



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Policy and Strategy Committee

REVENUE, CAPITAL AND PRUDENTIAL CODE MONITORING REPORT TO 31 MAY 2020

Report of the Chief Fire Officer

Date: 24 July 2020

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2020/21 to the end of May 2020.

Recommendations:

It is recommended that Members:

- Note the contents of this report;
- Approve the virement of £62k from the MRP budget to operational equipment to fund the purchase of new fire hoods in response to the Grenfell enquiry outcomes (£37k) and to correct an error in the medical equipment budget (£25k) (Section 2.17);
- Approve the addition of two new projects to the Capital Programme:
 - £30k capital project for ICT equipment to enable the service to react to Covid-19 (Section 2.24);
 - £70k Command Support upgrade to be funded from Earmarked Reserves (Section 2.30).
- Approve the slippage of £2,557k to 2021/22 for the Worksop replacement fire station project (Section 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 prudential indicators set out by the Fire Authority in February 2020 is also included in this report, as required in the Prudential Code published by the Chartered Institute of Finance and Accountancy (CIPFA).

2 REPORT

REVENUE BUDGET

- 2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £43.914m, a £1.497m underspend against the revised budget of £45.411m. £510k of the underspend relates to the Section 31 grant for Covid-19 which has been received but not yet allocated. The remaining £987k largely relates to vacancies in wholetime pay pending recruitment (see section 2.5).
- 2.2 The original budget approved by members in February 2020 reflected the planned use of £274k of earmarked reserves. In addition to this, a further £246k is planned to be drawn down from earmarked reserves during the year to fund expenditure incurred. A summary position of expenditure and funding is shown in the table below:

Table 1 – Summary Expenditure and Funding Position

	2020/21 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	45,165	45,411	43,914	(1,497)
RSG/Council Tax/Business Rates	(44,891)	(44,891)	(44,891)	0
General Fund Reserves	0	0	987	987
Covid-19 Grant Reserve			510	510
Earmarked Reserves	(274)	(520)	(520)	(0)
Total	0	0	0	0

- 2.3 A more detailed analysis of expenditure can be found at Appendix A.
- 2.4 Major variances on specific budgets are shown below.
- 2.5 **WHOLETIME PAY:** total wholetime pay is expected to underspend by £985k. This has been caused due to a higher than anticipated level of vacancies due to the wholetime training course being later than originally anticipated and not due to commence until April 2020. An element of the underspend will be offset by increased overtime which will be necessary to cover vacancies. Alternative ways of increasing the cover are also being explored which may further utilise anticipated underspends.
- 2.6 Overtime activity has reduced during the Covid-19 pandemic, but this is expected to increase later in the year. Overall, expenditure is expected to be contained from within the current budget.
- 2.7 **ON-CALL PAY:** overall, on-call pay is on budget, although this reflects some changes in activity. Community safety work has reduced as a result of Covid-19 preventing access to homes. However, this has been offset by increased level of turnouts to support the community in different ways, such as the delivery of medicines and food parcels.
- 2.8 **NON-UNIFORMED PAY:** non-uniformed pay is expected to overspend by £132k (after compensating for secondment income relating to staff seconded to HMICFRS -Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services). The budget for non-uniformed pay assumed that staff would receive a pay award of 2%. The latest offer made by the National Employers is for 2.75%. Although this offer has not yet been accepted, the forecast outturn has been increased to reflect this offer.
- 2.9 **PENSION COSTS:** the forecast underspend is £84k relates to ill health charges. The level of ill health charges varies from year to year and can be difficult to forecast. The forecast is based on ill health retirements that have been approved so far this year. No other cases are anticipated at this stage but it is possible that there could be more ill health retirements later in the year. Should this occur the forecast will be amended accordingly.
- 2.10 **TRAINING COSTS:** the forecasted underspend of £75k relates to the reduction in external training due to COVID 19 and the possibility that future training will be done online rather than face to face in the future. This situation is being addressed with the possibility of increased training levels later in the year.
- 2.11 **PREMISES COSTS:** the forecasted overspend is £72k. £44k is due to the business rates being higher than expected at budget time. In addition, the cleaning budget is forecasted to overspend by £27k this is due to the increased cleaning costs during COVID, this additional cost will be met from the Covid-19 grant (section 2.14).

- 2.12 **SUPPLIES AND SERVICES COSTS:** the forecasted underspend is £28k. Within this total there are several significant variances.
- 2.13 Community safety equipment and expenditure on smoke alarms is expected to underspend by £61k, this is due to the impact of Covid. It is difficult now to know when the levels of activity will resume. Offsetting this underspend are 2 areas of overspending. There is an anticipated overspend of up to £25k on the external audit fees for the 2018/19 accounts. In addition, a £14k overspend is expected for joint control charges from Derbyshire Fire and Rescue. This is due to additional staff being employed to cover long-term sickness it is assumed at this stage this cover will continue for 6 months.
- 2.14 **GOVERNMENT GRANTS:** the Service has received additional funding for Covid 19 of £1,058k. £191k was included in the 2019/20 outturn and a further £867k has been received in 2020/21. The grant can only be allocated to additional expenditure, so any redirection to staff from other duties, for example, cannot be claimed. The current forecasted outturn for expenditure which can be funded from the grant is £357k.

Table 2 – Expenditure to be funded from Covid-19 Government Grant

Expenditure	Actual to May £'000	Forecast Outturn £'000
Admin Pay	2	5
Operational Pay and Overtime	3	4
On Call Firefighters Other Work	5	46
Cleaning Materials/Contract Cleaning	6	27
Operational Equipment Uniforms and PPE	18	29
Computer Hardware/ Software and consumables/Phones	16	46
Business Continuity Support	0	50
Safe and Well Catch-Up	0	100
ICT Support	0	50
Total	50	357

- 2.15 Work is being undertaken to identify key areas of work that will address the ongoing risks of Covid-19 to ensure that the grant is used with best effect. Expenditure is there expected to rise later in the year.

- 2.16 It has been confirmed that the grant cannot be used to address the potential shortfall in 2021/22 budgets caused by reduced collection rates for Council Tax and Business Rates. The impact of this is expected to be in the region of £750k for Council Tax and £200k for Business Rates. These figures may increase if further lockdown measures are introduced. The government have announced that the deficit can be split over 3 years and indicated that some support will be made available as part of the Comprehensive Spending Review. The situation will be monitored and the impact on future year's budgets will be addressed as part of the Medium Term Financial Strategy when more information around the long-term impact of Covid-19 and the settlement figures are available.
- 2.17 **CAPITAL CHARGES:** the total forecast overspend is £51k. Minimum Revenue Provision is underspent by £78k due to the slippage of £4m from the capital programme in 2019/20. It is proposed that the underspend is reallocated to the following budgets:
- Operational Equipment – £37 is required to fund the purchase of fire hoods to be held on appliances in response to the outcome of the Grenfell recommendations;
 - Operational Equipment (medical) to correct a miscalculation during the 2020/21 budget process.
- 2.18 There is a forecasted deficit of £81k on interest receivable following a significant drop in interest rates and the need to keep cash in shorter term investments given the increased market uncertainty. Interest charges are expected to overspend by £48k. This is due to the taking out loans earlier than originally anticipated. Two loans totalling £3m were taken from the Public Works Loans Board in March 2020 which took advantage of the fall in loans rates brought about by the economic impact of the pandemic. This had the additional advantage of securing the Authority's cash flow position at the beginning of the Covid-19 pandemic. This borrowing, whilst within the Authority's prudential limits, was taken ahead of schedule. As a result of this, the interest costs had not been factored into the budget.

RESERVES

- 2.19 Details of the use of reserves during 2020/21 can be found in Appendix B.
- 2.20 Expected levels of reserves at 31 March 2020 are £10.9m as detailed in Table 3 below.

Table 3 – Anticipated Movement in Reserves 2020/21

Reserves	Balance 01/04/20 £'000	Anticipated Use 2020/21 £'000	Expected Balance 31/03/21 £'000
Contributions from earmarked reserves	4,327	(442)	3,885
Transfer to Covid-19 reserve	177	510	687
General Fund ¹	4,973	987	5,960
Total	9,477	1,055	10,532
ESMCP ² Regional Reserve	255	(78)	177
Total	9,732	977	10,709

¹ Provisional general fund figure

² Emergency Services Mobile Communications Programme

- 2.21 The general reserve is predicted to be £5.96m at the end of the financial year. This remains above the minimum level of £3.9m agreed by Fire Authority on December 2020.
- 2.22 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).

CAPITAL PROGRAMME

- 2.23 The current approved 2020/21 capital programme is £3.988m. Capital slippage from 2019/20 is £4.3m. £160k was approved by Finance and Resources Committee in January 2020 and £4,182k is requested for approval as part of the 2019/20 outturn report on this agenda.
- 2.24 The total capital spend to date is £346km and the forecast out-turn expenditure is £5,309m. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

- 2.25 The ICT programme (£975k) has been developed from the Digital Strategy. includes replacement equipment and software and supports the specific schemes which underpin the strategy. There has been additional expenditure of £30k on equipment to help the organisation cope with home working during lockdown. This has been funded from the Covid-19 Government Grant. The creation of a capital budget of £30k is requested for this project, to be funded from the Covid grant.

ESTATES

- 2.26 The property programme flows directly out of the Property Strategy.
- 2.27 Planning approval has now been granted for the Joint Headquarters new building at Sherwood Lodge and the contract for works is due to be signed shortly. Much of the building work on this project will be undertaken during the 2020/21 financial year and early 2021/22.
- 2.28 Worksop Station – the new station is no longer going ahead on the originally identified site due to issues related to accessing mains gas water and sewerage. A further paper for Worksop Station is elsewhere on the agenda. The delays in the project mean that a significant part of the budget is unlikely to be spent in 2020/21. Slippage is requested of £2.557m

TRANSPORT

- 2.29 The fleet replacement programme is derived from the Fleet Strategy and reflects current and future expected demand.
- 2.30 The Command Support Unit (CSU) is mobilised to assist with communications, command and control at incidents which require the attendance of 5 operational pumping appliances or more. At these incidents, it is key that the ICT and other communications equipment function correctly. The CSU has been modified to ensure that the technology and communications software are sufficiently up to date to ensure it meets national resilience requirements. The upgrade has cost £70k and has been funded from an Earmarked Reserve created from funding received for national resilience purposes. It is requested that this project be added to the capital programme.

PRUDENTIAL CODE MONITORING

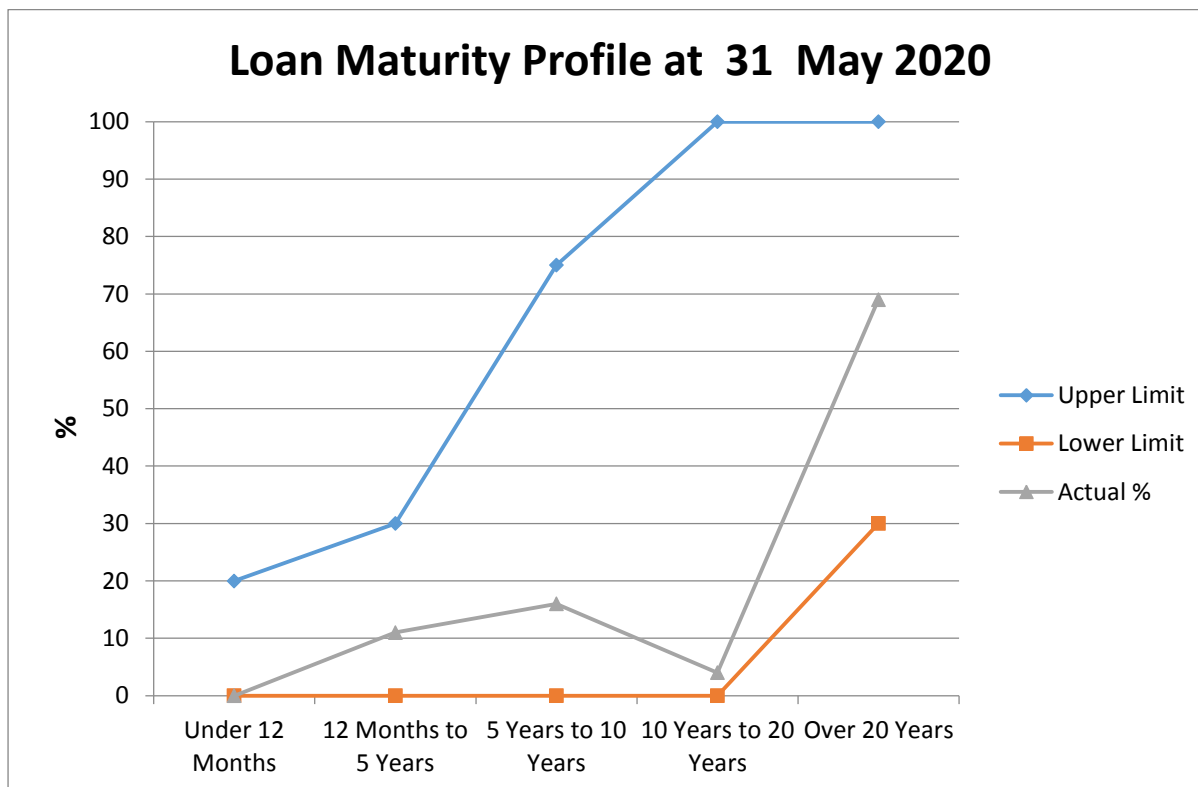
- 2.31 The Fire Authority approved the prudential indicators for 2020/21 at its meeting on 28 February 2020. Amendments were made to the authorised limits and 12-month maturity profile at Policy and Strategy Committee on 1 May 2020 to address the financial impact of Covid-19. The Prudential Code requires that performance against these indicators is reported to Members.
- 2.32 The approved indicators along with performance as at 29 February 2020 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Prudential Code Monitoring

Prudential Indicator	Approved Indicator	As at 29 February 2020
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.3%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£5,576,000	Year End Only
Actual Borrowing		£25,600,000
Estimate of Capital Financing Requirement	£29,073,000	£29,073,000
Operational Boundary	£33,850,000	£31,850,000
Authorised Limit	£37,035,000	£35,035,000
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	0%
Loan Maturity:	<u>Limits:</u>	
Under 12 months	Upper 30% Lower 0%	See Graph Below
12 months to 5 years	Upper 30% Lower 0%	See Graph Below
5 years to 10 years	Upper 75% Lower 0%	See Graph Below
Over 10 years	Upper 100% Lower 0%	See Graph Below
Over 20 years	Upper 100% Lower 30%	See Graph Below
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%	12.09%

2.33 Total borrowing at the end of May 2020 was £25.6m which is within the operational and authorised limits set out above. Borrowing activity has remained within these boundaries throughout the period covered by the report. There has been no borrowing activity since the start of the financial year.

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



2.35 Investments as at 31 May 2020 totalled £11m. Investment rates are monitored within the benchmarking group supported by Link Asset Services. There are seven councils and NFRS within the group, as at the end of December 2019, NFRS weighted average rate of return is 0.94%, the average of the group is 0.88%.

OTHER FINANCIAL UPDATES

PENSION ADMINISTRATION CONTRACT UPDATE

2.36 Following the termination of the Firefighter's Pension Administration Contract with Leicestershire County Council, a full OJEU procurement exercise has been undertaken alongside Derbyshire and Leicestershire Fire Authorities. The contract has now been awarded to West Yorkshire Pension Fund who have a proven track record of providing this service to numerous other Fire Authorities. The implementation process is about to commence and West Yorkshire Pension Fund will take over the contract from 1 January 2021. The new contract will deliver savings in the region of £15k per year.

Car Leases

2.37 As anticipated, HMRC have ruled that the VIA car leasing scheme is not considered to be a provided car scheme. If this had not been the case, officer car lease car payments would have been subject to tax and national insurance. However, the lease payments should have been subject to VAT payments. Officers are being charged VAT with effect from August 2020. Backdated payments are being calculated and will be met from the £225k provision that was set aside for this purpose in 2018/19.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report. Some of the efficiency targets will have had staffing implications which were considered as part of the decision-making process at the time.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting.

9. COLLABORATION IMPLICATIONS

This report identifies several areas where collaboration is taking place between NFRS, other fire authorities, East Midland Ambulance Service and Nottinghamshire Police. Opportunities for collaboration around asset use and ownership are continually being investigated.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the contents of this report;
- 10.2 Approve the virement of £62k from the MRP budget to operational equipment to fund the purchase of new fire hoods in response to the Grenfell enquiry outcomes (£37k) and to correct an error in the medical equipment budget (£25k) (Section 2.17).
- 10.3 To approve the addition of two new projects to the Capital Programme:
 - £30k capital project for ICT equipment to enable the service to react to Covid-19 (Section 2.24);
 - £70k Command Support upgrade to be funded from Earmarked Reserves (Section 2.30).
- 10.4 To approve the slippage of £2,557k to 2021/22 for the Worksop replacement fire station project (Section 2.28).

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

None.

John Buckley
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 31 MAY 2020**

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	35,942	36,116	6,207	35,221	(895)
Premises	2,564	2,564	680	2,635	71
Transport	1,637	1,637	1,178	1,613	(24)
Supplies & Services	3,508	3,510	696	3,481	(29)
Third Party	783	783	3	797	14
Support Services	191	191	56	191	0
Capital Financing Costs	2,537	2,607	(28)	2,577	(30)
Fees and Charges	(405)	(405)	(21)	(405)	0
Other Income	(1,592)	(1,592)	(2,340)	(2,197)	(605)
Net Cost	45,165	45,411	6,431	43,914	(1,497)
Financed by:					
Government Funding	(12,699)	(12,699)	2,136	(12,699)	0
Non-Domestic Rates	(3,778)	(3,778)	1,687	(3,778)	0
Council Tax	(26,074)	(26,074)	2,607	(26,074)	0
Pension Grant	(2,340)	(2,340)	0	(2,340)	0
Reserves	0	0	0	987	987
Earmarked Reserves	(274)	(520)	(520)	(10)	510
Funding Total	(45,165)	(45,411)	(6,950)	(43,914)	1,497
Total	0	0	(519)	0	0

ESTIMATED RESERVE POSITION AT 31 MARCH 2021

Reserve	Opening Balance 01/4/20 £'000	Movement During 2020/21 £'000	Closing Balance 31/3/21 £'000
Prevention, Protection and Partnership	252	(1)	251
Resilience	510	440	950
Capital	1,037	0	1,037
Information, Communication and Technology (ICT)	1,130	(92)	1,038
Operational	188	(4)	184
Transformation and Collaboration	1,387	(275)	1,112
Regional Earmarked Reserves*	255	(78)	177
Total Earmarked Reserves	4,759	(10)	4,749
General Reserve	4,973	987	5,960
Total Reserves	9,732	977	10,709

* Emergency Services Mobile Communications Programme

APPENDIX C

BUDGET MONITORING MAY 2020

CAPITAL PROGRAMME	Approved Budget 2020/21	Slippage to be approved from 2019/20	Revised Budget 2020/21	Expenditure	Remaining Budget	Estimated Outturn to the end of March 2020	Outturn Variance
ICT & COMMUNICATIONS							
HR System Upgrade	51		51		-51	51	
Business System Development		20	20			20	
Business Process Automation	50	33	83	23	-60	83	
Mobile Computing HQ - Link ICT Replacement	75	25	100	6	-94	100	
	100		100	10	-90	100	
Cyber Security	20	17	37		-37	37	
ICT SharePoint Internet/Intranet Performance		26	26		-26	26	
Management System		9	9		-9	9	
ESMCP Grant from DCLG (ESN)		41	41		-41	41	
Tri-Service Control Project		171	171		-171	171	
Unit4 Business World Upgrade		37	37	8	-29	37	
Coronavirus - Covid 19 Replacement Equipment						30	30
	250		250	19	-231	250	
	546	379	925	66	-839	955	30
ESTATES							
Joint Headquarters Project	2,500	239	2,739		-2,739	2,057	-682
Refurbishment and Rebuilding Fire Stations		40	40			40	
Workshop Fire Newark Fire Station	500	2,657	3,157	2	-3,155	600	-2,557
		10	10			10	

Hucknall Fire Station	11	158	169	1	-168	169	
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	3,011	3,104	6,115	3	-6,062	2,876	-3,239
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CAPITAL PROGRAMME	Approved Budget 2020/21	Slippage to be approved from 2019/20	Revised Budget 2020/21	Expenditure	Remaining Budget	Estimated Outturn to the end of March 2020	Outturn Variance
EQUIPMENT							
CCTV - vehicles	40	160	370		-370	370	
Structural PPE		400	248	177	-71	248	
Lightweight Fire Coat		74	74	30	-44	74	
Air Bag Replacements	70		70		-70	70	

	110	634	762	206	-556	762	
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TRANSPORT							
Vans & Other Light Vehicles	226	172	498		-498	498	
Modification of Command Support Unit				70	70	70	70
Special Appliances	95	53	148		-148	148	

	321	225	646	70	-576	716	70
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	3,988	4,342	8,498	346	-8,032	5,309	-3,139
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TO BE FINANCED BY	Actual	Estimated Outturn
Earmarked Reserves	0	30
Capital Receipts	0	550
New Borrowing	346	3,277
Revenue contributions to capital	0	70
Total	346	3927

