



NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

5 February 2019

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

PFCC PROPOSED FIRE PRECEPT

REVENUE BUDGET 2019/20, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL PLAN

1. Purpose of the Report

- 1.1 To present the 2019/20 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 proposal to set the first Fire 2019/20 Precept at a Band D Council Tax of **£60.76**. This is an increase of £1.76 on the 2018/19 “alternative notional amount” level of £59.00 for 2018/19 used to calculate precept excessiveness levels.

- 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 2019/20 net budget requirement of **£24.618m**, including:

- i. The intention of the PFCC to set the first Council Tax Precept Requirement for Northamptonshire Commissioner, Fire and Rescue Authority for 2019/20 of **£14.910m**.
- ii. The 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. The draft Capital Programme
- vi. The reserves strategy and proposed use of reserves.

3. Executive Summary

- 3.1 This report, details the first 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 Police, Fire and Crime Commissioner (PFCC) 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 2018 Autumn Statement.
- 3.4 In line with the national and CIPFA guidance, the 2018/19 position on the funding split was a locally agreed and negotiated position between the PFCC and Northamptonshire County Council. Therefore, the only changes to the funding are local factors such as taxbase, council tax surplus and the local impact of Business Rates.
- 3.5 With NCFRA established and the Fire budget and precept separately identified, there will be a relative reduction in the Northamptonshire County Council precept, budget and MTFP.
- 3.6 The budget for NCFRA is year one of a three year plan to build financial stability for NCFRA. It also does include some immediate initiatives for Fire and Rescue to take forwards. Some key features include:
 - a. 2% pay inflation has been included and estimated for all staff (previously support staff had not received pay inflation for some years).
 - b. First day sickness has been assumed for all staff (previously support staff had not received the first day as paid which had affected staff morale and was inconsistent with operational colleagues).
 - c. Funding has been set aside each year for three years to work towards building sufficient reserve levels and a Reserve Strategy is in place.
 - d. Funding has been set aside in the Fire budget to contribute towards the cost of Governance transition over three years.

- e. A corporate Governance Framework has been published to support the Chief Fire Officer in ensuring financial decisions are aligned to support essential operational decision making.
 - f. The first specific Fire capital programme has been prepared to invest, develop and provide the infrastructure needed to support the delivery of future Fire services.
 - g. A draft capital programme has been prepared which will be reviewed and refined during the year.
- 3.7 During 2019/20, the Chief Fire Officer intends to review the findings and recommendations from the first HMICFRS inspection, together with the Integrated Risk Management Plan (IRMP) which will shortly be issued for consultation.
- 3.8 As such, it is expected that a plan will be prepared by the Chief Fire Officer by the mid-point in the year which outlines the service's response to the HMICFRS recommendations and looks at operational structure and delivery.
- 3.9 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. A three year plan has been prepared which builds 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 2018/19, the PFCC considered the core spending power issued for standalone Fire and Rescue Authorities (FRAs) for 2019/10 and was surprised to see Northamptonshire funded second lowest of the 30 FRAs in England, just higher than Shropshire.
- 3.11 In considering the proposed level of precept, the PFCC has conducted, and been informed by, a consultation of 4,513 residents of Northamptonshire. The results of the survey are summarised in this report and will be available on the PFCC website in due course.
- 3.12 The PFCC has set a balanced budget for Fire for 2019/20 where all funding for Fire is allocated to support Fire delivery and which:
- meets current operational requirements,
 - provides some recognition for hardworking Fire staff,
 - provides commitment and support to enabling services,
 - starts to build reserves,
 - contributes towards some of the transition costs of Fire Governance and
 - starts to provide investment in a capital programme.
- 3.13 Additionally, the first Fire budget and precept seeks to take 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 2019/20 will demonstrate the PFCC commitment to collaboration, particularly highlighted greater integration between police

and fire and rescue to reinvest in frontline services. It is the PFCC's expectation that, over time, the following areas will be delivered:

- Shared Enabling Services
- Shared Estates Strategy
- Shared Prevention Approaches
- Interoperability

3.15 However, the Medium Term Financial Plan shows that there are financial challenges. Reserves are lower than required, the impact of the pensions review is significant. 2019/20 is the final year of the current Spending review and discussions are underway on future funding of public services which may have an impact on Fire.

3.16 If PFCCs were given continued flexibility to raise the precept every year for Fire and the government completed 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 and go some way towards meeting the challenges.

4. Public Consultation on the Level of the Precept

4.1 The 2019/20 precept proposal will be the first precept proposed by Stephen Mold during his term as Police, Fire and Crime Commissioner.

4.2 During the period October to December 2018, the PFCC undertook consultation on the level of the precept to gain the views of local residents.

4.3 In the survey, Fire received a positive response from the 4,513 residents who took part in the survey as follows:

"Of those that stated whether they would be prepared to pay more, 70% in total (2,387) said that they would. 9% (304) said they would be prepared to pay an increase of £1 a year, 35% (1,195) would be prepared to pay an increase of £2 a year, 6% (193) would be prepared to pay an increase of £3 and 20% (695) said that they would be prepared to pay an increase of £6 a year."

4.4 Whilst results across local authority boundaries and demographics varied slightly, all groups were overwhelmingly supportive of an increase for Fire.

5. Precept Strategy and 2019/20 Precept Proposal

5.1 The 2019/20 Draft Referendum Principles (and Council Tax: Local Referendums Briefing Paper) were issued alongside the provisional Local Government Finance Settlement on the 13 December 2018 and these included draft referendum thresholds.

5.2 These documents set out the principles for "excessiveness", which, in 2018/19 was a 3% threshold for Fire and Rescue Authorities, has been maintained, requiring council tax increases to be set below that level or for the Preceptor to hold a local referendum.

5.3 For Northamptonshire an "Alternative notional amount" of £59.00 has been set in these principles for 2018/19 which equates to a maximum allowable increase of £1.76 on a Band D property for 2019/20. This amount will be deducted from the NCC 2018/20 previous precept level to ensure council tax neutrality from the transfer.

6. The Autumn Budget 2018

- 6.1 The Provisional Local Government Finance Settlement was announced by the Secretary of State for Communities and Local Government, James Brokenshire MP, in an oral statement to the House of Commons on Thursday 13 December 2018. Full details of the Provisional Settlement can be found on the GOV.UK website. The announcements set out provisional allocations for 2019-20. These were originally announced in December 2015 as part of the multi-year settlement offer, accepted by 97% of local authorities.
- 6.2 The publication of the Draft 2019-20 Local Government Finance Report marks the start of the consultation spanning the Christmas period and ending with the deadline for submissions on 10 January 2018 (as is the deadline for the Police Settlement) – shorter than the normal six-week period.
- 6.3 Whilst the settlement made little reference to Fire, the national Technical Team undertook an analysis of the day's main announcements with specific focus on those funding streams of relevance to fire and rescue authorities. It showed that the Provisional LGF Settlement contained no major surprises following the Autumn Budget (for which please refer to the TST 'on-the-day' Budget briefing available on Workplace).
- 6.4 National Headlines:

- A national increase in the 2019-20 Core Spending Power of 2.8% compared to 2018-19. NFCC members (exc. London) see an increase in Spending Power of 3.2%, with stand-alone fire authorities seeing an average increase of 2.2%.

(Northamptonshire's was based on a negotiated 2019/20 nationally funded position as part of the business case, therefore, no increase applied).

- Maintained council tax referendum principles (3%) for all Fire Authorities, Shire Counties, Single Tier Unitaries, Metropolitan Districts and London Boroughs as announced in the 2018-19 Settlement. Police referendum limit raised from £12 to £24.
- Announcement of £98.5m grant allocations to support increased pension costs of £108.5m. Expected to be paid in full in early 2019-20. *(Northamptonshire £1.017m).*
- No date has yet been provided for the Comprehensive Spending Review (CSR) except that it shall be conducted in time for Budget 2019.
- Publication of Business Rates Retention Consultation on Systems Design, as well as a Fair Funding Review Consultation and 2019-20 business rates pilots.

6.5 Pensions Grant

In early September HM Treasury announced changes to the discount rate for unfunded public-sector pensions including fire. This, combined with the earlier announcement at Budget 2016, has resulted in a reduction to the discount rate from 3% to 2.4% and has the effect of increasing the employer contributions (to include ill-health costs) from

17.6% to 30.2% from April 2019. The Government Actuary's Department estimated that the additional cost to fire as a result will be around £108.5m per annum.

HM Treasury indicated that additional funding would be provided to public sector bodies in 2019-20 to mitigate most of this increase, with the sector "paying only the additional costs announced at Budget 2016" (a reduction in the discount rate from 3% to 2.8%). This means that fire will pay £10m of the additional costs in 2019-20, with the remaining £98.5m being provided via a grant under section 31 of the Local Government Act 2003. It is estimated that NCFRA will be required to bear pension costs of over £100K locally.

7. 2019/20 Funding Settlement

7.1 A summary of the provisional settlement for Fire compared to the notional position in the business case is shown in the table below:

| Funding Source | 2019/20 Notional (£m) | 2019/20 Provisional Settlement (£m) |
|---|------------------------------|--|
| S31 Grant | 0.146 | 0.173 |
| S31 Grant (*Locally Calculated) | | 0.187 |
| RSG | 2.580 | 2.229 |
| Business Rates | 2.472 | 2.545 |
| Business Rate Growth (*Locally Calculated) | 0.182 | 0.410 |
| Top Up | 2.734 | 2.769 |
| | 8.114 | 8.313 |
| Council Tax Surplus | 0.366 | 0.379 |
| Council Tax Precept | 14.102 | 14.910 |
| | 22.582 | 23.602 |
| Pensions Grant(+) | - | 1.016 |
| | 22.582 | 24.618 |
| Change in Funding Envelope | | 2.036 |

*Key: *Figures highlighted in red are those included within the Approved Business case based on NCC calculations, of which their share is also included within their budget and MTFP. However, these cannot be validated until after the local borough and district statutory returns have been completed at the end of January 2019.*

+The pensions grant is included for 2019/20 to partly offset the additional costs.

- 7.2 The table above shows the increase in the funding envelope settlement of £2.054m when compared to 2018/19 levels. However, the Business Rate Growth is estimated and will be subject to change.
- 7.3 The core spending power tables (which exclude pension grant and local factors) issued by the Fire Technical Team highlighted that core spending power for FRAs ranges between £21.9m in Shropshire to £97.1m in Greater Manchester. Out of the 30 Authorities nationally, Northamptonshire's was second lowest funding at £22.6m.

8. 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 2018/19 actual and 2019/20 taxbases are as follows:

| | 2018/19 (number) | 2019/20 (number) | Change (number) | Change % |
|-----------------|-----------------------------|-----------------------------|----------------------------|---------------------|
| Council Taxbase | 239,580.49 | 245,392.20 | 5,811.71 | 2.43% |

- 8.4 The 2019/20 estimate in the local government funding settlement was 2.6% (a 4 year average) as compared to the actual rate of 2.43%. Interestingly, the Police Settlement includes a taxbase estimate of 1.41% which shows the different approaches undertaken for the two settlements.
- 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" by 31st January.
- 9.2 In 2019/20, the collection fund surplus equates to £0.379m and moving forwards the MTFP assumes a more prudent assumption of £180K per annum in future years. This reflects the significant work undertaken by Borough and District Councils during the 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. The impact of how the pension actuarial costs from 2020/21 will be funded.

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

- Every 1.0% in Council tax equates to circa £0.145m
- Every 1.0% in Pay equates to circa £0.145m in a full year
- Every 1.0% non pay inflation equates to £0.055m

10.3 At this time, due to delays with the national Emergency Services Network (ESN) changes, the impact on Fire capital and revenue budgets are unknown.

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

10.5 Any unexpected and unknown implications from the Fire Governance transfer from NCC and implications on the balance sheet when finalised in February/March 2019.

10.6 Any unexpected consequences from the financial system build and financial systems.

11. 2019/20 – 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 £0.400m 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, additional costs such as external audit fees, contribution towards the shared enabling services arrangements and a share to reflect that all PFCC staff will deliver for both Fire and Policing. The Police proposed precept report provides further detail on the costs of the Office of the Police, Fire and Crime Commissioner.

11.3 Additional costs have also been built in to the Fire budget to include:

- LGSS Services £622K
- Procurement £40K
- Legal Services £20K
- Cadets £30K
- Communications Support £45K
- Insurances £380K

- 11.4 A prudent approach to Fire Pensions has been undertaken building in the full 30.2% pension contribution. It is anticipated that there may be some underspends arising in this area as the implications are better known.
- 11.5 Whole time Fire establishment is built on 242 posts and has been built up at a zero base level at current structure.
- 11.6 Retained Fire establishment is built on 254 FTE on a zero base at current structure.
- 11.7 Control Room Staff equate to 17 posts, built up on a zero base.
- 11.8 Local staff in the establishment equate to 68, built up on a zero base.
- 11.9 Other budgets are built up (excluding the one off saving made in 2018/19) as per 2018/19 levels and reviewed as appropriate with the Chief Fire Officer. Before they are allocated to budget holders, a further review of devolved budgets will be undertaken and in future years, there will be a full zero based review of these.
- 11.10 The budget includes circa £60K per annum transfer to the PFCC over three years towards 50% of the governance transfer set up costs.
- 11.11 Of the Fire 2019/20 cash limit of £23.943m, the sum of £3.848m 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 has been built up on a three year plan. However, during the year, once the opening balance sheet position has been agreed, the budget is better understood and the plan to build reserves is implemented, it is envisaged that this will move to a 5 year MTFP.

12.2 The Fire budget and MTFP based on the base assumption are as follows:

| | 2018/19 (notional) £m | 2019/20 £m | 2020/21 £m | 2021/22 £m |
|---------------------------|--------------------------------------|-----------------------|-----------------------|-----------------------|
| Fire Cash Limit | 21.882 | 23.943 | 24.314 | 24.780 |
| Capital Financing Charges | - | 0.075 | 0.359 | 0.728 |
| OPFCC | - | 0.400 | 0.400 | 0.400 |
| | 21.882 | 24.418 | 25.073 | 25.908 |
| Transfers to Reserves | 0.700 | 0.200 | 0.200 | 0.200 |
| Draft Budget | 22.582 | 24.618 | 25.273 | 26.108 |
| Funding | | 24.618 | 24.580 | 25.205 |
| Forecast Shortfall | | | 0.693 | 0.903 |

- 12.3 The plan highlights that at current levels, whilst 2019/20 is balanced, there are shortfalls in future years. These shortfalls are impacted significantly as a result of funding the capital programme.
- 12.4 With the exception of the staffing changes highlighted in the executive summary, any demand and policy developments agreed by the PFCC and Chief Fire Officer have not been included at this stage, neither have proposals for enabling services and interoperability development. The MTFP will be updated when these are agreed and the shortfall adjusted accordingly.
- 12.5 It is assumed that no additional unfunded priorities are given to the PFCC and Chief Fire Officer.
- 12.6 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 2.99% 2019/20 and is based on a 1.99% increase thereafter.
 - c. Government funding continues as previously forecast in the business case.
 - d. Pay increases are assumed at 2% for all years (source: Technical team estimates).
 - e. No significant impacts on grant funding has been assumed from the Funding Formula Review.
 - f. Fire staff pensions have been increased to 17.2% (source: actuarial valuation)
 - g. Fire Pensions have increased to 30.2% (source: Treasury actuarial revaluation)
 - h. No additional, unfunded responsibilities are given to the PFCC.
 - i. Further borrowing beyond the capital programme is not required.

13. Capital Programme

- 13.1 The PFCC and the Chief Fire Officer have prepared the first Fire specific draft capital programme, unique for Fire to invest, develop and provide the infrastructure to support the delivery of future Fire services.
- 13.2 The Chief Fire Officer and CFO reviewed the Initial Capital Programme requirements list for Fire. These will be reviewed and more detailed proposals prepared during 2019/20 to reflect joint estates and capital priorities and opportunities with Policing.
- 13.3 To ensure effective MTFP and capital planning some expenditure has been included in the 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 with the operational, PFCC and reserve requirements.

13.4 The draft Capital Programme is summarised below:

| | Total | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 |
|-----------------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| Fleet | 10.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| Estates | 1.270 | 0.270 | 0.250 | 0.250 | 0.250 | 0.250 |
| ICT | 0.720 | 0.145 | 0.425 | 0.050 | 0.050 | 0.050 |
| ESN | TBC | TBC | TBC | TBC | TBC | TBC |
| Operational Equipment | 1.460 | 0.550 | 0.550 | 0.160 | 0.100 | 0.100 |
| Total | 13.450 | 2.965 | 3.225 | 2.460 | 2.400 | 2.400 |

13.5 Whilst the draft capital programme provides an estimate of expenditure for planning purposes, the Chief Fire Officer is reviewing the requirements and plans and the Chief Finance Officer has recommended that strategies are provided to support the capital programme for the following:

- Fleet Strategy
- Estates Strategy
- ICT Strategy
- Operational Equipment

13.6 This provides an opportunity to ensure that strategic planning in both Fire and Policing are undertaken in a consistent manner which could contribute to better integrated working across the services to realise governance benefits.

13.7 Once these strategies have been produced, the Capital Programme and the MTFP will be updated.

13.8 The Treasury Management Strategy, Capital Strategy and efficiency plans will be finalised and available on the PFCC website by April 2019.

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 There were no reserves transferred from NCC and the business case included a proposal to build a general reserve. However, there is also a need to build earmarked reserves such as Insurance to meet Insurance excess levels and claims and operational reserves such as to meet industrial action, smooth ill health costs, fund transformational development and replace essential (non-capital operational

equipment). However, it is recognised that these reserves will need to be balanced with operational requirements and built up over time.

- 14.3 At the end of 18/19, it is estimated that there will be a £500K Fire underspend and approximately £200K will arise from planned savings in January to March 2019 from Insurance and Support Services costs.
- 14.4 Whilst CFO has advised that it will not be enough to meet the accepted minimum general and insurance level reserve requirements (a minimum for that would be anticipated to be £750K), it is, however, a start towards that goal.
- 14.5 The Chief Fire Officer has continued with local spending controls within Fire and should the final underspend be higher than this amount, it would be prudent to transfer this to reserves and minimise the impact on future years.
- 14.6 Whilst the exact figures will form part of the 18/19 final accounts considerations, at this stage, the CFO recommendation is that it would be prudent to seek to exceed the minimum level of £700K reserves identified as at 31/3/19.
- 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

A guideline level for a general reserve is 3% of net revenue expenditure £677K as at 31/3/19 (increasing to £739K in 2019/20). An external audit requirement is a minimum of 2% (with other appropriate levels of earmarked reserves to support – which Fire do not currently have). A 2% level would equate to £452K.

b. Insurance Reserve

This is an essential reserve earmarked to meet the excess costs of insurance claims. Whilst the exact Insurance will not be known until the end of 18/19, legal insurance advice is that a reserve of £250K should be created and reviewed as part of the closedown arrangements.

c. Earmarked Reserves

The following areas are considered for future earmarked reserves once the general and insurance reserves are at an acceptable level.

- Fire do not currently have any industrial action contingency arrangements as previously costs have been met from revenue budgets and it is recommended that, in time an operational reserve is created for this purpose.
- Fire also do not have any reserves to smooth the impact of large operational equipment purchases which would either have to be purchased from revenue or if they do meet the audit capitalisation requirements, from capital. It is recommended that such a reserve is worked towards.
- Fire do not have any transformational or invest to save initiative reserves, this means that funding such activities would fall on the revenue budget, which is not ideal. In line with the Financial Management Code, all parties have to clearly show

their investment in collaborative activities so it is recommended that Fire work towards a transformation/investment reserve as a minimum.

- 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.

14.8 The reserves strategy details the three year plan to build reserves as follows:

| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| General Reserve | | | | |
| Balance brought forward | - | 450 | 600 | 700 |
| Transfers In | 450 | 150 | 100 | - |
| As at 31 March | 450 | 600 | 700 | 700 |
| | | | | |
| Insurance Reserve | | | | |
| Balance brought forward | | 250 | 250 | 250 |
| Transfers In | 250 | - | - | - |
| As at 31 March | 250 | 250 | 250 | 250 |
| | | | | |
| Earmarked Reserves | | | | |
| Balance brought forward | | | 50 | 150 |
| Transfers In | | 50 | 100 | 200 |
| As at 31 March | | 50 | 150 | 350 |
| | | | | |
| Total | 700 | 900 | 1,100 | 1,300 |

14.9 Even with these plans, at the 31/3/22, total reserves will be extremely low and give little resilience to meet challenges, smooth costs or invest in transformation or other opportunities. The CFO has advised that it would be prudent over time to try and work towards total reserves of nearer 10%.

15. Robustness of the Budget –Statement of the PFCC Chief Finance Officer

15.1 The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the PFCC’s Chief Finance Officer to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The PFCC is required to have regard to the report of the Chief Finance Officer and the report must be given to the Police, Fire and Crime Panel.

15.2 The CFO statement is as follows:

“At both meetings with the PFCC and the Senior Fire team on the 26 November 2018 and the 17 January 2019, I attended as the Chief Finance Officer, but also the operational 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 and discussed.

Working with colleagues I have developed the budget model 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.

In developing the model, Northamptonshire County Council and Local Government Shared Services colleagues have supported me and provided me with information and responses to queries and/or points of clarification and I am grateful for their support and assistance in doing so.

As the process for the NCFRA Governance and the budget is new for 2019/20, I will continue to work with Fire colleagues during 2019/20 to further understand and refine the budget model and process to ensure it supports the strategic and operational priorities for future years. I will also look to develop the newly implemented finance system for Fire so it can support the budget process 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.

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 as these will not be available until February 2019, after the budget discussions have concluded. Whilst the estimates are consistent with the business case, these are subject to local volatility and the PFCC is aware of this uncertainty and potential impact.

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 Capital Programme and Reserves Strategy.

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 managed for 2019/20, 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 2018/19:

1. *Has been prepared on a robust basis, and*
 2. *In 2019/20, 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, I am concerned that there is little financial resilience within Fire to manage any unforeseen issues or to invest in and optimise opportunities.*
 4. *The financial landscape after 2019/20 is less certain and the MTFP identifies a need for further savings and 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 1st 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 A – 2019/20 Budget and MTFP
Appendix B – Reserves Strategy

Persons to Contact

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

Appendix A – Fire2019/20 Budget and Medium Term Financial Plan (MTFP)

| | | Budget | Budget | Budget |
|---|--|-------------------|-------------------|-------------------|
| | | 2019/20 £'000 | 2020/21 £'000 | 2020/21 £'000 |
| Employee Costs | | | | |
| | Staff Costs | | | |
| | W/T Firefighters | 9,270,032 | 9,455,432 | 9,644,541 |
| | P/T Firefighters | 1,883,154 | 1,920,817 | 1,959,234 |
| | Firefighters Pension (W/T and Retained) | 3,324,678 | 3,391,171 | 3,458,995 |
| | Local Govt Staff | 2,038,719 | 2,079,494 | 2,121,083 |
| | Local Govt Pension | 251,958 | 256,997 | 262,137 |
| | Control Room Staff | 447,505 | 456,455 | 465,584 |
| | Control Room Pension | 55,572 | 56,683 | 57,817 |
| | Overtime | 614,389 | 626,677 | 639,210 |
| | Allowances | 266,489 | 271,819 | 277,256 |
| | Injury Allowances post LGR | 263,161 | 268,425 | 273,793 |
| | Ill Health Pensions & Allowances | 143,467 | 146,336 | 149,263 |
| | Other staff costs | 10,745 | 10,960 | 11,179 |
| | Recruitment Advertising and Relocation | 6,302 | 6,428 | 6,557 |
| | Staff Health & Welfare | 91,505 | 93,335 | 95,202 |
| | Staff Training & Development | 364,379 | 371,667 | 379,100 |
| | | 19,032,056 | 19,412,697 | 19,800,951 |
| Premises | | | | |
| | Building Maintenance | 18,882 | 19,260 | 19,645 |
| | Fixtures, Fittings & Furnishings | 102,242 | 104,287 | 106,372 |
| | | 121,124 | 123,546 | 126,017 |
| Transport | | | | |
| | Vehicle Running costs, Fuel, R&M | 404,429 | 412,518 | 420,768 |
| | Leased Cars & Vehicle Hire | 208,080 | 212,242 | 216,486 |
| | Public Transport and staff travel allowances | 45,918 | 46,837 | 47,773 |
| | Insurance - Vehicles | | - | - |
| | | 658,428 | 671,596 | 685,028 |
| Supplies & Services | | | | |
| | Equipment & Furniture | 384,322 | 392,008 | 399,848 |
| | Medical & Cleaning | 17,340 | 17,687 | 18,041 |
| | Books & Media | 7,181 | 7,324 | 7,471 |
| | Clothing, Uniform & Laundry | 321,300 | 327,726 | 334,281 |
| | Catering & Staff Subsistence | 54,273 | 55,359 | 56,466 |
| | Printing, Stationery, Purchase Cards, Educ Visits | 67,156 | 68,499 | 69,869 |
| | Professional Fees, Hired Services and Licence Fees | 665,634 | 678,947 | 692,526 |
| | Computer Hardware & Software | 466,080 | 475,402 | 484,910 |
| | Telephone and Home Calls | 318,499 | 324,869 | 331,366 |
| | Advertising & Publicity | 3,060 | 3,121 | 3,184 |
| | Postage & Carriage | 17,493 | 17,843 | 18,200 |
| | Non Staff Expenses | 567,686 | 579,040 | 590,621 |
| | Subscriptions | 15,606 | 15,918 | 16,236 |
| | | 2,905,630 | 2,963,742 | 3,023,017 |
| Agency & Contracted Services | | | | |
| | Payments to Other Local Authorities | 26,324 | 26,850 | 27,387 |
| | Private Contractors | 122,232 | 124,676 | 127,170 |
| | Recharge Within Service | 29,584 | 30,176 | 30,779 |
| | | 178,140 | 181,703 | 185,337 |
| Capital Financing & RCCO | | | | |
| | Revenue Contributions to Capital | 75,000 | | - |
| | Repayment of 50% Transition Costs | 50,517 | 50,517 | 50,517 |
| | Financing the Capital Programme | - | 358,660 | 728,320 |
| | | 125,517 | 409,177 | 778,837 |
| Income | | | | |
| | Grants | - 243,288 | - 243,288 | - 243,288 |
| | Joint Financing | - 23,640 | - 23,640 | - 23,640 |
| | Salary Costs Recovered | - 34,541 | - 35,232 | - 35,937 |
| | Income and Charges | - 164,071 | - 167,353 | - 170,700 |
| | Rents and Leases | - 133,171 | - 135,835 | - 138,551 |
| | | - 598,712 | - 605,347 | - 612,116 |
| | | 22,422,182 | 23,157,114 | 23,987,071 |
| County Support Services | | | | |
| | Accommodation | 1,140,896 | 1,140,896 | 1,140,896 |
| | Back Office | 400,000 | 400,000 | 400,000 |
| | Insurances | 380,000 | 387,600 | 395,352 |
| | | 1,920,896 | 1,928,496 | 1,936,248 |
| | | 24,343,078 | 25,085,610 | 25,923,319 |
| Growth /Pressures | | | | |
| | Communications and Cadets | 75,000 | 75,000 | 75,000 |
| | Transfer to Reserves | 200,000 | 200,000 | 200,000 |
| | Hold Price Inflation - Manage within Budgets | - | - 87,689 | - 89,443 |
| | Gross Expenditure | 24,618,078 | 25,272,921 | 26,108,876 |