



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 31 MAY 2019

Report of the Chief Fire Officer

Date: 28 June 2019

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2019/20 to the end of May 2019.

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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 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.
- 1.3 This report includes monitoring against the prudential indicators set out by Fire Authority in February 2019. This has previously been reported separately to this Committee, but given that the indicators are related to capital expenditure it is beneficial to review monitoring in both these areas on the same report.

2 REPORT

REVENUE BUDGET

- 2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £41.689m against a revised budget of £42,864m. The revised budget reflects the planned use of £167k 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	42,697	42,864	41,689	(1,175)
Income	(41,457)	(41,457)	(41,457)	0
General Fund Reserves	(1,240)	(1,240)	(65)	(1,175)
Earmarked Reserves	(0)	(167)	(167)	0
Total	0	0	0	0

- 2.2 A more detailed analysis of expenditure can be found at Appendix A.
- 2.3 At this early stage in the year, the forecast outturn is difficult to determine as it is likely to change as the year progresses. This being said, the underspend position of £1.175m is considerably larger that would be

expected. However, some of the underspend is due to large one items of additional income or savings that have been identified since the budget was set. Officers have also made a concerted effort to identify ongoing savings.

- 2.4 The budgets allowed for a contingency to the value of approximately £200k to support the day crewing project should it be in a position that it was unable to go live in April 2019. The project was delivered on time and this was not needed.
- 2.5 Termination payments of £647k for the Joint Control Room merger and the planned closure of the Prince's Trust Programme were accounted for in the 2018/19 financial year to comply with the relevant accounting standard relating to termination payments. This expenditure was originally expected to be met in 2019/20.
- 2.6 The Service receives grant from central government to compensate for loss of income from National Non-Domestic Rates (NNDR) where this is caused by government policy. An example of this is where small business rate relief is given. At the time budgets are set, this grant is not known and is difficult to estimate as some of the indexing and multiplier figures used to calculate the grant are not available, although precepting authorities do provide us with an estimate using the information they have. The 2019/20 grant figures were released in May and the service will receive £672k, which is £233k above the estimate used in the budget.
- 2.7 These one-off savings account for over £1m of the forecast underspend.
- 2.8 In addition to this the successful procurement of the photocopier and fleet maintenance contracts have delivered ongoing savings of £40k and £60k respectively.
- 2.9 A further £27k of savings have been identified from various smaller initiatives resulting in ongoing budget reductions.
- 2.10 These £127k ongoing savings not only reduce the need to use the general fund to cover the deficit in 2019/20, they also provide a starting point to make the necessary savings to balance the budget in 2020/21.
- 2.11 Sections 2.3 to 2.10 discuss some of the underlying reasons for the underspend position. Major variances on specific budgets are shown below.
- 2.12 **Wholetime pay:** the total forecast underspend on wholetime pay is £130k. There are underspends on basic pay – see 2.3 above. There is also an underspend on employer's superannuation due to a number of temporary acting ups being forecasted throughout the year. these do not attract superannuation.
- 2.13 **On-call pay:** This overall on-call pay budget is expected to underspend by £322k. The most significant area of underspend relates to drills and training, which is forecast to underspend by £298k. This is largely due to a

reduction in the number of planned recruitment courses and lower numbers of on call staff than was included in the budget.

- 2.14 **Non-uniformed pay:** non-uniformed pay is expected to underspend by £367k this is due to 10 vacant posts at the end of May.
- 2.15 **Pension costs:** the forecast underspend is £137k. £121k of this underspend relates to ill health charges. These charges 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 one lower tier ill health retirement. This budget will be monitored closely and any changes will be reported.
- 2.16 At the time of setting the budget, it was known that the employer's pension costs were due to increase by somewhere in the region of £2.2m. This would be partially offset by a Home Office grant of £2m. When the final percentage increases were announced in March, the additional costs were £2.57m. In response, the Home Office have increased the grant to £2.34m leaving an additional £23k to be met by NFRS. Whilst this can be contained within 2019/20 budgets, it does leave additional uncertainty for future years where it is not certain that the grant will be paid on an ongoing basis.
- 2.17 **Prince's Trust income:** The overall forecast net deficit relating to the Prince's Trust Programme is £25k in 2019/20. The decision was made by the Policy and Strategy Committee in February 2019 to draw the programme to a close during 2019/20, and the current team will be the last.
- 2.18 **Capital Financing Costs: Minimum Revenue Provision:** the budget for the minimum revenue provision (MRP) charge is expected to underspend by £72k. The budget for the MRP charge was calculated in the autumn of 2018 and was based on estimated capital expenditure for 2018/19 of £3,227k (allowing for a further 10% slippage). The actual capital expenditure for the year was £1,075k resulting in a higher level of slippage than anticipated for 2018/19. This has resulted in an underspend for 2019/20 of £72k.

RESERVES

- 2.19 Details of the use of reserves during 2019/20 can be found in Appendix B.
- 2.20 Expected levels of reserves at 31 March 2020 are £10.107m as detailed in Table 2 below.

Table 2 – Anticipated Movement in Reserves 2019/20

Reserves	Balance 01/04/19 £'000	Anticipated Use 2019/20 £'000	Expected Balance 31/03/20 £'000
Earmarked	4,645	(77)	4,568
General Fund	5,576	(65)	5,511
Total	10,221	(142)	10,079
ESMCP* Regional Reserve	118	(90)	28
Total	10,339	(232)	10,107

* Emergency Services Mobile Communications Programme

- 2.21 The General Reserve is predicted to be £5.511m at the end of the financial year. This remains above the minimum level of £3.9m agreed by Fire Authority on 15 February 2019.
- 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 NFRS. This further demonstrates the Authority's commitment to collaboration and regional working.

CAPITAL PROGRAMME

- 2.23 The current approved 2019/20 capital programme is £4.546m. The total spend to date is £137k, the forecast out-turn expenditure is £6.627m including slippage of £2.081m from 2018/19 which is still to be approved in the outturn report for 2018/19. The current capital programme is shown at Appendix C.

Transport

- 2.24 The Command Support Unit requires upgrading to allow it to perform in line with current operational procedures, the cost for this will be £50k.
- 2.25 NFRS and DFRS have also successfully collaborated on the use of the Hazardous Materials and Environmental Protection Unit (HMEPU). After initial difficulties in securing a contract to build the body, it has now been completed and we expect delivery of the Chassis in August, with completion of the new HMEPU in December 2019.
- 2.26 Initial orders for new electric vehicles were placed in September 2018, the Renault vans finally arrived in June 2019, the Kia souls have yet to be given a build date, estimated delivery given was late 2020. Therefore, NFRS has sourced an alternative electric vehicle, the Renault Zoe. Delivery of the Renault Zoe is expected later this year.

Equipment

- 2.27 The updated Breathing Apparatus (BA) communication equipment has been delayed to allow proper testing of the equipment. This has been done collaboratively with Derbyshire Fire and Rescue Service (DFRS) who operate with the same BA kits as Nottinghamshire. Working collaboratively is expected to deliver savings in the region of £20k.
- 2.28 The drums and hose have now been delivered (£45k) and the conversion of hose reel equipment project can now commence.
- 2.29 CCTV in vehicles - this is a major project that, due to resourcing issues, has been delayed into 2019/20.
- 2.30 The lightweight jacket project is being amalgamated with the structural Personal Protection Equipment (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. The order for the jackets has now been placed and the expected delivery of both the Structural PPE and Lightweight jackets will be in September 2019, this is due to extended delivery timings due to the pressures placed on the framework.

Estates

- 2.31 The new Newark Fire Station is now complete and operational. The demolition of what's left of the old fire station will be completed by the end of July 2019. It was identified that notifiable asbestos increased from the original tender documentation this has resulted in an increase in cost to remove the asbestos. This can be contained within the existing budget.
- 2.32 The disposal of the old fire station land will be the subject of an options report to the Finance and Resources Committee.
- 2.33 The Retained Duty System station in Hucknall is being co-located with the East Midlands Ambulance Service (EMAS) station in Hucknall. Again, the collaborative approach has taken longer to deliver than originally anticipated but leases have now been signed and work is commencing.
- 2.34 The initial work for a new Worksop Fire Station is currently on hold. 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.
- 2.35 The joint Headquarters work continues with the design of the new build which will form part of the Joint Headquarters at Sherwood Lodge. The project is expected to be complete ready for procurement through a traditional single

stage tender process in October 2019. Construction is due to commence in April 2020 with completion in October 2021.

ICT

- 2.36 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.37 Business Process Automation – this budget has been used to finance ICT Strategic developments, most notably small digital transformation projects related to the implementation of the new Microsoft SharePoint workflows.
- 2.38 Performance Management – the Performance Management Framework is a key project pulls together management information from the various systems across the organisation to assist managers in monitoring performance. Work is progressing well and it is anticipated to be delivered over the summer.
- 2.39 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. Work is continuing with a project end-date of January 2020.
- 2.40 The HQ Core Switch Upgrade project has placed on-hold after reviewing the long-term needs of the Service in relation to IT networking at HQ. No expenditure will be recorded during 2019/20; however, network architecture will be required during the 2019/20 Financial Year to support the Joint HQ project.
- 2.41 The ICT Capital Programme - Replacement Equipment is being utilised to maintain the current ICT infrastructure throughout the financial year.
- 2.42 The Tri-service project – Following the decision by Fire Authority on the joint control room, the Tri-Service contract with Systel is being reviewed to determine future requirements.
- 2.43 The Finance Agresso upgrade was due to commence during 2018/19 however due to regional timescales and priorities the project has been completed by Oct 2019.

PRUDENTIAL CODE MONITORING

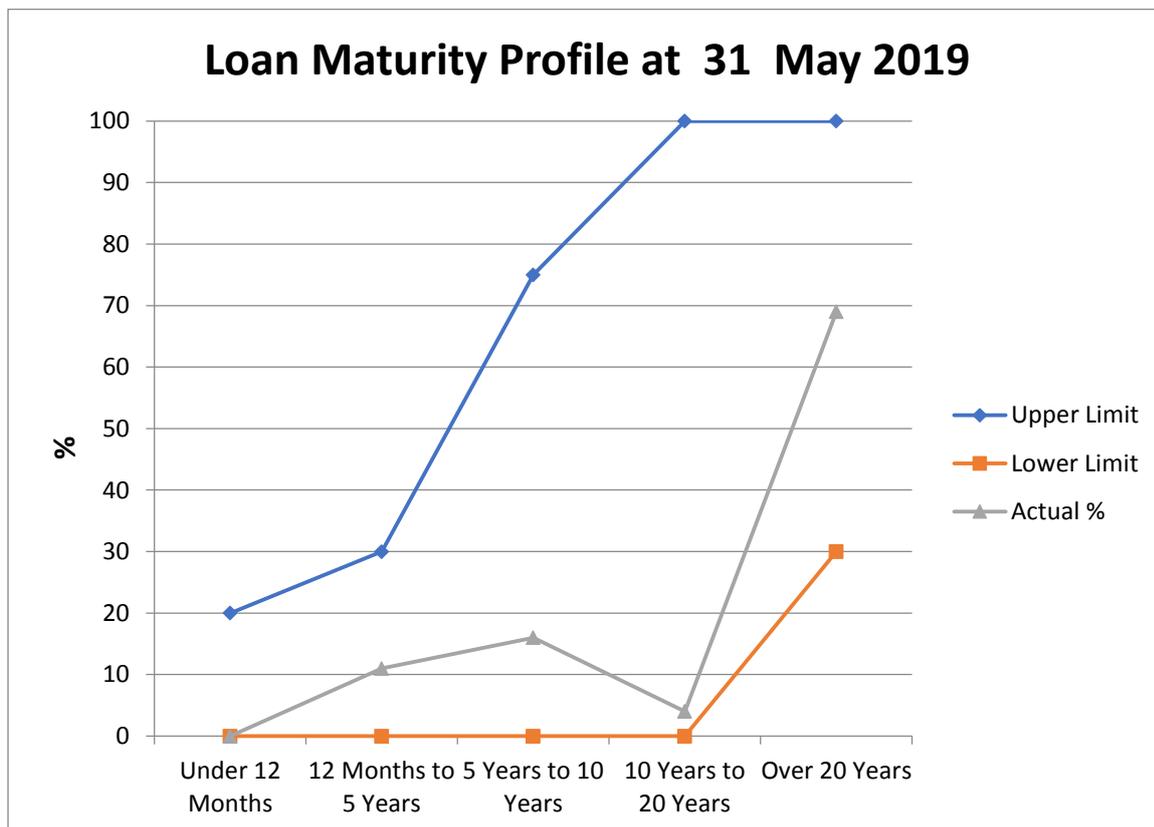
- 2.44 The Fire Authority approved the prudential indicators for 2019/20 at its meeting on 15 February 2019. The Prudential Code requires that performance against these indicators is reported to Members.
- 2.45 The approved indicators along with performance as at 31 May 2019 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Table 3 – Prudential Code Monitoring

Prudential Indicator	Approved Indicator	As at 31 May 2019
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.5%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£5,448,000	Year End Only
Actual Borrowing		£29,600,000
Estimate of Capital Financing Requirement	£30,098,000	£30,098,000
Operational Boundary	£30,600,000	£30,600,000
Authorised Limit	£33,660,000	£33,660,000
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 20% 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%	1.65%

2.46 Total borrowing at the end of May 2019 was £29.6m 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.

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



2.48 Investments as at 31 May 2019 totalled £9.05m. Investment rates are monitored within the benchmarking group supported by Link Asset Services. There are 7 councils and NFRS within the group, as at the end of March 2019, NFRS Weighted Average Rate of Return (WARoR) is 0.84% the average of the group is 0.86%.

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 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 31 MAY 2019

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	Variance against Revised budget £'000
Employees	35,686	36,523	5,255	35,635	(888)
Premises	2,484	2,492	354	2,515	23
Transport	1,677	1,680	431	1,681	1
Supplies & Services	3,583	3,767	697	3,562	(205)
Third Party	58	58	2	58	(0)
Support Services	191	191	89	191	(0)
Capital Financing Costs	2,488	2,416	1,511	2,399	(18)
Fees and Charges	(198)	(198)	(81)	(198)	(0)
Other Income	(3,274)	(4,065)	(762)	(4,156)	(87)
Net Cost	42,697	42,864	7,496	41,689	(1,175)
Financed by:					
RSG	(5,335)	(5,335)	(2,102)	(5,335)	0
Non-Domestic Rates	(10,829)	(10,829)	(1,011)	(10,829)	0
Council Tax	(25,293)	(25,293)	(2,529)	(25,293)	0
Reserves	(1,240)	(1,240)	(0)	(65)	(1,175)
Earmarked Reserves	0	(167)	(167)	(167)	0
Funding Total	(42,697)	(42,864)	(5,809)	(41,689)	(1,175)
(Under) / Over Spend	0	0	(1,687)	(0)	0

APPENDIX B

ESTIMATED RESERVE POSITION AT 31 MARCH 2020

Reserve	Opening Balance 01/4/19 £'000	Movement During 2018/19 £'000	Closing Balance 31/3/19 £'000
Prevention, Protection and Partnership	374	(49)	325
Resilience	537		537
Capital	1,037		1,037
Transition	714	(28)	686
Estates	0		0
Information, Communication and Technology (ICT)	1,352	(90)	1,262
Operational	415		415
Pension	309		309
Other	24		24
Total Earmarked Reserves	4,763	(167)	4,596
General Reserve	5,576	(65)	5,511
Total Reserves	10,399	(232)	10,107

APPENDIX C

CAPITAL - BUDGET MONITORING REPORT - MAY 2019

CAPITAL PROGRAMME	Budget Monitoring for 2019/2020						
	Approved Budget 2019/20 £'000	Slippage to be approved from 2018/19 £000	Revised Budget 2019/20 £000	Actual Expenditure £'000	Remaining Budget £'000	Estimated Outturn £'000	Outturn Variance £'000
ICT & COMMUNICATIONS							
Business System Development	50		50		-50	50	0
HQ Project (Enabling Works - ICT)	50		50		-50	50	0
Cyber Security	20		20		-20	20	0
Business Process Automation	50	11	61		-61	61	0
SharePoint Development		26	26		-26	26	0
HQ Core Switch Upgrade		30	30		-30	30	0
Finance Agresso Upgrade		45	45		-45	45	0
Performance Management System		10	10		-10	10	0
Mobile Computing	50		50		-50	50	0
Replacement Equipment	100	67	167	25	-142	167	0
	320	189	509	25	-484	509	0
ESTATES							
Joint Headquarters Project	250		250		-250	250	0
Worksop Fire, Police and Ambulance Station Project (capital – strategic new build project)	2,486	171	2,657		-2,657	2,657	0
Refurbishment and Rebuilding Fire Stations		110	110		-110	110	0
Hucknall Fire Station	200	361	561	3	-558	561	0
Newark Fire Station	75	242	317		-317	317	0
	3,011	884	3,895	3	-3,892	3,895	0
EQUIPMENT							
BA Sets		113	113		-113	113	0
Lightweight Fire Coat		180	180		-180	180	0
Conversion of Hose Reel Equipment				22	22		

	Approved Budget 2019/20 £'000	Slippage to be approved from 2018/19 £'000	Revised Budget 2019/20 £000	Actual Expenditure £'000	Remaining Budget £'000	Estimated Outturn £'000	Outturn Variance £'000
Structural PPE	850		850		-850	850	0
CCTV - vehicles	130	200	330		-330	330	0
	980	493	1,473	22	-1,451	1,473	0
TRANSPORT							
Special Appliances		150	150		-150	150	0
Vans & Other Light Vehicles	235	153	388	87	-301	388	0
	235	303	538	87	-451	538	0
CONTROL							
Emergency services Mobile Communications		41	41		-41	41	0
Tri- Service Control and Mobilising		171	171		-171	171	0
		212	212		-212	212	0
	4,546	2,081	6,627	137	-6,490	6,627	0

TO BE FINANCED BY	Actual	Estimated Outturn
Capital Grant - General	0	0
Capital Grant – Tri Service Control	0	0
Emergency Services Mobile Communications -Earmarked Reserve	0	0
ICT SharePoint Internet/Intranet - Earmarked Reserve	0	0
Community Fire Safety - Innovation Fund	0	0
Capital Receipts - Property	0	0
Capital Receipts - Vehicles	0	0
New Borrowing	137	6,627
Internal Financing	0	0
Revenue contributions to capital		
Total	137	6,629