



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 AUGUST 2019

Report of the Chief Fire Officer

Date: 11 October 2019

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2019/20 to the end of August 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 £41.885m, a £1.165m underspend against the revised budget of £43.050m. The revised budget reflects the planned use of £353k 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	43,050	41,885	(1,165)
Income	(41,457)	(41,457)	(41,457)	0
General Fund Reserves	(1,240)	(1,240)	(75)	(1,165)
Earmarked Reserves	(0)	(353)	(353)	0
Total	0	0	0	0

- 2.2 A more detailed analysis of expenditure can be found at Appendix A.
- 2.3 The underspend position remains very similar to that reported to this Committee on 28 June 2019 (£1.175m). The June report provided details

of significant one-off items of additional income or savings that have contributed to the underspend. These are summarised below:

- The budgets contained a contingency of £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.
- 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.
- 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. The 2019/20 grant figures were released in May and the service has received £672k, which is £233k above the estimate used in the budget.

2.4 In addition to these one-off savings, ongoing savings were identified through the successful procurement of the photocopiers (£40k), fleet maintenance (£60k) and £27k from various smaller initiatives resulting in ongoing budget reductions.

2.5 An additional £72k saving has been identified in Minimum Revenue Provision (the amount required to pay back the debt costs for the capital programme). Ongoing savings are now in the region of £200k which will contribute to reducing the £800k identified deficit for 2020/21.

2.6 Sections 2.3 to 2.5 discuss some of the underlying reasons for the underspend position. Major variances on specific budgets are shown below.

2.7 **Wholetime pay:** After taking account of income to cover external secondments, there is a £560k underspend on operational wholetime pay. This is due to:

- The £200k day crewing contingency which is no longer required (see 2.3). It is recommended that this budget is vired to wholetime overtime which is under pressure due to a high level of long term sickness. The sickness level is being closely monitored;
- £205k of senior wholetime vacancies which have been filled with non-uniformed staff. A virement between wholetime and non-uniformed pay is recommended to correct the budgets;
- £126k underspend on superannuation costs caused by a number of posts being filled by temporary promotions, which do not attract superannuation payments.

2.8 **On-call pay:** This overall on-call pay budget is expected to underspend by £214k. The most significant area of underspend relates to drills and training, which is forecast to underspend by £336k. 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. It is requested that £35k of the underspend is vired to on call superannuation which anticipated to overspend due to the new rates announced in March. A further virement of £65k is requested to on call community safety work which was identified as a priority in the Strategic Plan and an area requiring improvement in the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection.

- 2.9 **Non-uniformed pay:** non-uniformed pay is expected to underspend by £120k this is due to 16 Full Time Equivalent (FTE) vacant posts which equate to a vacancy factor of 7.6% against the 1.5% included in the budget.
- 2.10 **Transport costs :** the forecasted overspend of £48k mainly relates to the backlog vehicle maintenance that was outsourced last financial year due to the former contractor not being able to fully fulfil the contractual terms and therefore delaying the works.
- 2.11 **Supplies and services Costs:** the savings made through the photocopier and fleet maintenance contracts (see 2.4) have been offset by some smaller overspends relating to the production of fire protection leaflets, general Insurance premiums, Fire Link and CFOA subscriptions all coming in higher than anticipated at budget time.
- 2.12 **Prince's Trust income:** The overall forecast net deficit relating to the Prince's Trust Programme is £47k in 2019/20. This is comprised of a £167k deficit in funding and a £36k overspend relating to pension strain, offset by underspends against various expenditure budgets of £155k. The decision was made by the Policy and Strategy Committee in February 2019 to draw the programme to a close during 2019/20. The programme has now ceased and the staff have been made redundant.
- 2.13 **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 also resulted in an underspend on interest payments of £48k.

RESERVES

- 2.14 Details of the use of reserves during 2019/20 can be found in Appendix B.
- 2.15 Expected levels of reserves at 31 March 2020 are £9.910m 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	(250)	4,395
General Fund	5,576	(75)	5,501
Total	10,221	(325)	9,896
ESMCP* Regional Reserve	118	(104)	14
Total	10,339	(429)	9,910

* Emergency Services Mobile Communications Programme

- 2.16 The General Reserve is predicted to be £5.501m at the end of the financial year. This remains above the minimum level of £3.9m agreed by Fire Authority on 15 February 2019.
- 2.17 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.

CAPITAL PROGRAMME

- 2.18 The current approved 2019/20 capital programme is £4.546m. The total spend to date is £425k, the forecast out-turn expenditure is £6.202m including slippage of £2.081m from 2018/19. The current capital programme is shown at Appendix C.

ICT

- 2.19 Business Systems Development (£50K) – this budget will be used to finance developments of key corporate systems such as CFRMIS and to procure a replacement rostering solution for the Service. Work has not yet commenced on this project.
- 2.20 Cyber Security (£20K) – this budget will be used to finance ICT Security developments, most notably small projects related to the implementation improved security for the Service.
- 2.21 Business Process Automation (£61K) – 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.
- 2.22 ICT SharePoint Internet/Intranet (£26K)– 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 March 2020.

- 2.23 The Head Quarters (HQ) Core Switch Upgrade (£30k) project has been under review to ensure the project meets the long-term needs of the Service at the new HQ. Work on the project has now commenced.
- 2.24 The Finance Agresso upgrade (£45k) is well underway and is due to be completed during November 2019.
- 2.25 Performance Management (£10K) – 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 roll-out of operational reports to service delivery managers is being planned during the autumn of 2019.
- 2.26 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.27 The ICT Capital Programme - Replacement Equipment is being utilised to maintain the current ICT infrastructure throughout the financial year. Expenditure already been made on the procurement of new laptops for Station personnel to support the collection of Safe & Well data.
- 2.28 The Tri-service project – Following the decision by Fire Authority to create a joint control room with Derbyshire Fire and Rescue Service, the Tri-Service contract with Systel is being reviewed to determine future requirements.

ESTATES

- 2.29 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.
- 2.30 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. This will change the profile of expected expenditure which will be reviewed once the access rites have been confirmed.
- 2.31 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 due to be completed in October 2019.

- 2.32 The new Newark Fire Station is now complete and operational. The demolition of what's left of the old fire station has been completed. 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.
- 2.33 The disposal of the old fire station land will bring in a capital receipt and be the subject of an options report to the January 2020 Finance and Resources Committee.

EQUIPMENT

- 2.34 Conversion of Hose Reel Equipment The hose and storage drums have been delivered Work to install them onto fire appliances is about a third complete. This project was due to be completed in 2018/19. At the end of the year there was an underspend of £84k. Of this, £22k should have been slipped into 2019/20 to cover a final delivery of equipment. This will now be funded as part of the 2019/20 programme.
- 2.35 The updated Breathing Apparatus (BA) communication equipment has been delayed allowing 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 £8k. Delivery date is expected to be the end of September 2019 and rolled out by the end of November.
- 2.36 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 January 2020.
- 2.37 CCTV in vehicles (£330k) – This project is now ready to commence but due to the value of the project a full OJEU (Official Journal of the European Union) procurement exercise is required which will mean that expenditure will not be incurred until 2020/21. Slippage is requested for this project.

TRANSPORT

- 2.38 The Command Support Unit requires upgrading to allow it to perform in line with current operational procedures, the cost for this will be £70k.
- 2.39 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 the chassis is expected to be delivered in September, with completion of the new HMEPU in January 2020.

2.40 Initial orders for new electric vehicles were placed in September 2018, the Renault vans arrived in June 2019, the Renault Zoe have now been delivered and will be operational October 2019.

PRUDENTIAL CODE MONITORING

2.41 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.

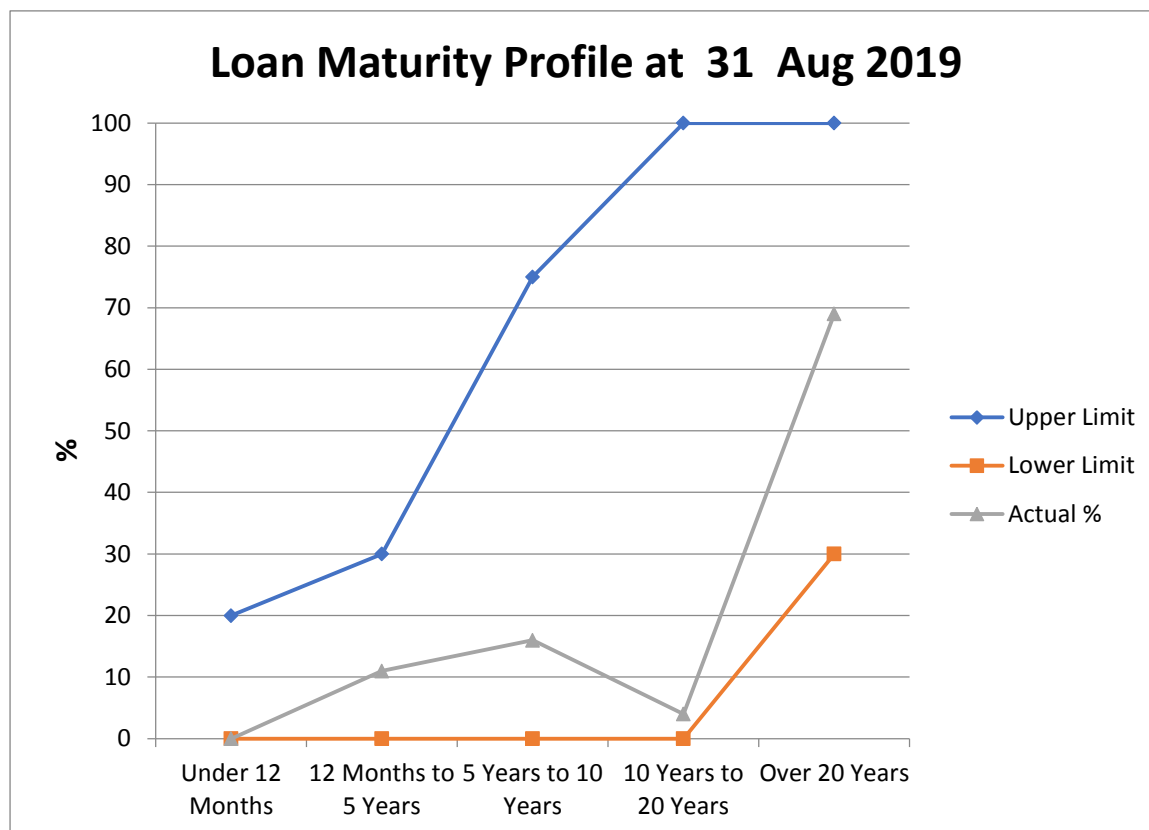
2.42 The approved indicators along with performance as at 31 August 2019 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Table 3 – Prudential Code Monitoring

Prudential Indicator	Approved Indicator	As at 31 August 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		£25,600,000
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%

2.43 Total borrowing at the end of August 2019 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.

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



2.45 Investments as at 31 August 2019 totalled £15.0m. 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 June 2019, NFRS Weighted Average Rate of Return is 0.89% the average of the group is 0.89%.

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

It is recommended that Members:

- 10.1 Note the content of this report;
- 10.2 Approve virements as detailed in Table 4 below:

Table 4 – Budget Virements for Approval

From	To	Amount £'000	Paragraph Reference
Wholetime Pay	Operational Overtime	200	2.7
Wholetime Pay	Non-Uniformed Pay	205	2.7
On-Call Drills and Training	On-Call Superannuation	35	2.8
On-Call Drills and Training	On-Call Community Safety Work	65	2.8

- 10.3 To re-instate the £22k Conversion of Hose Reel equipment into the 2019/20 capital programme (section 2.34);
- 10.4 Approve the slippage of £313k for the CCTV in vehicles capital project (section 2.37).

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

REVENUE BUDGET MONITORING POSITION AS AT 31 August 2019

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	35,686	35,738	14,669	35,237	(501)
Premises	2,484	2,486	1,005	2,507	21
Transport	1,718	1,856	739	1,905	48
Supplies & Services	3,542	4,809	1,730	4,806	(3)
Third Party	58	58	15	58	(0)
Support Services	191	191	102	191	(0)
Capital Financing Costs	2,488	2,416	1,554	2,367	(48)
Fees and Charges	(198)	(448)	(168)	(452)	(4)
Other Income	(3,274)	(4,057)	(3,429)	(4,735)	(678)
Net Cost	42,697	43,050	16,216	41,885	(1,165)
Financed by:					
RSG	(5,335)	(5,335)	(3,072)	(5,335)	0
Non-Domestic Rates	(10,829)	(10,829)	(4,618)	(10,829)	0
Council Tax	(25,293)	(25,293)	(10,112)	(25,293)	0
Reserves	(1,240)	(1,240)	(0)	(75)	(1,165)
Earmarked Reserves	0	(353)	(353)	(353)	0
Funding Total	(42,697)	(43,050)	(18,155)	(41,885)	(1,165)
(Under) / Over Spend	0	(0)	(1,939)	(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	(30)	325
Resilience	537		537
Capital	1,037		1,037
Transition	714	(50)	686
Estates	0		0
Information, Communication and Technology (ICT)	1,352	(273)	1,076
Operational	415		415
Pension	309		309
Other	24		24
Total Earmarked Reserves	4,763	(353)	4,409
General Reserve	5,576	(75)	5,501
Total Reserves	10,339	(428)	9,910

APPENDIX C

CAPITAL - BUDGET MONITORING REPORT - AUGUST 2019

	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
CAPITAL PROGRAMME							
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	25	-36	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	64	-103	167	0
	320	189	509	89	-420	509	0
ESTATES							
Joint Headquarters Project	250		250		-250	250	0
Workshop 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	115	-558	561	0
Newark Fire Station	75	242	317	69	-317	317	0
	3,011	884	3,895	184	-3,892	3,895	0
EQUIPMENT							
BA Sets		113	113		-113	108	-5
Lightweight Fire Coat		180	180		-180	180	0
Conversion of Hose Reel Equipment		0	0	22	22	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	0	-330
	980	493	1,473	22	-1,451	1,160	-313
TRANSPORT							
Special Appliances		150	150		-150	150	0
Vans & Other Light Vehicles	235	153	388	131	-257	388	0
	235	303	538	131	-407	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	425	-6,202	6,314	-313

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	240
Capital Receipts - Vehicles	0	0
New Borrowing	425	6,074
Revenue contributions to capital		
Total	425	6,314