



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

REVENUE, CAPITAL AND PRUDENTIAL CODE MONITORING REPORT TO 30 NOVEMBER 2019

Report of the Chief Fire Officer

Date: 17 January 2020

Purpose of Report:

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

Recommendations:

It is recommended that Members:

- Note the contents of this report.
- Approve the transfer of £170k CCTV in vehicles project funding to fund the PPE helmets to enable them to be purchased in 2019/20 rather than 2020/21 as originally anticipated.
- Approve slippage of £160k for the CCTV in vehicles capital project.

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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 Monitoring against the prudential indicators set out by the Fire Authority in February 2019 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 £42.028m, a £0.890m underspend against the revised budget of £42.918m. The revised budget reflects the planned use of £221k earmarked reserves (net of contributions to earmarked reserves). A summary position of expenditure and funding is shown in the table below:

Table 1 – Summary Expenditure and Funding Position

	2019/20 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Expenditure	42,697	42,918	42,028	(890)
Income	(41,457)	(41,457)	(41,457)	0
General Fund Reserves	(1,240)	(1,240)	(350)	890
Earmarked Reserves	(0)	(221)	(221)	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 has changed significantly since that reported to September Fire Authority which reported an expected underspend position of £1.165m. The main reason for this change in anticipated levels of government grant. The revenue budget included a £163k refund of revenue support grant. However, this money was received earlier than expected (at the end of March 2019) and so was accounted for in the 2018/19 financial year.
- 2.4 Despite the reduction in underspend outlined in Section 2.3, the underspend of £0.89m remains significant. The monitoring report considered by the Finance and Resources Committee on 11 October 2019 provided details of significant one-off items causing 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. This has been partially offset by additional costs of £72k for additional members of staff who requested redundancy following the move to Derby.
- 2.5 Major variances on specific budgets are shown below:
- 2.6 **WOLETIME PAY:** after taking account of income to cover external secondments, wholetime pay is expected to underspend by £156k. This follows a virement to transfer £205k to the non-uniformed pay budget to cover senior wholetime vacancies which have been filled by non-uniformed staff. This variance of £156k is less than of 0.7% of the £23.2m budget.
- 2.7 **ON-CALL PAY:** this overall on-call pay budget is expected to underspend by £118k. The most significant area of underspend relates to drills and training, which is forecast to underspend by £243k. This is largely due to a reduction in the number of planned recruitment courses and lower than budgeted numbers of on-call staff. The budget for other work is expected to overspend by £37k. Much of this is due to on-call crews covering for wholetime colleagues while they attend fire protection training.
- 2.8 **NON-UNIFORMED PAY:** non-uniformed pay is expected to underspend by £293k. This is due to 12 full-time equivalent vacant posts which equate to a vacancy factor of 5.6% against the 1.5% included in the budget. Four vacancies have only recently been filled, meaning that there have been 16 vacancies for much of the year. There have been consistently high levels of underspend on non-uniformed pay for several years. This is being addressed in the 2020/21 budget process by increasing the vacancy factor to ensure that it more accurately aligns to levels experienced in previous years.

- 2.9 **TRAINING COSTS:** the forecasted underspend is £69k. £45k of this relates to training budgets set aside for ICT, procurement, corporate communications and general employee development. £30k relates to the Prince's Trust programme, which has been discontinued. More details about the Prince's Trust can be found in Paragraph 2.13.
- 2.10 **TRANSPORT COSTS:** the forecasted overspend is £57k. £60k of this relates to the backlog vehicle maintenance which was outsourced last financial year due to the former contractor being unable to fully fulfil the contractual terms and therefore delaying the works, plus the cost of repairing accidental damage to the water carrier. The majority of the cost of the accident repair work has been received from the Authority's insurers.
- 2.11 **SUPPLIES AND SERVICES COSTS:** the forecasted underspend is £130k. This is largely due to savings which have been made on the photocopier and fleet maintenance contracts (£40k and £60k respectively). This is an ongoing saving which will be reflected in the 2020/21 budgets.
- 2.12 **JOINT CONTROL ROOM COSTS:** the Authority's share of the salaries and running costs of the Joint Control Room is expected to be in the region of £100k more than originally anticipated. This is due to four additional staff being employed to cover long-term sickness along with additional charges that were not included in the original estimate of costs.
- 2.13 **PRINCE'S TRUST INCOME:** the overall forecast net deficit relating to the Prince's Trust programme is £47k in 2019/20, mostly caused by a deficit in backdated funding. 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.
- 2.14 A saving of £72k has been identified in minimum revenue provision (the amount required to pay back the debt costs for the capital programme).
- 2.15 **RECOVERED COSTS:** income of £72k has been received from neighbouring Fire Authorities through the Bellwin Scheme following attendances by Nottinghamshire staff at major flooding incidents. This has been used to offset additional costs incurred, mostly relating to on-call costs.

RESERVES

- 2.16 Details of the use of reserves during 2019/20 can be found in Appendix B.
- 2.17 Expected levels of reserves at 31 March 2020 are £9.769m 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
Use of earmarked reserves	4,645	(279)	4,542
Contributions to earmarked reserves		176	
General Fund	5,576	(350)	5,226
Total	10,221	(453)	9,768
ESMCP* Regional Reserve	118	(117)	1
Total	10,339	(570)	9,769

* Emergency Services Mobile Communications Programme

- 2.18 The general reserve is predicted to be £5.226m at the end of the financial year. This remains above the minimum level of £3.9m agreed by Fire Authority on 15 February 2019.
- 2.19 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

- 2.20 The current approved 2019/20 capital programme is £4.546m. The total spend to date is £630k, the forecast out-turn expenditure is £2,428m including slippage of £2.081m from 2018/19. The current capital programme is shown at Appendix C.

ICT

- 2.21 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, but is expected to be completed by the end of the year.
- 2.22 Cyber Security (£20K) – this budget will be used to finance ICT security developments, most notably small projects related to the implementation of improved security for the Service. The software purchase has been delayed and £10k is anticipated to slip into 2020/21.
- 2.23 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 and other digitisation developments.

- 2.24 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 the project to implement department team sites. This is taking longer than initially expected due to the amount of work required from teams to transfer files across which needs to be undertaken in addition to normal workloads.
- 2.25 Headquarters (HQ) Core Switch Upgrade (£30k) – this 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 been postponed due to the relocation of the HQ site to Sherwood Lodge.
- 2.26 Finance Agresso Upgrade (£45k) – this is a collaborative project with Derbyshire and Leicestershire Fire Services. The upgrade has been implemented in two of the three sites, with Leicestershire due to go live early January.
- 2.27 Performance Management (£10K) – the Performance Management Framework is a key project which pulls together management information from the various systems across the organisation to assist managers in monitoring performance. Work is progressing well and the system has been rolled out to managers to test and develop to ensure it meets the needs of the Service.
- 2.28 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.29 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 and well data. It is expected that £50k will be slipped into 2020/21.
- 2.30 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

- 2.31 Planning approval has now been granted for the joint Headquarters new building at Sherwood Lodge. The project will go out to tender once the Limited Liability Partnership (LLP) has been set up. Both legal and accounting advice has been received and the LLP documentation is being updated to reflect this advice.
- 2.32 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 the Service's 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 rights have been confirmed. It is anticipated that slippage of £2.6m will be slipped into 2020/21.

- 2.33 The old On-Call station in Hucknall was closed in November 2019 and the crew have now co-located with the East Midlands Ambulance Service station in Hucknall. This was a collaborative project which will benefit both Services and the local community.
- 2.34 The new Newark fire station is now complete and operational. The demolition of what is left of the old fire station has been completed. It was identified that the amount of notifiable asbestos was more than the original tender expectations, and this has therefore resulted in an increase in cost to remove it. This can be contained within the existing budget.
- 2.35 The disposal of the old fire station land is the subject of another report on this agenda.

EQUIPMENT

- 2.36 Conversion of hose reel equipment – the hose and storage drums have been delivered and work to install them onto fire appliances is about half way through.
- 2.37 Breathing apparatus communication equipment – this project has now been completed. This was a collaborative project with Derbyshire Fire and Rescue Service (DFRS) who operate with the same BA kits as Nottinghamshire.
- 2.38 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-month 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 March 2020. The PPE helmets were due to be replaced in 2020/21. However, it is intended to bring this project forward so that all the PPE equipment can be replaced at the same time. Approval is sought to use £170k of the 2019/20 funding for CCTV in vehicles which will now be delivered in 2020/21 (see Paragraph 2.39) to fund the helmets.
- 2.39 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. The total cost of the project is now expected to be in the region of £200k, which is less than originally thought. It is proposed to use £170k of the original £330k to fund new helmets (see 2.38) and slip the

remaining £160k into 2020/21. This will be supplemented with £40k from the helmet funding which was originally in 2020/21 to create a budget of £200k in 2020/21 for the CCTV project.

TRANSPORT

- 2.40 The Command Support Unit requires upgrading to allow it to perform in line with current operational procedures, the cost for this will be £70k.
- 2.41 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 secured, with completion of the new HMEPU expected in March 2020.
- 2.42 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. The slippage of £258k relates to the delay in the procurement of the Trading Company vehicles which were due to be replaced this year.

PRUDENTIAL CODE MONITORING

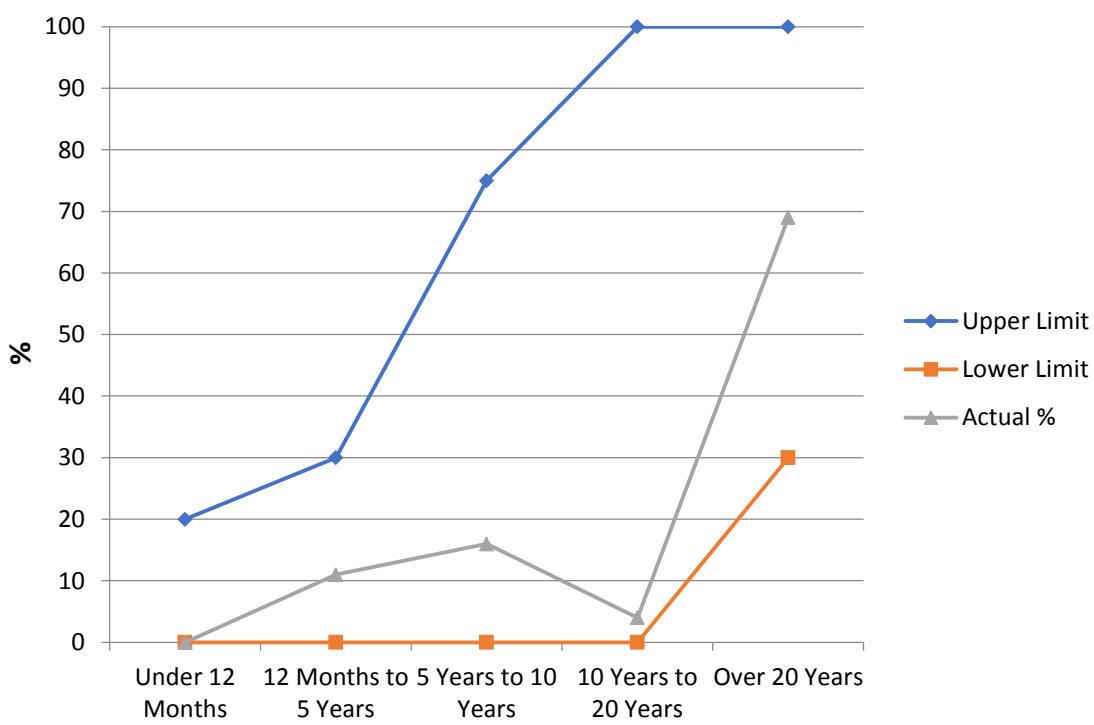
- 2.43 The Fire Authority approved the prudential indicators for 2019/20 at its meeting on 15 February 2019. The Prudential Code requires that performance against these indicators is reported to Members.
- 2.44 The approved indicators along with performance as at 31 August 2019 are shown in the table 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%

- 2.45 Total borrowing at the end of November 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.
- 2.46 The loan maturity profiles are all within the limits set. These are best demonstrated by graph.

Loan Maturity Profile at 30 November 2019



- 2.47 Investments as at 30 November 2019 totalled £11.0m. 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 2019, NFRS weighted average rate of return is 0.92%, the average of the group is 0.92%.

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 transfer of £170k CCTV in vehicles project funding to fund the PPE helmets to enable them to be purchased in 2019/20 rather than 2020/21 as originally anticipated (Paragraph 2.38).
- 10.3 Approve slippage of £160k for the CCTV in vehicles capital project (Paragraph 2.39).

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

None.

John Buckley
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 30 NOVEMBER 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	35,699	23,490	35,337	(361)
Premises	2,484	2,471	1,632	2,493	21
Transport	1,718	1,872	1,266	1,928	57
Supplies & Services	3,542	4,233	2,496	4,103	(130)
Third Party	58	703	15	804	101
Support Services	191	191	119	191	0
Capital Financing Costs	2,488	2,416	320	2,367	(48)
Fees and Charges	(198)	(448)	(255)	(525)	(77)
Other Income	(3,274)	(4,220)	(3,970)	(4,672)	(452)
Net Cost	42,697	42,918	25,113	42,028	(890)
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)	(350)	890
Earmarked Reserves	0	(221)	(221)	(221)	0
Funding Total	(42,697)	(42,918)	(18,023)	(42,028)	890
(Under) / Over Spend	0	(0)	7,090	(0)	0

APPENDIX B

ESTIMATED RESERVE POSITION AT 31 MARCH 2020

Reserve	Opening Balance 01/4/19 £'000	Movement During 2019/20 £'000	Closing Balance 31/3/20 £'000
Prevention, Protection and Partnership	374	(135)	239
Resilience	537	(39)	498
Capital	1,037	0	1,037
Transition	714	168	882
Information, Communication and Technology (ICT)	1,352	(201)	1,151
Operational	415	(13)	402
Pension	309	0	309
Other	24	0	24
Total Earmarked Reserves	4,763	(220)	4,543
General Reserve	5,576	(350)	5,226
Total Reserves	10,339	(570)	9,769

Budget Monitoring November 2019

APPENDIX C

CAPITAL PROGRAMME	Approved Budget 2019/20	Slippage from 2018/19	Revised Budget 2019/20	Expenditure	Remaining Budget	Estimated Outturn	Outturn Variance
ICT & COMMUNICATIONS							
Business System Development	50		50		-50	50	
HQ Project (Enabling Works - ICT)	50		50		-50	25	-25
Cyber Security	20		20		-20	10	-10
Business Process Automation	50	11	61	11	-50	61	
SharePoint Development		26	26		-26	26	
HQ Core Switch Upgrade		30	30		-30		-30
Finance Agresso Upgrade		45	45	6	-39	10	-35
Performance Management System		10	10		-10	10	
Mobile Computing	50		50	4	-46	50	
Replacement Equipment	100	67	167	65	-102	117	-50
	320	189	509	86	-423	359	-150
ESTATES							
Joint Headquarters Project	250		250		-250		-250
Worksop Fire, Police and Ambulance Station Project (capital – strategic new build project)	2,486	171	2,657		-2,657	50	-2,607
Refurbishment and Rebuilding Fire Stations		110	110		-110		-110
Hucknall Fire Station	200	361	561	337	-224	415	-146
Newark Fire Station	75	242	317	69	-248	139	-178
	3,011	884	3,895	405	-3,490	604	-3,291
EQUIPMENT							
Conversion of Hose Reel Equipment				22	22	22	22
BA Project		113	113		-113	113	
Lightweight Fire Coat		180	180		-180	180	
Structural PPE	850		850		-850	850	
CCTV - vehicles	130	200	330		-330	170	-160
	980	493	1,473	22	-1,451	1,335	-138
TRANSPORT							
Special Appliances		150	150		-150		-150
Vans & Other Light Vehicles	235	153	388	116	-272	130	-258
	235	303	538	116	-422	130	-408
CONTROL							
Emergency Services Mobile Communications		41	41		-41		-41
Tri-Service Control & Mobilising System		171	171		-171		-171
	212	212			-212		-212
	4,546	2,081	6,627	630	-5,997	2,428	-4,199

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
Community Fire Safety - Innovation Fund	0	240
Capital Receipts - Property	0	0
Capital Receipts - Vehicles	0	0
New Borrowing	630	2,188
Internal Financing	0	0
Revenue contributions to capital		
Total	<u>630</u>	<u>2428</u>