



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE, CAPITAL AND PRUDENTIAL CODE MONITORING REPORT TO 30 NOVEMBER 2020

Report of the Chief Fire Officer

Date: 15 January 2021

Purpose of Report:

To report to Members on the 2020/21 financial performance of the Service and Prudential Code monitoring to the end of November 2020.

Recommendations:

It is recommended that Members:

- Note the content of this report.
- Approve the following amendments to the 2020/21 Capital Programme:
 - Approve the addition of the conference room sound system project costing £57k which will be funded from the Covid-19 grant (see section 2.29)
 - Approve the increase of £24k for the migration of SharePoint to a cloud based product (see section 2.30)
 - Approve the increase of £14k for air bag replacement (see section 2.38)

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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 £43.967m, which is a £1.398m underspend against the revised budget of £45.365m. In summary this relates to:
 - £376k relates to Section 31 grants which have not all yet been fully allocated (see paragraph 2.15 – 2.18). Unspent funding at the year end will be transferred to earmarked reserves.
 - £1.022m relates to general underspends (mostly relating to vacancies in wholetime pay pending recruitment). Of this, £274k will be an adjustment to earmarked reserves (see paragraph 2.25) and the remaining £748k is will increase the balance on the general fund.

Table 1 – Summary Expenditure and Funding Position

	2020/21 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	45,165	45,365	43,967	(1,398)
RSG/Council Tax/Business Rates	(44,891)	(44,891)	(44,891)	0
General Fund Reserves	0	0	748	748
Covid-19 Grant Reserve	0	0	231	231
Grenfell Infrastructure Improvements Grant Reserves	0	0	63	63
Building Risk Review and Protection Uplift Grant Reserves	0	0	82	82
Earmarked Reserves	(274)	(474)	(200)	274
Total	0	0	0	0

- 2.2 The underspend position has reduced from the £1.523m reported to Fire Authority in November. Some minor projects that were planned for 2021/22 have been brought forward to 2020/21 to offset the underspend. These included the purchase of replacement Occupational Health software, replacement gym equipment and updated software to give better functionality for the drone which is jointly operated with the police.
- 2.3 A more detailed analysis of expenditure can be found at Appendix A. Major variances on specific budgets are shown below.
- 2.4 **WHOLETIME PAY:** total wholetime pay is forecast to underspend by £953k. This has been caused by a higher than anticipated level of vacancies due to the wholetime training course being delayed until April 2021. The impact of the under establishment is being partially offset by 14 individuals migrating from on-call during September and October. Even with these additional posts, unfilled posts are anticipated to reach 9 by the end of the financial year. The underspend has reduced compared to the amount reported in November due to £389k of the budget being approved to be transferred to fund a number of non-pay related projects, including building maintenance, scanners and guide lines.
- 2.5 Overtime was originally planned to help cover the vacancies. However, as the number of Covid-19 cases has increased across the County this is no longer considered to be a viable solution as the mixing of watches increases the risk of the spread of Covid-19 across the workforce.

- 2.6 **ON-CALL PAY:** overall, on-call pay is anticipated to overspend by £183k against the original budget, but £113k of this directly relates to additional costs that can be offset by the Covid -19 grant. There was also a high level of payments brought on by the increased availability as people being furloughed from their primary employment in the Spring lockdown.
- 2.7 **NON-UNIFORMED PAY:** non-uniformed pay is expected to overspend by £206k (after compensating for secondment income and posts being funded from grants). The budget assumed that staff would receive a pay award of 2%. The final agreed increase was 2.75%, which resulted in additional costs of £50k. Some temporary posts that were to be funded from earmarked reserves are now being funded from the revenue budget to preserve the earmarked reserves to fund transformational projects in future years.
- 2.8 **PENSION COSTS:** there is a net forecast underspend of £38k relating to ill health charges and injury pension costs.
- 2.9 **TRAINING COSTS:** the forecasted underspend of £179k relates to the reduction in external training due to Covid-19 and the possibility that future training will be undertaken online rather than face to face.
- 2.10 **PREMISES COSTS:** the forecasted overspend is £98k. The underspend has reduced from the amount reported in November due to an additional £200k being transferred to the premises budgets for maintenance.
- 2.11 £44k of the overspend is due to business rates being higher than expected at budget time. Contract cleaning costs are expected to increase by £48k during 2020/21 due to the enhanced cleaning regimes that have been brought in to help prevent the spread of Covid-19. £13k of this will be funded from the Covid-19 grant. The amount spent on cleaning materials will increase by around £29k. This will also be funded from the Covid-19 grant.
- 2.12 **TRANSPORT COSTS:** are forecasted to underspend by £46k. Travel related expenses have significantly reduced due to Covid-19 (£122k) and fuel is anticipated to underspend by £70k. There is an overspend on the fleet maintenance of £143k which mainly relates to the savings identified from the new contract not being fully realised in the year, due to backlog of maintenance works.
- 2.13 **SUPPLIES AND SERVICES COSTS:** Supplies and Services are forecasted to overspend by £98k. This net overspend is comprised of the following variances:
- The budgets for smoke alarms and community safety equipment are expected to underspend by £57k 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.

- The breathing apparatus budget is expected to overspend by £44k due to the purchase of new fire hoods, however this expenditure will be funded from the Grenfell grant (see paragraph 2.17).
- The budgets for ICT software, hardware and software maintenance contracts are expected to overspend by £90k. £15k of this expenditure relates to a project to upgrade the software for the drone to increase its availability. This project was initially planned for 2021/22 but has been brought forward. The remaining £75k overspend relates to work to facilitate effective home working, and will be funded from the Covid-19 grant.

2.14 **THIRD PARTY PAYMENTS** £89k of the £103k overspend is 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.

2.15 **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 estimated spend as at the end of September is shown in Table 2 below.

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

Expenditure	Actual to Nov £'000	Estimated spend 20/21 £'000
Non-Uniformed Pay	49	121
Operational Pay and Overtime	5	5
On Call Firefighters Other Work	73	119
Cleaning Materials / Decontamination Supplies	60	84
Operational Equipment Uniforms and PPE	44	58
Other	31	70
ICT Infrastructure and Licencing	144	178
Total	407	636

2.16 Grant allocation is undertaken and monitored by the Strategic Leadership Team. 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.

2.17 The Service has received a £101k Grenfell Infrastructure Improvements grant, which is to fund the delivery of outcomes against the relevant findings from the Grenfell phase 1 inquiry. So far £38k of expenditure has been funded from

this grant. It is expected that the unspent balance will be carried forward to 2021/22, and this has been reflected in the estimated outturn for the earmarked reserves.

- 2.18 The Service has also received two other Grenfell related grants for Building Risk Review (£60k) and Protection work (£92k). Again, any unspent grant at year end will be transferred into earmarked reserves.
- 2.19 **CAPITAL CHARGES:** the total forecast overspend is £71k. Minimum Revenue Provision is underspent by £16k due to the slippage of £4m from the capital programme in 2019/20. There is an additional £87k of capital expenditure funded from revenue contributions, but this will be funded from the Covid-19 grant.
- 2.20 There is a forecasted deficit of £80k on interest receivable following a significant drop in interest rates. There was significant market uncertainty during the early part of the year. To protect the services cashflow, cash was kept in shorter term investments which attract lower rates of interest. Interest charges on debt 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 loan 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

- 2.21 Details of the use of reserves during 2020/21 can be found in Appendix B.
- 2.22 Expected levels of reserves at 31 March 2020 are £10.7m 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	4,329	(122)	4,207
Expected transfers to reserves (unallocated grants)	177	376	553
General Fund ¹	4,989	748	5,737
Total	9,495	1,002	10,497
ESMCP ² Regional Reserve	255	(78)	177
Total	9,750	924	10,674

¹ Provisional general fund figure ² Emergency Services Mobile Communications Programme

- 2.23 The Emergency Services Mobile Communications Programme (ESMCP) regional reserve has been shown separately to those reserves held by the Authority to reflect that the funds are to be allocated regionally and do not belong to Nottinghamshire Fire and Rescue Service (NFRS).
- 2.24 The general reserve is predicted to be £5.7m at the end of the financial year. This is above the minimum level of £4.5m agreed by Fire Authority in November 2020. This provides the Authority with an element of security and flexibility given the financial uncertainties in 2021/22 and beyond.
- 2.25 The original budget approved by members in February 2020 reflected the planned use of £274k of earmarked reserves. This related to expenditure from the Transformation and Collaboration Reserve which was approved by Fire Authority in December 2019. The purpose of the reserve is to support the Strategic Plan in line with the Transformation and Efficiency Strategy. Almost £890k of the reserve has been allocated out to projects by the Strategic Leadership Team (SLT) to date. However, the 2020/21 expenditure on these projects will now be funded from underspends which will help sustain the earmarked reserve so that it can provide funding for transformational projects in future years.
- 2.26 It was agreed at the November Fire Authority as part of the Medium Term Financial Strategy to re allocate the Capital reserve of £1,038m.

Earmarked Reserve	£
Capital Reserve	(1,038,419)
Covid Recovery Reserve	600,000
Community Fire Safety Innovation Fund	24,279
Transformation and Collaboration	413,140

CAPITAL PROGRAMME

- 2.27 The revised capital budget for 2020/21 is £5.873m. The total capital spend to date is £1.963m and the forecast outturn expenditure is £4.107m. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

- 2.28 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. Expenditure is expected to be in the region of £936k by the end of the year. The replacement equipment budget included a project to improve digital storage in preparation for the Head Quarters move. An alternative solution has now been found which will save £100k which is likely to be slipped to 2021/22 to fund other projects.

- 2.29 ICT expenditure related to Covid is currently forecasted at £87k. In May, additional expenditure of £30k on equipment was approved to help the organisation cope with home working during lockdown. £57k of the Covid-19 Government Grant has been allocated to purchase a sound system to improve conferencing facilities at Head Quarters to assist with socially distanced meetings. The system will be transferred to the new Head Quarters when it opens. Approval is sought to add this project to the Capital Programme.
- 2.30 The SharePoint software support for security updates will soon no longer be supported by Microsoft. The project needs to be replaced and migrated to the cloud. As part of the Joint Headquarters Programme, an attempt is being made to move as many of the On-Premise systems to the Cloud or other locations. Additional funding of £24k is requested for this work.

ESTATES

- 2.31 The property programme flows directly out of the Property Strategy.
- 2.32 The joint Headquarters project is progressing well. Building work is on schedule to be completed in December 21. The refurbishment of the existing Sherwood Lodge Accommodation is under design review which should be completed and ready for tender in May 2021. The planning for the decant from Bestwood Lodge is underway with options for the site disposal being explored. Additional works linked to this project to relocate NFRS Stores and the Incident Command Training Centre will commence in late 2021.
- 2.33 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. An offer to purchase a new site has been accepted and is undergoing legal proceedings. The design for the new station is underway and it is anticipated that the tendering process will commence in February 2021. Additional costs have been identified mainly due to the inclusion of renewable energy devices (Air Source Heat Pump) and self-generated electrical power. The site also requires piled foundations due to deep buried made-up ground. It may be necessary to request an increase the budget for the project once the outcome of the tender process is known.
- 2.34 The London Road project is completed and the underspent budget of £12k is not required to be slipped into 2021/22.

EQUIPMENT

- 2.35 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 which have now been delivered (£38k).

- 2.36 The structural personal protection equipment (PPE) and lightweight jackets are now operational, the underspend of £74k is not required to be slipped into 2021/22.
- 2.37 The CCTV project has gone out to tender and bids have been received, the contract is due to be awarded shortly. The majority of expenditure will be committed in this financial year, but some vehicles may have the CCTV upgrade/installation in the first quarter of the new financial year.
- 2.38 Air bag replacement: The project business case is now complete, trials have taken place with an alternative system being recommended as a result. The alternative system costs an additional £14k and approval is requested to fund this additional cost.

TRANSPORT

- 2.39 The fleet replacement programme is derived from the Fleet Strategy and reflects current and future expected demand.
- 2.40 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. This project is now complete.
- 2.41 The light vehicles have been ordered, due to lead time 14 vehicles will now not be delivered until 26th April 2021, all other vehicles are currently expected to be delivered by the end of the year. Therefore at this stage it is anticipated that £180k will be required to slip into 2021/22.

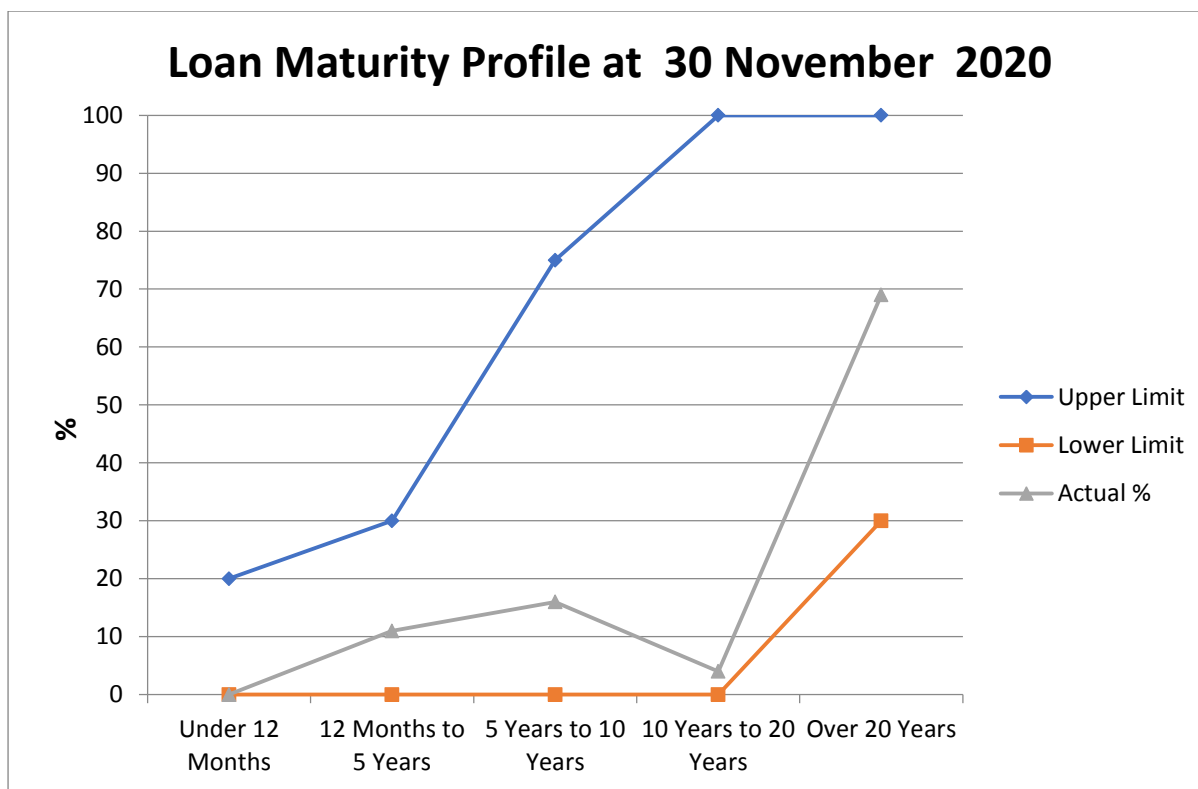
PRUDENTIAL CODE MONITORING

- 2.42 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
- 2.43 The approved indicators along with performance as at 30 November 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 30 Nov 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		£26,983,493
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
12 months to 5 years	Upper 30% Lower 0%	See Graph
5 years to 10 years	Upper 75% Lower 0%	See Graph
Over 10 years	Upper 100% Lower 0%	See Graph
Over 20 years	Upper 100% Lower 30%	See Graph
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000	0
Upper limit for internal borrowing as a % of the Capital Financing Requirement	20%	7.00%

- 2.44 The total borrowing at the end of November 2020 was £27m which is within the operational and authorised limits set out in table 4 below. 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.
- 2.45 The loan maturity profiles are all within the limits set. These are best demonstrated by graph:



2.46 Investments as at 30 November 2020 totalled £11.5m. 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 September 2020, NFRS weighted average rate of return is 0.21%, the average of the group is 0.28%.

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 content of this report.

10.2 Approve the following amendments to the 2020/21 Capital Programme:

- Approve the addition of the conference room sound system project costing £57k which will be funded from the Covid-19 grant (see section 2.29)
- Approve the increase of £24k for the migration of SharePoint to a cloud based product (see section 2.30)
- Approve the increase of £14k for air bag replacement (see section 2.38)

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

None.

John Buckley
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 30 NOVEMBER 2020**

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	36,495	35,712	23,658	35,275	(437)
Premises	2,564	2,799	1,974	2,897	98
Transport	1,637	1,637	1,562	1,591	(46)
Supplies & Services	3,570	3,764	3,132	3,862	98
Third Party	783	783	48	886	103
Support Services	191	191	141	191	0
Capital Financing Costs	2,573	2,549	2,085	2,668	119
Fees and Charges	(405)	(405)	(197)	(482)	(77)
Other Income	(2,244)	(1,665)	(2,761)	(2,921)	(1,256)
Net Cost	45,165	45,365	29,642	43,967	(1,398)
Financed by:					
Government Funding	(12,699)	(12,699)	(9,056)	(12,699)	0
Non-Domestic Rates	(3,778)	(3,778)	(2,648)	(3,778)	0
Council Tax	(26,074)	(26,074)	(18,252)	(26,074)	0
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	0
Earmarked Reserves	(274)	(474)	(178)	(200)	274
Transfer to Reserves (unallocated grants)	0	0	0	376	376
Transfer to General Reserve	0	0	0	748	748
Funding Total	(45,165)	(45,365)	(32,474)	(43,967)	1,398
Total	0	0	(2,832)	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
Resilience Crewing and Training	333	(83)	250
Prevention Protection and Partnerships	252	(1)	251
Business Systems and Development	59	0	59
Capital Reserve	1,038	(1,038)	0
ESN reserves	1,327	(93)	1,234
Transformation and Collaboration	1,387	413	1,800
Operational	188	0	188
Covid-19 Recovery	0	600	600
Covid-19 Grant	177	231	408
Grenfell Infrastructure Improvements	0	63	63
Protection Uplift and Building Risk Review	0	82	82
Total	4,761	174	4,935
General Reserve	4,989	748	5,737
Total Reserves	9,750	922	10,672

* Emergency Services Mobile Communications Programme

APPENDIX C

CAPITAL - BUDGET MONITORING REPORT - NOVEMBER

CAPITAL PROGRAMME	Approved Budget 2020/21	Approved Changes to Budget 2020/21	Revised Budget 2020/21	Expenditure	(Under)/ Over Budget	Estimated Outturn to the end of March 2021	Outturn Variance
ICT & COMMUNICATIONS							
HR System Upgrade	51		51	10	-41	51	
Business System Development		20	20		-20	20	
Business Process Automation	50	33	83	37	-46	83	
Mobile Computing	75	25	100	21	-79	100	
HQ - Link ICT Replacement	100		100	9	-91	100	
Cyber Security	20	17	37		-37	37	
ICT SharePoint Internet/Intranet		26	26	4	-22	50	24
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 Related Projects		30	30	87	57	87	57
Replacement Equipment	250		250	130	-120	150	-100
	546	409	955	313	-642	936	-19
ESTATES							
Joint Headquarters Project	2,500	239	2,739	1,070	-1,669	1,965	-774
Air Conditioning - London Road		40	40	28	-12	28	-12
Workshop Fire, Police and Ambulance Station Project (capital – strategic new build project)	500	100	600	94	-506	50	-550
Newark Fire Station		10	10	4	-6	10	
Hucknall Fire Station	11	158	169	3	-166	169	
	3,011	547	3,558	1,200	-2,358	2,222	-1,336
EQUIPMENT							
CCTV - vehicles	40	160	200		-200	100	-100
Structural PPE		230	230	178	-52	200	-30
Helmets		170	170	172	2	172	
Lightweight Fire Coat		74	74	30	-44	30	-44
Air Bag Replacements	70		70		-70	84	14
	110	634	744	380	-364	586	-160
TRANSPORT							
Vans & Other Light Vehicles	226	172	398		-398	218	-180
Resilience Crewing and Training - Earmarked Reserves		70	70	70		70	
Rescue Pumps	95	53	148		-148	75	-73
	321	295	616	70	-546	363	-253
	3,988	1,885	5,873	1,963	-3,910	4,107	-1,768

TO BE FINANCED BY	Actual	Estimated Outturn
Community Fire Safety - Innovation Fund	70	70
Capital Receipts - Property	0	520
Internal Financing	1,893	3,425
Revenue contributions to capital		92
Total	1,963	4,107