortfall in the budget.
- 2.54 A council tax increase of 1.95% would generate additional funding of £478k, and a 2.95% increase would realise a total of £726k in 2019/20. For a Band D household a 1.95% or 2.95% increase would see rises in council tax to £79.02 and £79.80 respectively per annum (an increase of £1.51 or £2.29 per annum respectively, which is approximately 3 pence or 4 pence per week additional cost). The impact of increases on other bands is given in the table below:

| Band | Annual Council Tax £ Current | Annual Council Tax £ 1.95% Increase | Annual Council Tax £ 2.95% Increase |
|-------------|-------------------------------------|--|--|
| A | 51.67 | 52.68 | 53.20 |
| B | 60.29 | 61.46 | 62.07 |
| C | 68.90 | 70.24 | 70.93 |
| D | 77.51 | 79.02 | 79.80 |
| E | 94.74 | 96.58 | 97.53 |
| F | 111.96 | 114.14 | 115.27 |
| G | 129.19 | 131.70 | 133.00 |
| H | 155.02 | 158.04 | 159.60 |

BUDGET OPTIONS

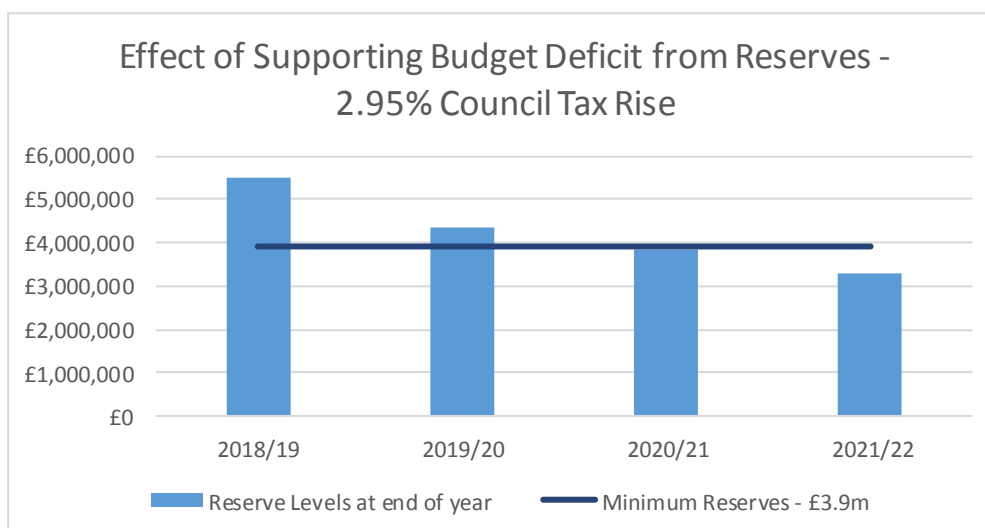
- 2.55 The Fire Authority at the December 2018 meeting considered four options for council tax. Two of these were eliminated from further consideration, with the Authority recommending that the Finance and Resources Committee work within the following guidelines in making its recommendations to the Fire Authority in February:
- The options for council tax to be recommended to the Fire Authority will be limited to either a council tax freeze or an increase in council tax within the referendum limit;
 - Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law will be presented to the Fire Authority.

- 2.56 The effect of a zero increase in council tax is set out in paragraph 2.51 above and shows a significant deficit for the three years.
- 2.57 A comparison of the deficit if Council Tax is increased by 0%, 1.95% and 2.95% in each of the three years of the budget strategy is shown in the table below:

| | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--------------------------------------|------------------|------------------|------------------|------------------|
| Total External Funding | 16,547 | 16,117 | 18,117 | 18,117 |
| Planned Use of Reserves | 1,444 | 0 | 0 | 0 |
| Budget Requirement | 42,227 | 42,562 | 44,774 | 45,633 |
| Balance to be met locally | 24,236 | 26,445 | 26,656 | 27,516 |
| | | | | |
| Council Tax Yield (0%) | | 24,563 | 24,895 | 25,231 |
| Council Tax Yield (1.95%) | | 25,041 | 25,874 | 26,735 |
| Council Tax Yield (2.95%)* | 24,236 | 25,289 | 26,131 | 27,001 |
| | | | | |
| Budget Shortfall (0%) | | (1,882) | (1,761) | (2,285) |
| Budget Shortfall (1.95%) | | (1,404) | (782) | (781) |
| Budget Shortfall (2.95%)* | 0 | (1,156) | (525) | (515) |
| (1.95% 2020/21 & 2021/22) | | | | |

*Assumes a rise in tax base and a 2.95% increase in Council Tax for 2019/20 and 1.95% in 2020/21 and 2021/22 in line with the Provisional Funding Announcement.

- 2.58 There are two advantages associated with implementing a council tax increase in 2019/20: firstly it adds funding permanently into the base budget and secondly it reduces the budget deficit by up to £726k in 2019/20. However, this would still leave the Authority with budget savings of £1.156m to find in order to approve a balanced budget as required by law.
- 2.59 The decisions required to solve the budget deficits for 2019/20 and the following two years will be beyond the scope of this Committee but will be a key issue for the Authority to consider over the forthcoming months and years.
- 2.60 Regardless of which council tax option the Fire Authority chooses to take in February the problem of a budget deficit will need to be solved. Given the time that it will take to plan and implement a solution (implementation may not be possible until the 2020/21 financial year), Members will need to consider using general reserves to support the budget deficit in 2019/20. The impact on the General Reserve of a rise in council tax of 2.95% in 2019/20 and 1.95% in 2020/21 and 2021/22 is shown in the graph below.



- 2.61 The graph shows that even with raising council tax levels at the maximum levels permitted without undertaking a referendum, General Fund reserves are likely to fall to their minimum approved level by the end of 2020/21. Once there is more certainty surrounding funding from 2020/21 onwards, the options for budget savings may need to be considered.
- 2.62 Appendix C shows similar graphs for all the three options considered in 2.57 It illustrates what the impact on general reserves would be if the remaining budget deficit was not resolved by way of budgetary reductions during the three year period and general reserves were used to support the budget up to and including 2021/22. The graphs show that reserves would be insufficient to support a freeze in council tax for 2019/20. A rise of 2.95% in 2019/20 and 1.95% thereafter would ensure that reserves are sufficient to balance the budget up to the end of 2020/21, providing all the income assumptions are realistic. This could be significantly worse if funding is lower than these assumptions – see also section 2.49 and Appendix B for a 5% change in government funding sensitivity analysis.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full 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, although the achievement of budgetary savings in future years will undoubtedly have an impact.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

The Authority must set a balanced budget for 2019/20 but may acknowledge potential budget shortfalls for future years.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.
- 8.2 Council tax base figures used for this report are only estimates at present and the grant settlement details are only provisional. It is possible that both or either of these could change.
- 8.3 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

9. COLLABORATION

There are no collaboration implications arising from this report

10. RECOMMENDATIONS

That Members consider the contents of this report and make recommendations to the Fire Authority in respect of:

- Council Tax increases between a Council Tax freeze and an increase in Council Tax with a maximum of 2.95%;
- Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

| CASH LIMIT | | | | |
|--|---|--|--|--|
| | Revised Budget 2018/2019 | Budget Requirement 2019/2020 £000's | Budget Requirement 2020/21 £000's | Budget Requirement 2021/22 £000's |
| <u>Employees</u> | | | | |
| Direct Employee Expenses | 32131 | 31990 | 31762 | 32497 |
| Indirect Employee Expenses | 446 | 441 | 441 | 441 |
| Pension | 973 | 3157 | 3170 | 3185 |
| | 33550 | 35588 | 35373 | 36123 |
| <u>Premises-Related Expenditure</u> | | | | |
| Repairs Alterations and Maintenance of Buildings | 572 | 572 | 572 | 572 |
| Energy Costs | 344 | 410 | 468 | 534 |
| Rents | 4 | 1 | 26 | 52 |
| Rates | 942 | 996 | 996 | 996 |
| Water | 81 | 81 | 83 | 85 |
| Fixture and Fittings | 1 | 1 | 1 | 1 |
| Cleaning and Domestic Supplies | 316 | 316 | 316 | 316 |
| Grounds Maintenance Costs | 30 | 30 | 30 | 30 |
| Premises Insurance | 36 | 36 | 36 | 36 |
| Refuse Collection | 39 | 39 | 39 | 39 |
| | 2365 | 2482 | 2567 | 2661 |
| <u>Transport-Related Expenditure</u> | | | | |
| Direct Transport Cost | 1037 | 1016 | 1025 | 1034 |
| Recharges | 122 | 122 | 122 | 122 |
| Public Transport | 44 | 44 | 44 | 44 |
| Transport Insurance | 176 | 176 | 176 | 176 |
| Car Allowances | 374 | 361 | 361 | 361 |
| | 1753 | 1719 | 1728 | 1737 |
| <u>Supplies & Services</u> | | | | |
| Equipment Furniture and Materials | 623 | 619 | 599 | 599 |
| Catering | 71 | 71 | 71 | 71 |
| Clothes Uniforms and Laundry | 304 | 303 | 261 | 261 |
| Printing Stationery and General Office Expenses | 41 | 41 | 41 | 41 |
| Services | 533 | 532 | 533 | 534 |
| Communications and Computing Expenses | 1507 | 1617 | 1645 | 1692 |
| | 44 | 44 | 44 | 44 |
| Grants and Subscriptions | 38 | 51 | 51 | 51 |
| Miscellaneous Expenses | 254 | 254 | 256 | 258 |
| | 3415 | 3532 | 3501 | 3551 |
| <u>Third Party Payments</u> | | | | |
| Other Local Authorities | 58 | 58 | 58 | 58 |
| Private Contractors | 0 | 0 | 0 | 0 |
| | 58 | 58 | 58 | 58 |
| <u>Support Services</u> | | | | |
| Finance | 136 | 146 | 148 | 152 |
| Corporate Services | 42 | 44 | 45 | 46 |
| | 178 | 190 | 193 | 198 |
| <u>Depreciation and Impairment Losses</u> | | | | |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Depreciation | 0 | 0 | 0 | 0 |
| Amortisation of Intangible Fixed Assets | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| <u>Sales Fees & Charges</u> | | | | |
| Customer and Client Receipts | -207 | -198 | -198 | -198 |
| | -207 | -198 | -198 | -198 |
| <u>Other Income</u> | | | | |
| Government Grants | -738 | -2738 | -738 | -738 |
| Other Grants/Reimbursements and Contributions | -513 | -493 | -513 | -588 |
| Interest | -66 | -66 | -66 | -66 |
| | -1317 | -3297 | -1317 | -1392 |
| <u>Capital Financing Costs</u> | | | | |
| Interest Payments | 924 | 875 | 936 | 1071 |
| Debt Management Expenses | 1506 | 1613 | 1933 | 1824 |
| | 2430 | 2488 | 2869 | 2895 |
| Total Budget | 42,225 | 42,562 | 44,774 | 45,633 |

VARIATION ANALYSIS – 5% CHANGE IN GOVERNMENT FUNDING

This Appendix shows the impact of a 5% variation in government funding on the budget deficit position.

Table 1 – 5% reduction in funding 2020/21 onwards

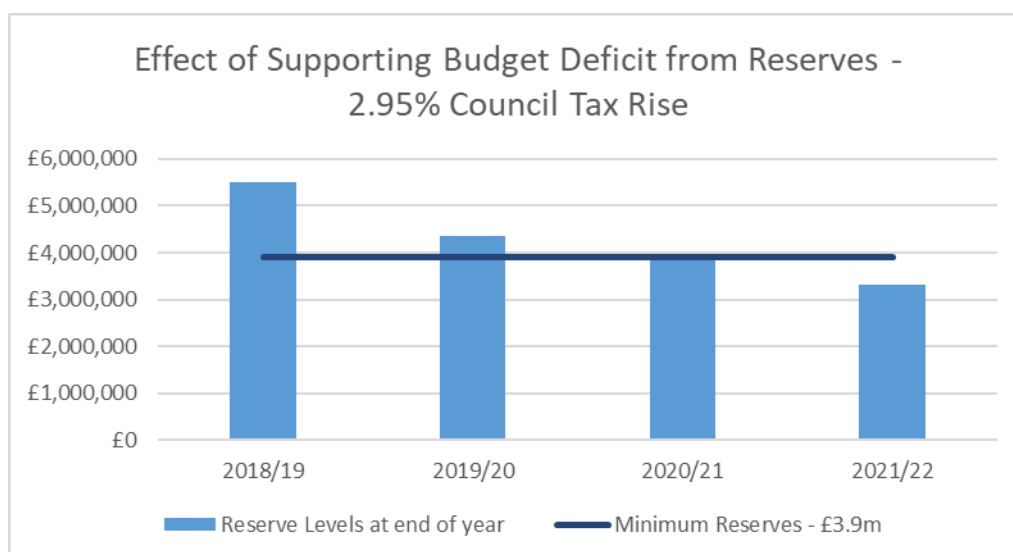
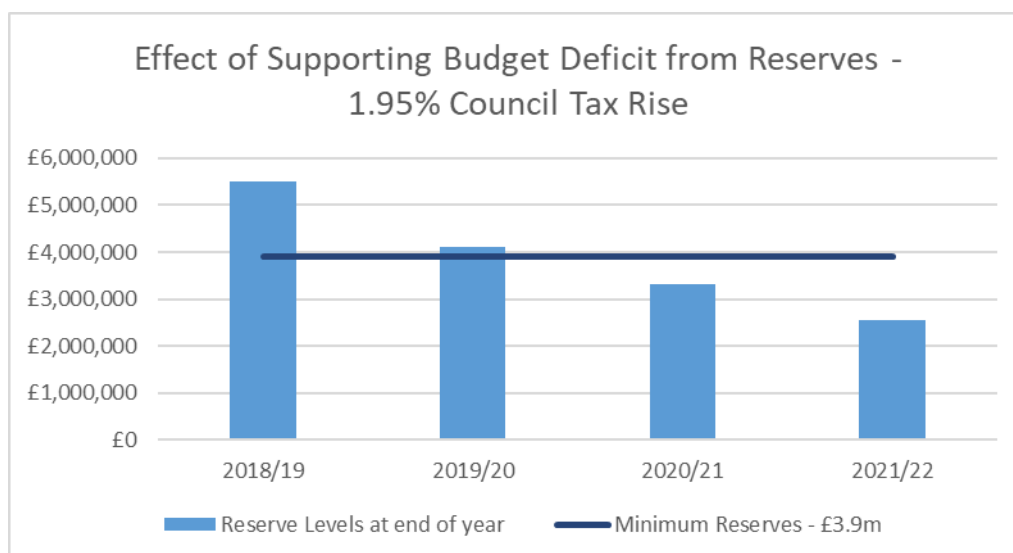
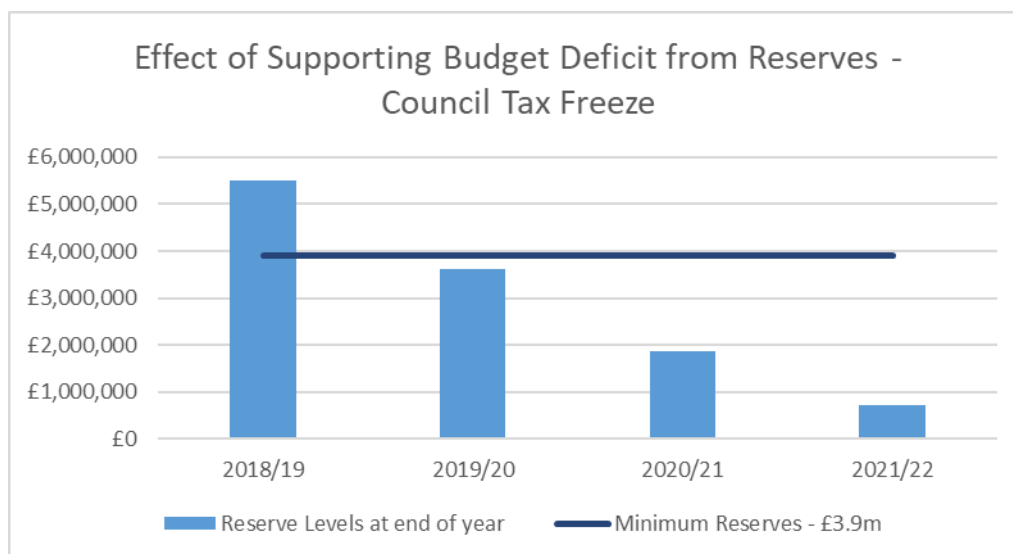
| | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---------------------------------|------------------|------------------|------------------|------------------|
| Total External Funding | 16,547 | 16,117 | 17,485 | 17,488 |
| Planned Use of Reserves | 1,444 | 0 | 0 | 0 |
| Budget Requirement | 42,227 | 52,562 | 44,774 | 45,633 |
| Balance to be met locally | 24,236 | 26,445 | 27,288 | 28,145 |
| | | | | |
| Council Tax Yield (0%) | | 24,563 | 24,895 | 25,231 |
| Council Tax Yield (1.95%) | | 25,041 | 25,874 | 26,735 |
| Council Tax Yield (2.95%)* | 24,236 | 25,289 | 26,131 | 27,001 |
| | | | | |
| Budget Shortfall (0%) | | (1,882) | (2,393) | (2,914) |
| Budget Shortfall (1.95%) | | (1,404) | (1,414) | (1,410) |
| Budget Shortfall (2.95%) | 0 | (1,156) | (1,157) | (1,143) |
| | | | | |

*Assumes a rise in tax base and a 2.95% increase in Council Tax for 2019/20 and 1.95% in 2020/21 and 2021/22 in line with the Provisional Funding Announcement.

Table 1 – 5% increase in funding 2020/21 onwards

| | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|------------------|------------------|------------------|
| Total External Funding | 16,547 | 16,117 | 18,749 | 18,746 |
| Planned Use of Reserves | 1,444 | 0 | 0 | 0 |
| Budget Requirement | 42,227 | 52,562 | 44,774 | 45,633 |
| Balance to be met locally | 24,236 | 26,445 | 26,025 | 26,887 |
| | | | | |
| Council Tax Yield (0%) | | 24,563 | 24,895 | 25,231 |
| Council Tax Yield (1.95%) | | 25,041 | 25,874 | 26,735 |
| Council Tax Yield (2.95%)* | 24,236 | 25,289 | 26,131 | 27,001 |
| | | | | |
| Budget Shortfall (0%) | | (1,882) | (1,130) | (1,656) |
| Budget Shortfall (1.95%) | | (1,404) | (151) | (153) |
| Budget (Shortfall) /surplus (2.95%) | 0 | (1,156) | 106 | 114 |
| | | | | |

*Assumes a rise in tax base and a 2.95% increase in Council Tax for 2019/20 and 1.95% in 2020/21 and 2021/22 in line with the Provisional Funding Announcement.



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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

PRUDENTIAL CODE MONITORING REPORT TO NOVEMBER 2018

Report of the Treasurer to the Fire Authority

Date: 18 January 2019

Purpose of Report:

To inform Members of performance for the three-month period to 30 November 2018 relating to the prudential indicators for capital accounting and treasury management.

CONTACT OFFICER

Name : Becky Smeathers
Head of Finance

Tel : 0115 967 0880

Email : becky.smeathers@notts-fire.gov.uk

**Media Enquiries
Contact :** Therese Easom
(0115) 8967 0880 therese.easom@notts-fire.gov.uk

1. BACKGROUND

- 1.1 The Local Government Act 2003 sets out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code, which CIPFA updated in 2011.
- 1.2 The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. The Prudential Code sets out a number of indicators which authorities must use to support decision making. These are not designed to be comparative performance indicators.
- 1.3 The Fire Authority approved these prudential indicators for 2018/19 at its meeting on 16 February 2018.
- 1.4 The Prudential Code requires that local authorities report performance against prudential targets to Members.

2. REPORT

PRUDENTIAL INDICATORS

- 2.1 Some of the prudential indicators cannot easily be measured until the final year end expenditure position for both capital and revenue is determined. These will be included in the 2018/19 Treasury Management Annual Report for 2018/19 to Fire Authority in September 2019. These indicators are:
 - Ratio of financing costs to net revenue stream 2018/19 (affordability).
 - Incremental impact of capital investment decisions on Council Tax 2018/19 (affordability).
 - Total capital expenditure 2018/19.
 - Capital Financing Requirement as at 31 March 2019.
- 2.2 In terms of borrowing, the indicator "Gross borrowing and the capital financing requirement (CFR)" (a prudence indicator) requires that gross external borrowing does not, except in the short term, exceed the CFR. The CFR at 1 April 2018 was £26.278m and was estimated to be £27.306m by the year end.
- 2.3 The Authority set an operational boundary for 2018/19 of £29.723m and an authorised limit of £32.695m. Although these limits are year end targets, the Authority is required to demonstrate that it has not exceeded them at any time during the financial year.
- 2.4 During April £3m temporary borrowing was taken out for cashflow purposes. The need for temporary borrowing has occurred due to the Authority's maintaining a position of under-borrowing to fund the capital programme in line

with the Treasury Management Strategy. The loan was repaid in July when the Authority received the firefighters' pension grant. In May, a further £1m long term borrowing was taken out from the PWLB to take advantage of a dip in interest rates. As a consequence, total borrowing at the end of November was £23.141m. This is well within the operational boundary of £29.723m.

- 2.5 The graph given as Appendix A illustrates the levels of borrowing up to the end of November 2018.

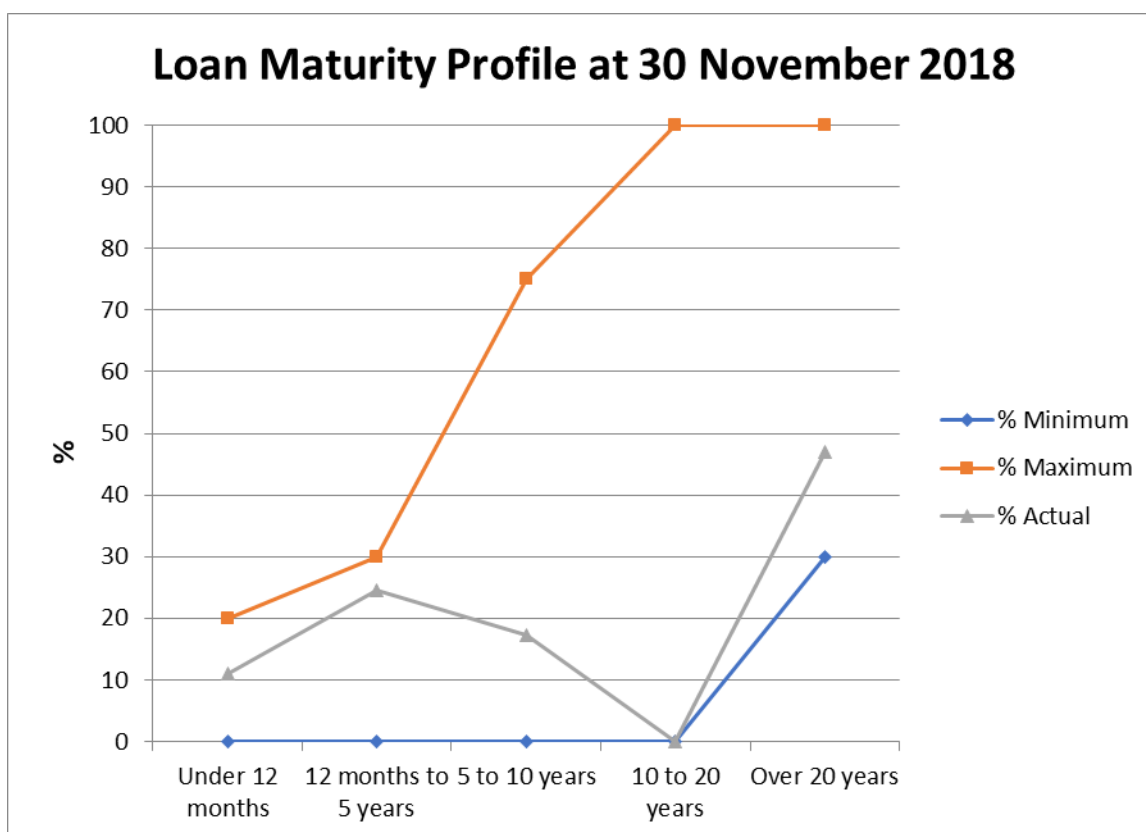
TREASURY MANAGEMENT INDICATORS

- 2.6 An interest earnings budget of £66k was set for 2018/19, as at 30 November 2018 £50k has been received. Within the benchmarking group supported by Link Asset Services there are 7 councils and NFRS within the group, as at the end of September 2018, NFRS Weighted Average Rate of Return (WARoR) is 0.76% the average of the group is 0.68%.
- 2.7 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 30 November 2018, 100% of borrowing was at fixed interest rates.
- 2.8 The treasury management target in respect of cash management is that the Authority's bank overdraft should not exceed £200,000. During the three months of up to 30 November 2018 the current account exceeded the limit in the by £233,000 for 5 days. A graph of cash balances for the three months up to 30 November 2018 is shown in Appendix B.

Treasury management limits relating to loan maturity are shown below:

| LOAN MATURITY | | |
|----------------------|-------------|-------------|
| | Upper Limit | Lower Limit |
| Under 12 months | 20% | 0% |
| 12 months to 5 years | 30% | 0% |
| 5 years to 10 years | 75% | 0% |
| 10 years to 20 years | 100% | 0% |
| Over 20 years | 100% | 30% |

Actual performance against these targets at 30 November 2018 is shown in the following graph and demonstrates that none of the maturity bands have been breached.



- 2.9 The upper limit for sums invested for longer than 364 days is £2m. During the part of the 2018/19 financial year up to 30 November 2018, no sums were invested for a fixed term of longer than 364 days. This excludes amounts invested in call accounts with notice periods of less than 364 days, and on which notice can be given immediately if required.

UK SOVEREIGN RATING

- 2.10 Following on from the report to Members of this Committee in January, it is confirmed that the sovereign rating of the UK remains at AA (Fitch rating) which means that investments in UK institutions are within the current Treasury Management Strategy's parameters. On 25 September, Moody's downgraded the UK Sovereign rating from Aa2 to Aa1, which brings it in line with that of Fitch and S&P (also AA).
- 2.11 The Authority's policy around Sovereign Ratings has been reviewed as part of the Treasury Management Strategy at Fire Authority on 16 February 2018. Should the UK be downgraded to AA- status, the Authority's strategy will be to continue with existing banking arrangements and to retain current investments with UK institutions.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full within this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources and learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report gives detail of performance against the approved Treasury Management Strategy and Prudential Code. These are financial policies and do not directly impact on employees or members of the public.

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 from this report.

8. RISK MANAGEMENT IMPLICATIONS

The Prudential Code is a framework which sets out to quantify and minimise financial risk arising from the financing of capital, the investment of surplus funds and the maintenance of operating cash balances for the Authority. The favourable performance against the prudential targets demonstrates that these areas of operation are being managed effectively.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

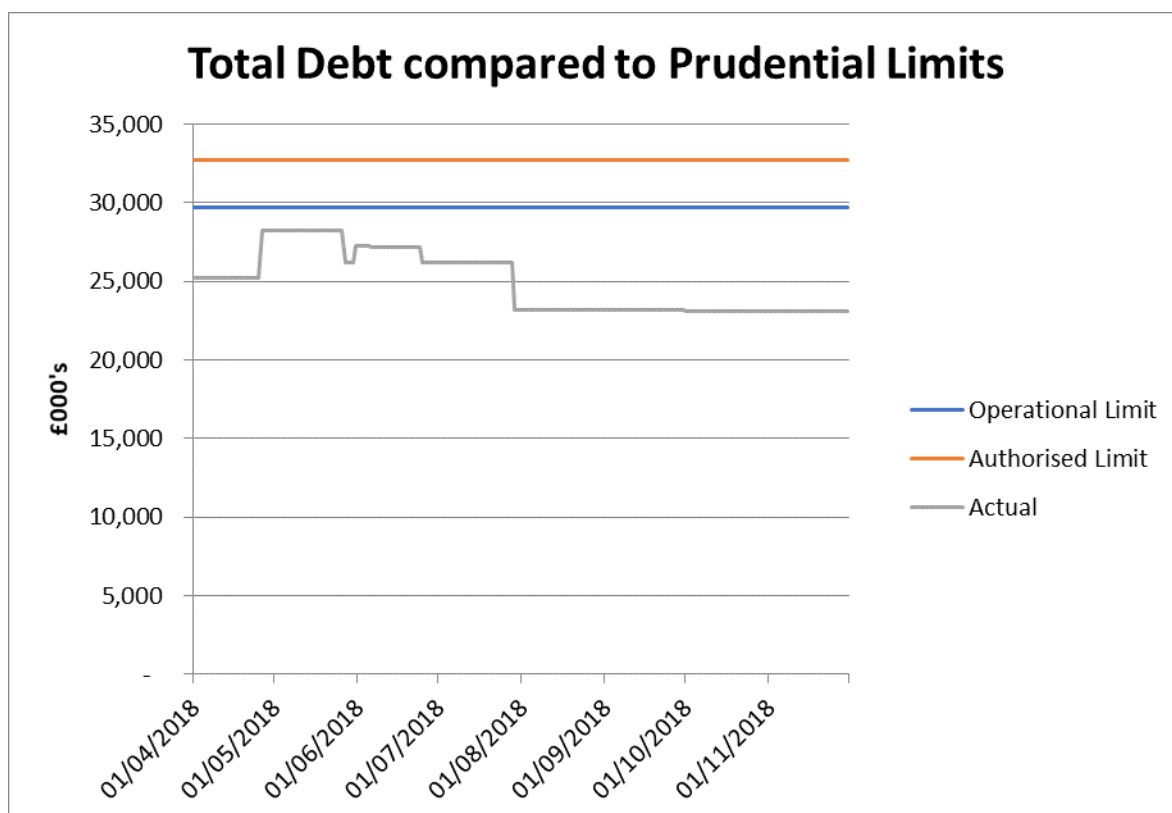
10. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

APPENDIX A



APPENDIX B

