



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

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

Report of the Chief Fire Officer

Date: 11 September 2020

Purpose of Report:

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

Recommendations:

That Members note the contents of this report.

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1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire Authority. Regular reporting of spending against the revenue budgets is a check that spending is within available resources and if necessary, allows for financial resources to be re-assigned to meet changing priorities.
- 1.2 This report covers those areas with a higher risk of significant variance. An assessment of this risk has been made in the light of the size of the budgets selected and/or previous experience of variances, as well as the emergence of actual variances. It is vital that an overview of the budgetary position during the year is maintained, so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.
- 1.3 Monitoring against the revised prudential indicators is also included in this report, as required in the Prudential Code published by the Chartered Institute of Finance and Accountancy (CIPFA).

2 REPORT

REVENUE BUDGET

- 2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £44.429m, a £1.237m underspend against the revised budget of £45.666m. £507k of the underspend relates to the Section 31 grant for Covid-19 which has not all yet been allocated. The remaining £729k 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 £501k 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	45,666	44,429	(1,237)
RSG/Council Tax/Business Rates	(44,891)	(44,891)	(44,891)	0
General Fund Reserves	0	0	730	730
Covid-19 Grant Reserve			507	507
Earmarked Reserves	(274)	(775)	(775)	(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 forecast to underspend by £885k. This has been caused due to a higher than anticipated level of vacancies due to the wholetime training course being later than originally anticipated. In the first 4 months there is an average of 10 vacant posts and this is anticipated to continue. Vacancies are anticipated to increase to 23 unfilled posts by the end of the financial year. Due to Covid-19 the wholetime training course is not due to commence until April 2021. The impact of the under establishment will be offset by 14 individuals migrating from On Call during September and October. An element of the under establishment 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. This situation will be carefully managed and future reports presented to Members as appropriate.
- 2.6 **ON-CALL PAY:** overall, on-call pay is anticipated to overspend by £187k against the original budget, but £55k of this directly relates to additional costs that can be offset by the Covid -19 grant. There has also been a high level of payments brought on by the increased availability as people being furloughed from their primary employment. This also impacts on superannuation and national insurance expenditure. 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.
- 2.7 **NON-UNIFORMED PAY:** non-uniformed pay is expected to underspend by £64k (after compensating for secondment income relating to staff seconded to HMICFRS -Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services and posts being funded from the Earmarked Reserves). 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%, this has been reflected in the outturn. The average vacancies over the period up to July is 6 and these have been reflected in the outturn. Established posts that have been revised through the Job evaluation process have resulted in a part year effect of £4k to date this will be reviewed in the budget process for 2020-21.
- 2.8 **PENSION COSTS:** the forecast underspend of £79k 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.
- 2.9 **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. This situation is being addressed with the possibility of increased training levels later in the year.

- 2.10 **PREMISES COSTS:** the forecasted overspend is £86k. £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-19, this additional cost will be met from the grant (section 2.14).
- 2.11 **TRANSPORT COSTS:** is forecasted to underspend by £95k, this is mainly due to the travel related expenses being significantly reduced due to Covid-19 the forecasted underspend is £63k.
- 2.12 **SUPPLIES AND SERVICES COSTS:** the forecasted underspend is £31k. Within this total there are several significant variances. Community safety equipment and expenditure on smoke alarms is expected to underspend by £41k, this is due to the reduction in the number of safe and well visits. It is difficult now to know when the levels of activity will resume. Offsetting this underspend are two areas of overspending. There is an anticipated overspend of up to £18k on the external audit fees for the 2018/19 accounts.
- 2.13 **SUPPLIES AND SERVICES COSTS:** an £89k 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 six 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 £360k, this expenditure is contained within the report and the remaining grant of £507k is within the Government Grants.

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

Expenditure	Actual to July £'000	Forecast Outturn £'000
Non-Uniformed Pay	9	93
Operational Pay and Overtime	5	5
On Call Firefighters Other Work	47	55
Cleaning Materials / Decontamination Supplies	23	26
Operational Equipment Uniforms and PPE	28	55
Recruitment / Return to Work Costs / Consultancy	11	46
ICT Infrastructure and Licencing	53	81
Total	176	360

- 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 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 three 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 £31k. Minimum Revenue Provision is underspent by £16k due to the slippage of £4m from the capital programme in 2019/20.
- 2.18 There is a forecasted deficit of £80k 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. The possibility of meeting these additional costs from the Covid-19 grant is being investigated. 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 £10.668m 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	(424)	3,903
Expected transfer to Covid-19 reserve	177	507	684
General Fund ¹	5,174	730	5,904
Total	9,678	813	10,491
ESMCP ² Regional Reserve	255	(78)	177
Total	9,933	735	10,668

¹ Provisional general fund figure

² Emergency Services Mobile Communications Programme

- 2.21 The general reserve is predicted to be £5.904m at the end of the financial year. This remains above the minimum level of £3.9m agreed by Fire Authority in 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 revised capital budget for 2020/21 is £5.873m.
- 2.24 The total capital spend to date is £963k and the forecast outturn expenditure is £4.569m. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

- 2.25 The ICT programme (£955k) has been developed from the Digital Strategy. It includes replacement equipment and software and supports the specific schemes which underpin the strategy. The budget is currently expected to be fully spent by the end of the year.

ESTATES

- 2.26 The property programme flows directly out of the Property Strategy.
- 2.27 This project is progressing well. The joint legal entity has been created and work has now started on site. 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 - At the Policy and Strategy Committee meeting held on 1 May 2020 it was agreed the initial proposed site was no longer a workable

option and the process of buying this land was to be abandoned. A further site has now been identified and due diligence is ongoing before any formal offer can be made.

EQUIPMENT

- 2.29 The service has received additional funding of £101k from central government, because of the Grenfell Tower enquiry, this will be used to fund the purchase of the smoke hoods (£38k).
- 2.30 The structural personal protection equipment (PPE) and lightweight jackets are now operational and final payments are being made.
- 2.31 The CCTV project will be going out to tender in August and anticipated to be awarded early October, this project will be completed by March 2021.
- 2.32 Air bag replacement: The project business case is now complete, trials will be taking place shortly and it is anticipated that the project will be completed by March 2021.

TRANSPORT

- 2.33 The fleet replacement programme is derived from the Fleet Strategy and reflects current and future expected demand.
- 2.34 The Command Support Unit (CSU) is mobilised to assist with communications, command and control at incidents which require the attendance of five 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.

PRUDENTIAL CODE MONITORING

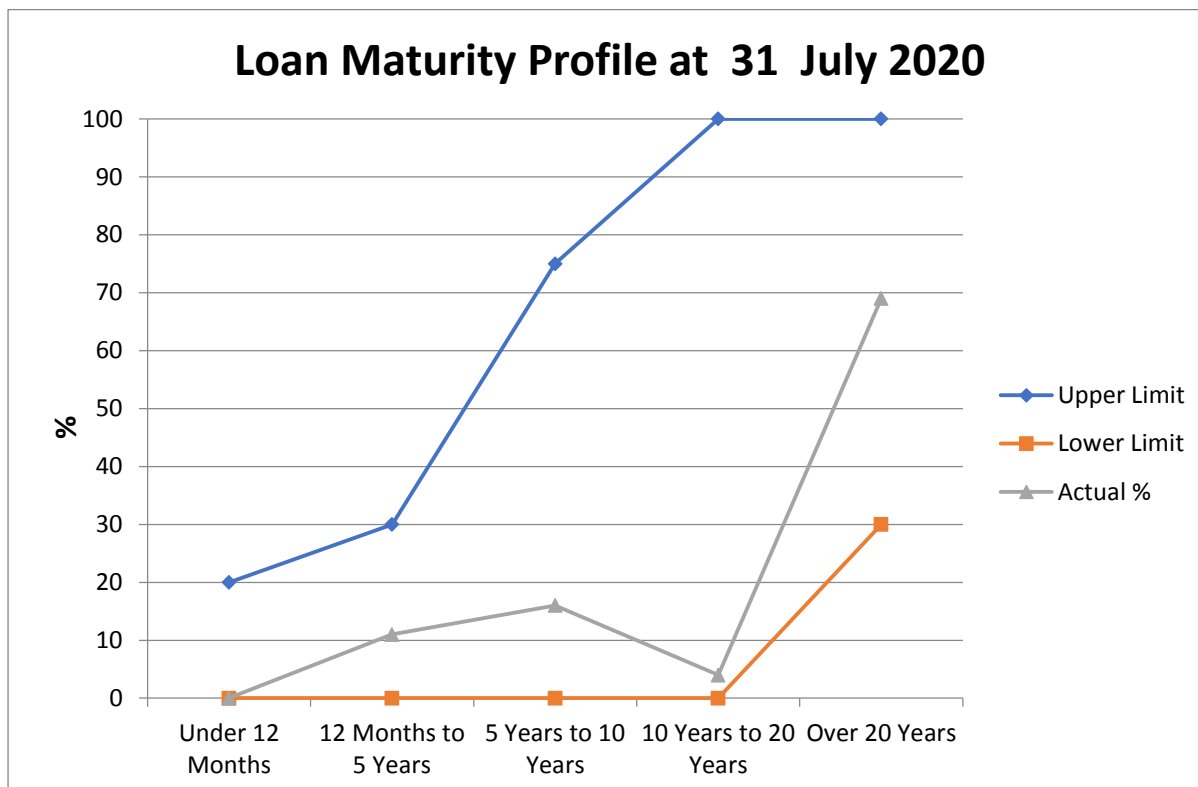
- 2.35 The Fire Authority approved the prudential indicators for 2020/21 at its meeting on 28 February 2020. Amendments were made to the authorised limits and 12-month maturity profile at Policy and Strategy Committee on 1 May 2020 to address the financial impact of Covid-19. The Prudential Code requires that performance against these indicators is reported to Members.
- 2.36 The approved indicators along with performance as at 31 July 2020 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Table 4 - Prudential Code Monitoring

Prudential Indicator	Approved Indicator	As at 31 July 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		£27,011,000
Estimate of Capital Financing Requirement	£29,073,000	£29,073,000
Operational Boundary	£33,850,000	£33,850,000
Authorised Limit	£37,035,000	£37,035,000
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	30%
Loan Maturity:	<u>Limits:</u>	
Under 12 months	Upper 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%	7.00%

2.37 Total borrowing at the end of July 2020 was £27.01m 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.

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



2.39 Investments as at 31 July 2020 totalled £14.5m. Investment rates are monitored within the benchmarking group supported by Link Asset Services. There are seven councils and NFRS within the group. As at the end of July 2020, NFRS weighted average rate of return is 0.18%, the average of the group is 0.39%.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

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

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

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

9. COLLABORATION IMPLICATIONS

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

10. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 31 JULY 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	36,357	11,806	35,482	(876)
Premises	2,564	2,564	1,097	2,650	86
Transport	1,637	1,637	1,081	1,542	(95)
Supplies & Services	3,508	3,581	1,742	3,550	(31)
Third Party	783	783	15	872	88
Support Services	191	191	126	191	0
Capital Financing Costs	2,537	2,548	1,675	2,581	32
Fees and Charges	(405)	(405)	(70)	(402)	3
Other Income	(1,592)	(1,592)	(2,686)	(2,037)	(445)
Net Cost	45,165	45,666	14,787	44,429	(1,238)
Financed by:					
Government Funding	(12,699)	(12,699)	(2,465)	(12,699)	0
Non-Domestic Rates	(3,778)	(3,778)	(3,103)	(3,778)	0
Council Tax	(26,074)	(26,074)	(7,822)	(26,074)	0
Pension Grant	(2,340)	(2,340)	0	(2,340)	0
Reserves/Covid-19 Reserve	0	0	0	1,237	1,237
Earmarked Reserves	(274)	(775)	(500)	(775)	0
Funding Total	(45,165)	(45,666)	(13,890)	(44,429)	1,237
Total	0	0	897	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	333	(84)	249
Capital	1,037	0	1,037
Information, Communication and Technology (ICT)	1,130	(64)	1,066
Operational	188	(32)	156
Covid-19	177	507	684
Transformation and Collaboration	1,387	(243)	1,144
Regional Earmarked Reserves*	255	(78)	177
Total Earmarked Reserves	4,759	(4)	4,764
General Reserve	5,174	730	5,904
Total Reserves	9,933	228	10,668

* Emergency Services Mobile Communications Programme

APPENDIX C

CAPITAL BUDGET MONITORING JULY 2020

CAPITAL PROGRAMME	Original Budget 2020/21	Approved Changes to Budget	Revised Budget 2020/21	Expenditure	Remaining Budget	Estimated Outturn to the end of March 2021	Outturn Variance
ICT & COMMUNICATIONS							
HR System Upgrade	51		51		-51	51	
Business System Development		20	20		-20	20	
Business Process Automation	50	33	83	33	-50	83	
Mobile Computing	75	25	100	13	-87	100	
HQ - Link ICT Replacement	100		100		-100	100	
Cyber Security	20	17	37		-37	37	
ICT SharePoint Internet/Intranet		26	26		-26	26	
Performance Management System		9	9		-9	9	
ESMCP Grant from DCLG (ESN)		41	41		-41	41	
Tri-Service Control Project		171	171	6	-165	171	
Unit4 Business World Upgrade		37	37	8	-29	37	
Covid 19 related expenditure		30	30	8	-22	30	
Replacement Equipment	250		250	40	-210	250	
	546	409	955	108	-847	955	
ESTATES							
Joint Headquarters Project	2,500	239	2,739	559	-2,180	1,965	-774
Refurbishment and Rebuilding Fire Stations		40	40		-40	40	
Workshop Fire, Police and Ambulance Station Project (capital – strategic new build project)	500	100	600	13	-587	50	-550
Newark Fire Station		10	10	4	-6	10	
Hucknall Fire Station	11	158	169	1	-168	169	
	3,011	547	3,558	578	-2,981	2,234	-1,324

	Original Budget 2020/21	Approved Changes to Budget	Revised Budget 2020/21	Expenditure	Remaining Budget	Estimated Outturn to the end of March 2021	Outturn Variance
CAPITAL PROGRAMME							
EQUIPMENT							
CCTV - vehicles	40	160	200		-200	200	
Structural PPE		230	230	178	-52	230	
Helmets		170	170		-170	170	
Lightweight Fire Coat		74	74	30	-44	74	
Air Bag Replacements	70		70		-70	70	
	110	634	744	208	-536	744	
TRANSPORT							
Vans & Other Light Vehicles	226	172	398		-398	418	20
Resilience Crewing and Training - Earmarked Reserves		70	70	70		70	
Rescue Pumps	95	53	148		-148	148	
	321	295	616	70	-546	636	20
	3,988	1,885	5,873	963	-4,910	4,569	-1,304

TO BE FINANCED BY		
	Actual	Estimated Outturn
Capital Grant - General	0	0
Capital Grant - TriService Control	0	0
Emergency Services Mobile Communications -Earmarked Reserve	0	0
ICT SharePoint Internet/Intranet - Earmarked Reserve	0	0
Earmarked Reserve	0	100
Community Fire Safety - Innovation Fund	78	78
Capital Receipts - Property	0	520
Capital Receipts - Vehicles	0	0
New Borrowing	885	3,866
Internal Financing	0	0
Revenue contributions to capital	0	5
Total	963	4569