



## NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

4 February 2020

### REPORT BY THE POLICE, FIRE AND CRIME COMMISSIONER (PFCC) AND THE CHIEF FINANCE OFFICER

#### PFCC PROPOSED FIRE PRECEPT

#### REVENUE BUDGET 2020/21, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL PLAN

##### 1. Purpose of the Report

- 1.1 To present the 2020/21 Fire Precept Proposal and the additional considerations contained within it.

##### 2. Recommendation

- 2.1 The Police, Fire and Crime Panel is **RECOMMENDED** to endorse:
  - a. The intention of the PFCC to set the 2020/21 Precept at a Band D Council Tax of **£61.97**. This is an increase of **£1.21 (1.99%)** on the 2019/20 Band D precept for Northamptonshire Commissioner Fire and Rescue Authority (NCFRA).
  - b. If the final local government settlement provides precept flexibility for Fire above 1.99% and is issued before the PFCC sets his precept, it is the intention of the PFCC for the Fire Precept be set above 1.99%, up to £5 if this is the maximum level possible before triggering a referendum. This would assist in ensuring the Fire base Budget is sustainable moving forwards. At £5 this would be an increase of **8.23%** and would increase the precept to **£65.76**. This would provide almost an additional **£950K** for the Fire Operational budget.
- 2.2 Note the information presented in this report, including:
  - a. The statement of the Chief Finance Officer as required by section 25 of the Local Government Act 2003 regarding the robustness of the Budget, the Medium Term Financial Plan and the adequacy of financial reserves.

- b. The total 2020/21 net budget requirement of **£25.319m**, including:
- i. The intention of the PFCC to set the Council Tax Precept Requirement for Northamptonshire Commissioner, Fire and Rescue Authority for 2020/21 of **£15.478m**.
  - ii. The current and future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational mitigations and additional considerations identified.
  - iii. That any changes required, either by Government grant alterations notified through the final settlement, amended Council Tax base and surplus/deficit notifications received from the collecting authorities, may be balanced by efficiency savings or through a transfer to or from Reserves.
  - iv. The current MTFP and the anticipated savings required.
  - v. An update on the draft Capital Programme
  - vi. The reserves strategy and proposed use of reserves.

### **3. Executive Summary**

- 3.1 This report, details the second precept proposal for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) which was established on the 1 January 2019.
- 3.2 The report is the culmination of several months' work by the Office of the Police, Fire and Crime Commissioner (OPFCC), supported by Fire colleagues and taking account of public and stakeholder consultation and key government announcements.
- 3.3 Following the announcement of the provisional settlement, the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) has considered current and future funding levels, the locally negotiated agreed business case for Fire Governance, the consultation, the Spending Review (SR2015) and the Chancellor's Spending Review 2019.
- 3.4 The 2018/19 notional funding position was based on a negotiated position between the PFCC and Northamptonshire County Council in line with CIPFA guidance. This negotiated position was extremely tight and the main priority for the new authority was to build financial stability whilst investing in services and infrastructure where possible.
- 3.5 The 2020/21 budget for NCFRA is a balanced budget in year two of a three year plan to build financial stability for the service. It also does include some immediate initiatives for Fire and Rescue to take forwards. Some key features include:
- a. Immediate approval for four fire tenders, one aerial appliance and two water carriers has been built into the MTFP. The lead in times for these appliances are quite long, however, the procurement process is already underway.
  - b. Recruitment of 20 firefighters in February 2020

- c. Additional 12 firefighter posts – increasing the establishment from 242 to 254 during the year, to be met by reducing Bank staffing arrangements.
  - d. The budget provides for an additional Fire protection post and has enabled other posts to be built into the establishment.
  - e. Other key features and assumptions include:
    - o 2% pay inflation has been estimated for all staff for planning purposes.
    - o Funding has been set aside each year to work towards building sufficient reserve levels and the Reserves Strategy has been reviewed.
    - o Funding has been set aside each year to start to build an operational equipment reserve which will be used to smooth the impact of essential equipment purchases.
- 3.6 The Chief Fire Officer is currently undertaking a full review of essential investment requirements alongside a full review of the draft Capital Programme. These will be considered together with the PFCC to ensure they are prioritised and a timescale for implementation agreed.
- 3.7 The Chief Fire Officer has reviewed the findings of the Grenfell enquiry and investment requirements and priorities are being considered as part of the Capital Programme and essential investment requirements.
- 3.8 The PFCC has reviewed the adequacy and level of reserves and in line with the business case and taking into account advice received, has concluded that reserves are not sufficient.
- 3.9 NCFRA is in year two of the three year plan to build reserves to an adequate level. Should opportunities arise for reserves to be added to earlier than planned, these will be taken forward.
- 3.10 In considering the Fire budget and proposed precept for 2020/21, the PFCC considered the core spending power issued for standalone Fire and Rescue Authorities (FRAs) and as was the case in 2019/20, Northamptonshire is still funded second lowest of the 30 FRAs in England, only just higher than Shropshire.
- 3.11 Whilst Northamptonshire and Shropshire did receive fractionally higher increases in core spending power than other authorities in the settlement, there remains a stark variation in budgets. The third lowest funded FRA still receives £4m more in core spending power than Northamptonshire.
- 3.12 In considering the proposed level of precept, the PFCC has conducted, and been informed by, a consultation of 1250 residents of Northamptonshire. The results of the survey are summarised in this report and will be available on the PFCC website in due course.
- 3.13 Additionally, the budget and precept continues to recognise the importance of collaborative working with Police, and will part fund a joint Director of Transformation to drive this forward. This role will be key to taking forward the statutory duty to

collaborate for the three emergency services. This means that the services should be actively seeking opportunities to work together to deliver more efficient and effective public services.

- 3.14 Both Fire and Police Budget agreements for 2021/22 will continue to demonstrate the PFCC commitment to collaboration, particularly highlighted greater integration between police and fire and rescue to reinvest in frontline services. It remains the PFCC's expectation that, over time, the following areas will be delivered:
- Shared Services
  - Shared Estates Strategy
  - Shared Prevention Approaches
  - Interoperability
- 3.15 The Fire budget is extremely tight and if any of the local business rate or national pensions grant assumptions are lower than expected, or the pay award assumptions are higher than assumed, then the Fire budget could face significant pressures.
- 3.16 Additionally, with the first year's knowledge of the Fire budget, there are a number of uncertainties and pressures outlined later in this report and given the potential risk of these, the PFCC has set aside a small operational contingency of **£320K** to mitigate them should they occur.
- 3.17 If these risks do not materialise, then the contingency will be used to support prioritised operational requirements, enable investment in essential equipment and support capital expenditure to take place earlier than scheduled.
- 3.18 With only a one year settlement and no indication of future funding for Fire and Rescue Authorities, the Medium Term Financial Plan shows that there are still financial challenges ahead. Reserves are lower than required, the cost of financing capital expenditure is significant.
- 3.19 If the PFCC was given flexibility to raise the precept for Fire and the government completes their funding formula review, then not only could this help balance the budget in the medium term but this could also provide additional resources to invest in Fire, support the implementation of shared enabling services with Police and Estates, invest in infrastructure and go some way towards meeting the challenges.

#### **4. Public Consultation on the Level of the Precept**

- 4.1 The 2020/21 precept proposal will be the second precept proposed by Stephen Mold for NCFRA.
- 4.2 The PFCC's office commissioned Social and Market Strategic Research, an independent research organisation to undertake a consultation to seek the views of residents who pay Council Tax in Northamptonshire about the precept level for Policing and the Fire & Rescue Service for 2020/21
- 4.3 An interviewer led telephone questionnaire was designed by SMSR and OPFCC staff. Interviews were conducted with 1250 residents of Northamptonshire between the

period: 23<sup>rd</sup> December 2019 - 22<sup>nd</sup> January 2020, using random quota sampling to ensure the sample was representative.

4.4 In the survey, Fire received a positive response:

Around 8 in every 10 residents (81%) were prepared to pay an increase towards Fire & Rescue Services in Northamptonshire. With 30% prepared to pay an increase of £1 a year (2p a week) and 52% were prepared to pay an increase of £5 a year (10p a week). A fifth (17%) were not prepared to pay any more towards the service and a small percentage did not know (2%).

4.5 Respondents were given the opportunity to comment on the consultation, together with stating how good a job the Police and the Fire and Rescue Service were doing. The full results will be placed on the OPFCC website in due course.

**5. Precept Strategy and 2020/21 Precept Proposal**

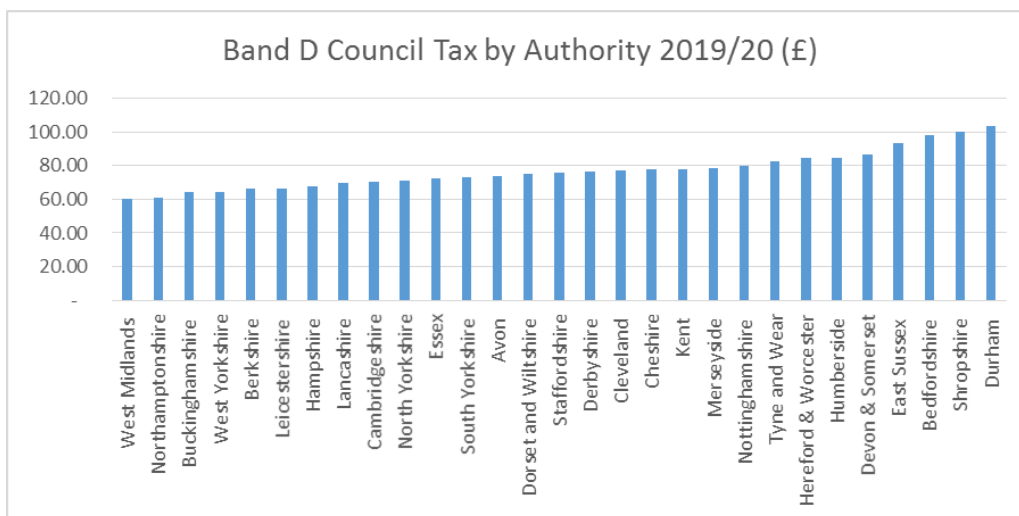
5.1 The 2020/21 Draft Referendum Principles (and Council Tax: Local Referendums Briefing Paper) were issued alongside the provisional Local Government Finance Settlement on the 20 December 2019 and these included draft referendum thresholds.

5.2 For 2020/21, the proposed referendum limit has been set at 2% for Fire, compared to 3% in 2019/20. Therefore, the precept must be set below 2%.

5.3 For Northamptonshire, this means a maximum increase of £1.21 (1.99%) to £61.97 for 2020/21.

5.4 Should the final settlement provide an opportunity to increase the precept level by £5 for Fire, then it is the PFCC's intention to do so for 2020/21.

5.5 An analysis of the Band D Council Tax levels for Fire and Rescue Authorities highlights that for 2019/20, Council Tax levels varied between £60.60 and £103.50. At £60.76, Northamptonshire were the second lowest nationally. Buckinghamshire, the third lowest had a Band D Council Tax of £64.57.



- 5.6 A £5 increase for Fire and Rescue Authorities in the lowest quartile would go some way towards reducing this.

## 6 Provisional Local Government Finance Settlement

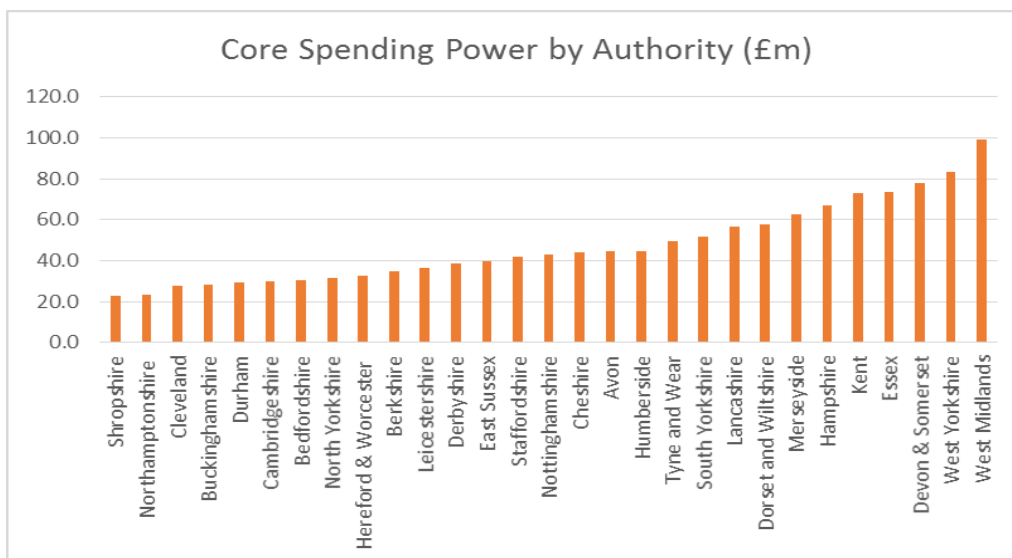
- 6.1 The Provisional Local Government Finance Settlement was announced by the Secretary of State for Housing, Communities and Local Government, Robert Jenrick MP in a written ministerial statement on Friday 20 December. Full details of the Provisional Settlement can be found on the gov.uk website. The announcements set out provisional allocations for 2020/21.
- 6.2 The publication of the Draft 2020/21 Local Government Finance Report marks the start of the consultation ending with the deadline for submissions on 17 January 2020.
- 6.3 The national Technical Team undertook an analysis of the day’s main announcements and the following announcement was available for Fire:

### FIRE AND RESCUE

#### Fire and Rescue Pensions Grant

The Fire Pensions Grant is expected to continue for 2020-21. It is expected that the methodology of averaging the previous three years costs will be rolled forward one year whilst the overall quantum of Pensions Grant funding is expected, but not yet confirmed, to be cash flat from 2019-20. It is expected that allocations of this funding will be published before the final settlement.

- 6.4 NCFRA received £1.186m grant in 2019/20 for pensions. As the allocations for 2020/21 have not yet been finalised, the same level as 2019/20 has been assumed in the budget. There is a risk if this funding reduces then NCFRA will have to bear the shortfall from within its already tight budget.
- 6.5 An analysis of the national core spending power outlined in the provisional settlement (which excludes up to date local business rates and council tax surplus) highlighted that Northamptonshire were the second lowest nationally, just £0.8m behind Shropshire. However, the variation between Northamptonshire and Cleveland (the third lowest Authority) equates to almost £4m as demonstrated below:



## 2020/21 Funding Settlement

- 7.1 A summary of the provisional settlement for Fire compared to the 2019/20 position is shown in the table below, together with a comparison of what funding would be available if £5 precept flexibility were available to the PFCC in the final settlement:

	<b>Final</b>	<b>1.99%</b>	<b>£5</b>
	<b>19/20</b>	<b>20/21</b>	<b>20/21</b>
<b>Settlement</b>			
Revenue Support Grant	2.229	2.266	2.266
Business Rates	2.545	2.586	2.586
Top Up Grant	2.769	2.814	2.814
	<b>7.543</b>	<b>7.666</b>	<b>7.666</b>
<b>S31 Grant</b>	<b>0.173</b>	<b>0.216</b>	<b>0.216</b>
<b>Local</b>			
S31 Grant	0.187	0.187	0.187
Business Rates Growth	0.419	0.419	0.419
	<b>0.606</b>	<b>0.606</b>	<b>0.606</b>
<b>Council Tax</b>	<b>14.910</b>	<b>15.478</b>	<b>16.425</b>
<b>Council Tax Surplus</b>	<b>0.379</b>	<b>0.167</b>	<b>0.167</b>
<b>Total Funding</b>	<b>23.611</b>	<b>24.133</b>	<b>25.080</b>
Pensions Grant	<b>1.186</b>	<b>1.186</b>	<b>1.186</b>
<b>Total</b>	<b>24.797</b>	<b>25.319</b>	<b>26.266</b>

- 7.2 The table reflects the potential increase in the funding envelope settlement of £522K when compared to 2019/20 final levels, and is slightly better than forecasted in the MTFP. The PFCC has therefore decided to ring fence this until the Business Rates and Pensions Grant have been finalised.
- 7.3 The table highlights that if £5 precept flexibility were provided in the final settlement then approximately £950K extra per annum could be built into the base budget. This would enable the PFCC to bring forward essential operational investment for NCFRA to start to address the significant pressures identified within the first year. Such funding would also help NCFRA invest in taking forward joint arrangements with Policing in areas such as support services and estates
- 7.4 The PFCC has written to the Minister to request urgent consideration for one off precept flexibility for NCFRA for 2020/21

## 8. Council Taxbase and Council Tax Precept Income

- 8.1 The Council Tax and the level of precept is a fundamental part of the local government finance settlement.
- 8.2 Income generated from the precept depends on both the level of the Band D precept and the tax base – the latter being effectively the number of properties who are required to pay Council Tax. Given a rising population this number is increasing and is re-estimated on a prudent basis each year for budget and financial planning purposes.

8.3 For Northamptonshire, the 2019/20 actual and 2020/21 taxbase is as follows:

	<b>2019/20</b>	<b>2020/21</b>	<b>Change</b>	<b>Change</b>
	<b>(number)</b>	<b>(number)</b>	<b>(number)</b>	<b>%</b>
Council Taxbase	245,392.20	249,768.07	4,375.87	1.78%

8.4 Whilst a 1.78% increase is slightly better than the forecast of 1.75% on which the Medium Term Financial Plan is based, the 2020/21 estimate in the local government funding settlement was slightly higher, which gave a forecast precept income under core spending power of £15.580m rather than £15.478m.

8.5 A 1.75% assumption is included in the MTFP moving forwards and reflects the growing population within the county.

## **9. Council Tax Collection Fund**

9.1 Each year the billing authorities estimate how much of the total potential Council Tax income liability of taxpayers they will collect. They advise precepting authorities of any projected surplus or deficit on the "Collection Fund" in January of each year.

9.2 Whilst not all Council Tax collection fund positions had been finalised at the time of writing this report, the PFCC is appreciative that all local authorities have provided estimates for inclusion within the budget.

9.3 In 2020/21, the collection fund surplus equates to £0.167m and moving forwards the MTFP assumes a prudent assumption of £0.125m. This reflects the significant work undertaken by Borough and District Councils each year to ensure collection rates are maximised.

## **10. The Financial Challenge – Future Risks, Challenges and Uncertainties**

10.1 Risks, Challenges and Uncertainties include:

- a. The impact of the CSR from 2020/21
- b. The final RSG settlement
- c. Local taxbase final information
- d. Local business rates final information
- e. Final Pension Grant allocation

10.2 The impact of a different inflation assumptions to that estimated in the MTFP are as follows:

- Every 1.0% in Council Tax equates to circa £0.155m per annum
- Every 1.0% in Pay equates to circa £0.150m in a full year
- Every 1.0% non pay inflation equates to £0.055m per annum



10.3 During the first year of the Fire Governance Transfer an understanding has started to be developed of the operational and budgetary pressures facing NCFRA. Some of these challenges require investment to ensure premises and equipment is at an appropriate level. These challenges will continue to be worked through and include:

- The premises budget transferred as part of the governance transfer was insufficient for the level of costs on the Fire buildings. Additional budget of over £200K has been identified for 2020/21 but this will still be challenging.
- The buildings require significant investment and a condition survey has been instructed to inform an appropriate, repair maintenance and investment programme. Whilst essential repairs have been undertaken, the impact from the surveys on the revenue and capital budgets is unknown at this time.
- Work is underway to establish a full register of all ICT systems, contracts and licences and to ensure the budget provides for all of them and that costs are known and are accounted for in the appropriate year.
- Developing a prioritised comprehensive rolling operational equipment maintenance and replacement programme. The creation of an operational equipment reserve will contribute towards this.
- Ensuring all permanent posts are baselined in the staffing establishment rather than being met through vacancies from operational wholtime or retained posts.
- Ensuring all relevant factors are considered when making decisions, and supporting procurement processes to ensure that they are informed and evidenced based.
- Understanding the full impact of increasing appliance availability and allocating budgetary resources to this priority.
- The need to invest in support services, ideally in working with Police to build joint capacity and resilience.

As this work continues and knowledge continues to be developed, this will enable NCFRA to have a base budget which reflects their business requirements and is able to reflect current and future demands and opportunities.

10.4 At this time, due to delays with the national Emergency Services Network (ESN) changes, the impact on Fire capital and revenue budgets are unknown, therefore, no costs have been assumed in the MTFP.

10.5 Any potential for industrial action requires contingency arrangements which have previously been managed within year. Any alternative options would need to be costed, determined and funding set aside.

## **11. 2020/21 – Base Budget preparation, approach and scrutiny**

11.1 Where possible, a zero based approach has been undertaken to the Fire draft budget and the previous MTFP used throughout the business case discussions, updated to reflect known costs for staffing.

- 11.2 The sum of £0.329m (previously £0.400m) has been agreed with the Chief Fire Officer to contribute towards the costs of the Office of the Police, Fire and Crime Commissioner. The costs include specific staff required to deliver the new additional fire governance responsibilities, and a small element to reflect that all PFCC staff will deliver for both Fire and Policing. The reduced charge of £71K reflects a reduction of £75K for the shared Director of Transformation, offset by £4K inflation. The Police proposed precept report provides further detail on the costs of the Office of the Police, Fire and Crime Commissioner.
- 11.3 A £75K Contribution to the shared Director of Transformation post with Northamptonshire Police has been included to reflect the direction of travel for sharing of support service arrangements.
- 11.4 Additional premises costs of £200K have been built in to reflect the actual costs of running the NCFRA estate as the amount included within the negotiated transfer was significantly below actual costs received in the first year.
- 11.5 Whole time Firefighter establishment has been built up on a zero base at current authorised establishment and includes an additional 12 posts which will be funded from bank arrangements phased in during the year at firefighter rates. However, it is acknowledged that any changes in profile or grade from that assumed would impact on the budget and this will be closely monitored.
- 11.6 The recruitment of 20 wholetime firefighter staff has been incorporated with reasonable assumptions built in to reflect leavers during the year. Should actual leavers vary from the forecast then this could pose a risk on the budget as this is the most significant element. The implementation of the new establishment board is a positive way forward which assists both workforce and financial planning.
- 11.7 Retained Fire establishment is built at existing levels, taking into account retained allowances and including reasonable estimates for demand.
- 11.8 Detailed budget work has revealed a small number of posts which were previously being funded from wholetime and retained budgets and were not part of the formally approved establishment. These are being incorporated within the appropriate budgets for 2020/21 where possible and future years and can be managed and monitored in that way.
- 11.9 Control Room Staff equate to 17 FTE posts, built up on a zero base.
- 11.10 Local staff in the establishment were 68 FTE, built up on a zero base. This has been increased by four posts during the year, for which three had savings identified to meet the costs. A further four posts have been identified which the Chief Fire Officer would like to baseline in the establishment during the year, should funding be available. This would increase the budgeted establishment to 76.
- 11.11 Other budgets have been built up in discussion with budget managers, then reviewed for affordability and reasonableness with the Chief Fire Officer.

11.12 Given the tight financial envelope within which NCFRA are operating and the challenges experienced by some of the budget headings during the first year, together with and investment priorities identified, it is likely that a further review to address any minor changes will need take place in the first half of the year.

11.13 The budget no longer includes a three year contribution to the PFCC over three years towards 50% of the governance transfer set up costs, as this commitment has been accounted for in 2018/19. .

11.14 Of the Fire 2020/21 budget of £25.319m, just over £3m relates to areas potentially included in scope for consideration as part of enabling services.

## 12. Medium Term Financial Plan (MTFP)

12.1 For the first precept and budget, the MTFP was prepared for a three year plan. For 2020/21, this has been rolled forward into a five year plan as the budget continues to be better understood.

12.2 However, as the revenue budget and Capital Programme is still reacting to addressing challenges of previous years, such as backlogs in repairs and maintenance and the implications of tight financial controls, it will still take the three year period to build financial stability and ensure a budget is prepared which is less subject to reactive and historic challenges. The aim continues to be to work towards a budget which effectively reflects future demand and pressure challenges aligned to the strategic direction of NCFRA.

12.3 Historically, Fire budgets for a number of budget headings, areas such as wholetime firefighters, for example, were managed as a bottom line and work to refine and rebalance these will continue to ensure that budgets can be managed and monitored in more detail to better inform decision making.

12.4 The Chief Fire Officer is working closely with the PFCC and S151 Officer to ensure an appropriate balance can be reached between investing in future priorities, addressing the reactive requirements of previous years funding challenges whilst ensuring NCFRA continues to build financial stability. This is difficult to achieve with only inflationary increases per annum.

12.5 The Fire budget and MTFP based on the key assumptions detailed below are as follows:

	20/21	21/22	22/23	23/24	24/25
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
Operational Budget	25,164	25,264	25,995	26,749	27,527
Capital Financing Charges	125	540	854	884	904
Transfers to reserves	180	150	150	150	150
Transfers from reserves	-150				
<b>Total Expenditure</b>	<b>25,319</b>	<b>25,954</b>	<b>26,999</b>	<b>27,783</b>	<b>28,581</b>
Funding	25,319	25,861	26,467	27,097	27,750
<b>Surplus/(Shortfall)</b>	-	- 93	- 532	- 686	- 831

- 12.6 The plan demonstrates that without any additional growth, at current levels and within current plans, whilst 2020/21 is balanced, there are shortfalls every year from 2021/22. These shortfalls have mainly arisen as a result of funding the Capital Programme and there is little scope to invest in other priority areas in the medium term.
- 12.7 The S151 Officer will continue to advise the PFCC and the Chief Fire Officer as to the most effective way to fund capital expenditure and minimise cost on the revenue budget moving forwards. This includes considering the appropriate use of earmarked reserves and unapplied grants, including reviewing and seeking reallocation of grants with the Home Office for alternative priorities if appropriate.
- 12.8 With the exception of the staffing changes highlighted in the executive summary, any further demand and policy developments agreed by the PFCC and Chief Fire Officer have not been included at this stage, neither have the financial impact of proposals for enabling services and interoperability development. The MTFP will be updated regularly to reflect any changes.
- 12.9 It is assumed that no additional unfunded priorities are given to the PFCC and Chief Fire Officer.
- 12.10 Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
- a. That the Council Tax base grows at 1.75% per annum (source: professional prudent estimate based on the local position over the last three years).
  - b. Precept will increase by 1.99% in 2020/21 and thereafter on a 1.99% increase thereafter.
  - c. Government funding continues as static rather than the reductions previously forecast in the business case.
  - d. Pay increases are assumed at 2% for all years (source: National Fire Finance Network assumptions).
  - e. No significant impact on grant funding has been assumed from the Funding Formula Review.
  - f. No additional, unfunded responsibilities are given to NCFRA.
  - g. Investment requirements can be prioritised and met from within the revenue budget or Capital Programme.
  - h. Further borrowing beyond the Capital Programme is not required.

### **13. Capital Programme**

- 13.1 The PFCC and the Chief Fire Officer are reviewing the Fire draft Capital Programme which was prepared in 2019/20. This was unique for Fire to invest, develop and provide the infrastructure to support the delivery of future Fire services.
- 13.2 On that basis, the PFCC approved some urgent essential investment for four tenders, one aerial appliance and essential ICT infrastructure pending review of the final capital strategies.

- 13.3 The Chief Fire Officer has undertaken a further detailed review of all capital and revenue requirements and these will be reviewed and more detailed proposals prepared during 2020/21 to reflect those requirements, together with joint estates and other opportunities with Policing.
- 13.4 To ensure effective MTFP and capital planning some expenditure has been included in the draft Capital Programme and the revenue costs built in to the MTFP. However, it can be seen that these costs are significant and so need to be considered within the total financial envelope.
- 13.5 The draft Capital Programme is still subject to further prioritisation and revision alongside the essential assets strategies of ICT, Fleet and Estates and will be finalised shortly. Assumptions have been included in the MTFP based on an earlier iteration of the Capital Programme for prudence.
- 13.6 Where possible, the Treasury Management Strategy, Capital Strategy and if required, the Efficiency Plan will be finalised and available on the PFCC website by April 2020. It is usual practice for the Joint Independent Audit Committee to consider these key documents prior to being placed on the website.

#### **14. Use of Reserves**

- 14.1 In considering the budget, the MTFP and level of precept options, it is important to look closely at the size, level and type of reserves to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risks identified within the budget. Whilst ensuring that reserves are adequate, there is also a need to ensure they are not excessive.
- 14.2 Good progress has been made to date and NCFRA ended the year with general reserves of £499K; when considered alongside earmarked reserves, levels were above those forecast at the time of the governance transfer.
- 14.3 In 2019/20, it is forecast that £300K will be transferred to reserves. Of this amount, £150K will be used in 2020/21 to mitigate the potential impact of the firefighter recruitment in February 2020, the impact of the additional 12 posts and increasing appliance availability.
- 14.4 The 2020/21 budget and MTFP continues to contribute to reserves and the better than anticipated starting position has enabled this to be reduced to £150K per annum, with a £30K contribution to an operational equipment reserve.
- 14.5 Given the sensitivity of the Fire budget to changes in rates, pension grant and pay awards and the pressures on the budget, reserve levels are not enough to use as a "buffer" towards mitigating these challenges. The S151 Officer advice is that whilst good progress has been made in establishing reserves during the first year, they are still below the levels required.
- 14.6 With the knowledge of the first year following governance transfer, it is the view of the S151 officer that general reserves need to work towards a stable level of 4%.

14.7 Types of reserves and planning assumptions are detailed within the Reserves Strategy which is attached to this report. Headlines of which are as follows:

**a. General Reserve**

As at the 31 March 2020, General Reserves are forecast at £699K, equating to 2.8% of the revenue budget. A further £100K will be transferred in during 2020/21, bringing reserves to 3.1% level by year end.

**b. Earmarked Reserves:**

NCFRA plan to hold a number of earmarked reserves which are set out in detail within the reserves strategy at Appendix 2 as follows:

- Insurance Reserve
- Staffing
- Operational Equipment
- Transformation
- S106
- Capital Receipts
- Capital Grants Unapplied

14.8 Whilst reserves are better than forecast, and some earmarked reserves have now been included within the reserves strategy, challenges and uncertainties which would be appropriate to consider as part of reserves are as follows:

- Fire do not currently have any financial provision for industrial action contingency arrangements as historically costs have been met from revenue budgets. It is recommended that, in time, a reserve is created for this purpose.
- At some stage it would be appropriate to work towards an ill health pension reserve to smooth the impact of ill health retirements on the revenue budget.

	Balance at 31 March 2019	Balance at 31 March 2020	Balance at 31 March 2021	Balance at 31 March 2022	Balance at 31 March 2023	Balance at 31 March 2024	Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Held to meet budgetary risks</u>							
Insurance	250	250	250	250	250	250	250
<u>Held to support the medium term budget</u>							
Staffing Reserve	0	100	0	0	20	40	90
Operational Equipment	0	0	30	59	89	119	169
	0	0	0	0	0	0	0
	0	100	30	59	109	159	259
<u>Held to facilitate change programmes</u>							
Transformation Reserve	0	0	0	0	0	50	100
	0	0	0	0	0	50	100
<u>Committed to future capital programmes</u>							
S106	0	314	264	214	164	114	64
Capital Receipts	19	0	0	0	0	0	0
Capital Grants Unapplied	1,020	741	741	510	462	387	387
<b>Total Earmarked Reserves</b>	<b>1,289</b>	<b>1,405</b>	<b>1,285</b>	<b>1,033</b>	<b>985</b>	<b>960</b>	<b>1,060</b>
<b>General Fund</b>	<b>499</b>	<b>699</b>	<b>799</b>	<b>920</b>	<b>1,020</b>	<b>1,070</b>	<b>1,070</b>
<b>Total Reserves</b>	<b>1,788</b>	<b>2,104</b>	<b>2,084</b>	<b>1,953</b>	<b>2,005</b>	<b>2,030</b>	<b>2,130</b>

14.9 Even with these plans, total reserves will be extremely low and give little resilience to meet challenges, smooth costs or invest in transformation or other opportunities. The Chief Finance Officer has advised that it would be prudent to seek to work towards a level of total General and Earmarked reserves of nearer 10%.

## **15. Robustness of the Budget –Statement of the PFCC and NCFRA S151 Chief Finance Officer**

15.1 Section 25 of the Local Government Act 2003, places a duty on the Chief Finance Officer to make a report to the authority on:

- The robustness of the estimates included within the budget
- The adequacy of the reserves and balances

The PFCC must have regard to this when considering the budget and the report must be shared with the Police, Fire and Crime Panel.

15.2 In her considerations the Chief Finance Officer is mindful of other associated statutory safeguards designed to support the authority

- Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the chief financial officer has personal responsibility for such administration.
- Sections 32, 43 & 93 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget
- The Prudential Code introduced as part of the Local Government Act 2003 which sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates
- The external auditor's duty to assess the adequacy of the authority's proper arrangements to secure economy, efficiency and effectiveness ('value for money')

15.3 To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report in consultation with the Monitoring Officer, if there is or is likely to be unlawful expenditure or an unbalanced budget

15.4 This report has highlighted the detail budget setting process that has taken place and also focussed upon a number of adjustments that have been made to ensure the budget is as realistic, deliverable and achievable as possible.

15.5 The senior management team, budget holders and the finance team have worked closely and harmoniously to deliver the draft budget proposals.

15.6 The estimates and assumptions are based on the best information available at the time of formulating the budget in line with the fundamental accounting concepts and are reasonable and prudent.

## **15.7 The Chief Finance Officer statement is as follows:**

*“At both meetings with the PFCC and the Senior Fire team on the 10 December 2019 and the 6 January 2020, I attended as the Chief Finance Officer, but also the strategic finance lead for Fire to provide assurance that these factors have been considered. At those meetings and since that date, dialogue, scrutiny and challenge has continued where new factors or information have been highlighted, discussed and further work continues.*

*Working with colleagues I have refined the budget model from 2019/20 and have made the assumptions based on professional estimates, peer knowledge and advice and using where appropriate assumptions included in the business case. Where possible, I have aligned these with national Fire and technical colleagues.*

*During the first year of governance I have worked closely with Fire colleagues and this has helped inform and assist me in refining the budget model to ensure it supports the strategic and operational priorities in current and future years. During this time I have found that there are a number of higher than anticipated challenges and uncertainties associated with the Fire revenue budget, including the identification of significant levels of investment priorities and requirements contained within the draft Capital Programme. A number of these challenges and uncertainties are outlined earlier in this report.*

*The Chief Fire Officer is further refining these investment and priority requirements, however, a large amount of these priorities are to address issues that have arisen over a number of years with ageing equipment and a backlog of essential repair and maintenance. It is clear that not all priorities will be affordable in the short or the medium term and it is essential that there is an understanding in the service of the pressures and challenges facing them in the medium term and that requirements are identified at an early stage so they can be included within operational and financial plans. I will continue to support the Chief Fire Officer and his team in ensuring these are known and understood. I will also continue to support the Chief Fire Officer in seeking to identify and realise savings and other funding streams to support these priorities.*

*The first year of Internal Audits have identified a number of areas where policies and procedures are in place which need to be embedded I will continue to work with the Chief Fire Officer and Monitoring Officer to take these recommendations forward and ensure robust internal controls and assurances are in place, supported by an Internal Audit Plan; and contribute to Fire achieving Best Value by following procurement and purchasing policies and procedures which stand up to external scrutiny.*

*Fire need to have assurance in respect of long term understanding of the support services and information systems required and I will continue to work with the Chief Fire Officer and Northamptonshire Police to align the capacity and resilience of the Police and Finance resources and systems so they can support the budget process and the organisations in future years.*

*Given the need to ensure and build stability and resilience, minimal operational pressures have been built into the budget model and any growth or changes will need to be accommodated from within the cash limited budget set for the year.*



*I am assured by the commitment to the collaboration and enabling services work to assist in identifying future savings.*

*Together with the OPFCC, I have reviewed the establishment of the Fire Service and support the need for the PFCC to receive regular staff resource information moving forwards. This will include working with the Chief Fire Officer to ensure that all permanent posts are baselined in the establishment.*

*I have reviewed the detailed calculations in arriving at the budget requirement and Council Tax precept and options and find these to be robust. I also have, sought and received authorisations from billing authorities in relation to taxbase and Council Tax surplus/deficits and I am grateful to all partners for their support in doing so.*

*I have highlighted uncertainty and timing challenges with some of the locally calculated business rates growth in the funding assumptions and the Pensions Grant as these will not be available until February 2020, after the budget discussions have concluded. Whilst the estimates are consistent with the business case, these are subject to volatility and the PFCC is aware of this uncertainty and potential impact and as such has ring fenced an allocation to mitigate this risk.*

*The Chief Fire Officer and his team have been fully involved in the budget discussions and whilst there is some minimal flexibility within the revenue budget, there are insufficient general or earmarked reserves available should operational demands require access to these. The PFCC and the Chief Fire Officer and his team recognise this position and are fully committed to building a stable and sustainable position in building the adequate level of reserves as soon as possible.*

*In coming to my conclusion on the robustness of the budget I have also reviewed the draft Capital Programme and Reserves Strategy.*

*It is important that the Capital Programme is finalised to include all known and forecast requirements and that this is reflected in agreed plans and strategies for NCFRA. Moving forwards, the Capital Programme should be reviewed and updated regularly to support financial and operational planning.*

*The sections in this report on “Future Risks, Challenges and Uncertainties” and the “MTFP” highlight significant unknown issues moving forwards in the medium term. The impact of future funding formula and the CSR is unknown as is the potential impact of pensions grant.*

*Whilst a balanced budget has been achieved for 2020/21, after that time, the landscape is less certain and it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFP.*

*I conclude, therefore, that the budget for 2020/21:*

- 1. Has been prepared on a robust basis, and*
- 2. In 2020/21, the budget is balanced,*
- 3. Reserves are inadequate and whilst there is an immediate plan in place to build reserves to an acceptable level within three years, and NCFRA have made good*

*progress in the first year, I am concerned that there is little financial resilience within Fire to manage any unforeseen issues, ensure all equipment and capital priorities can be met or to invest in and optimise opportunities.*

- 4. The financial landscape after 2020/21 is less certain and the MTFP identifies a need for further savings. The MTFP will be under regular review as savings plans progress. “*

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**EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

The budget and proposed precept provide the resources for the delivery of Fire. Additionally, the survey is comprised of a representative sample of Northamptonshire residents.

**HUMAN RESOURCES IMPLICATIONS**

**ENVIRONMENTAL IMPLICATIONS**

Environmental implications are considered as part of Fire delivery.

**RISK MANAGEMENT IMPLICATIONS**

Risks and mitigations have been highlighted in the report.

**LEGAL IMPLICATIONS**

The PFCC is required to notify a precept to the billing authorities by the 1<sup>st</sup> March each year. In doing so, he must set a realistic revenue budget, informed by the report of the Chief Finance Officer

**List of Appendices**

Appendix 1 – 2020/21 Budget and MTFP  
Appendix 2 – Reserves Strategy

**Persons to Contact**

Mrs H King, Chief Finance Officer, Office of the Police, Fire and Crime Commissioner

## Appendix 1 NCFRA 2020/21 Budget and Medium Term Financial Plan (MTFP)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Employee Costs</b>						
Staff Costs						
Wholetime Firefighters	8,967	9,698	9,842	10,187	10,550	10,921
Retained Firefighters	1,636	1,771	1,798	1,861	1,927	1,995
Firefighters Pension	2,809	2,481	2,518	2,607	2,699	2,795
Control Room Firefighters	673	718	732	747	762	777
Non Operational - staff	3,399	3,722	3,796	3,872	3,950	4,029
Overtime	654	493	501	519	537	556
Allowances	261	284	288	299	309	320
Ill Health and Other pension	451	322	322	322	322	322
Staff Health & Welfare	68	63	64	66	67	68
Staff Training and Development	368	357	364	372	379	387
Other Staff Costs	75	16	17	17	17	18
	<b>19,361</b>	<b>19,925</b>	<b>20,242</b>	<b>20,869</b>	<b>21,519</b>	<b>22,188</b>
Premises Costs	1,287	1,473	1,506	1,540	1,574	1,610
<b>Transport Costs</b>						
Vehicle Running Costs, Fuel, R&M	432	397	405	413	421	430
Leased Cars and Vehicle Hire	139	62	63	65	66	67
Public Transport and Staff Travel Allowance	39	25	25	26	26	26
Insurance - Vehicles	5	5	5	5	5	5
<b>Supplies &amp; Services</b>						
Equipment & Furniture	346	344	351	358	365	372
Clothing, Uniform & Laundry	271	278	284	289	295	301
Professional Fees & Hired Services	682	683	697	711	725	740
Computer Hardware Software and Maintenance	760	730	745	760	775	791
Postage and Carriage	14	5	5	5	5	5
Other Non Staff Expenses	1,214	979	999	1,018	1,039	1,060
<b>Agency and Contracted Services</b>	628	635	648	661	674	687
<b>Capital Financing &amp; RCCO</b>						
Contribution to Reserves	200	30	150	150	150	150
Revenue Contribution to Capital	75	125	125	125	125	125
MRP	-	-	415	729	759	779
<b>Operational Contingency</b>	-	320	-	-	-	-
<b>Income and Grants</b>	(835)	(697)	(711)	(725)	(740)	(755)
<b>Total Expenditure</b>	<b>24,618</b>	<b>25,319</b>	<b>25,954</b>	<b>26,999</b>	<b>27,783</b>	<b>28,581</b>
<b>Funding</b>						
S31 Grant	(360)	(403)	(403)	(403)	(403)	(403)
RSG	(2,229)	(2,266)	(2,266)	(2,266)	(2,266)	(2,266)
Business Rates	(2,955)	(3,005)	(3,005)	(3,005)	(3,005)	(3,005)
Top Up Grant	(2,769)	(2,814)	(2,814)	(2,814)	(2,814)	(2,814)
Precept	(14,910)	(15,478)	(16,062)	(16,668)	(17,298)	(17,951)
Collection Fund Surplus	(379)	(167)	(125)	(125)	(125)	(125)
Pension Grant	(1,016)	(1,186)	(1,186)	(1,186)	(1,186)	(1,186)
<b>TOTAL FUNDING</b>	<b>(24,618)</b>	<b>(25,319)</b>	<b>(25,861)</b>			
<b>Shortfall</b>	-	-	<b>93</b>	<b>532</b>	<b>686</b>	<b>831</b>

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