



NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

9 SEPTEMBER 2021

NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

FIRE - FINANCIAL UPDATE AND 2021/22 FORECAST OUTTURN

AS AT JUNE 2021

REPORT BY THE CHIEF FINANCE OFFICER

1. Purpose and Context

- 1.1 This report sets out at a high level, a financial update on the 2020/21 provisional outturn, the forecast financial outturn for the period 1 April 2021 to 31 March 2022 and future challenges.
- 1.2 2021/22 is the third full year operating as Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) following the governance transfer on the 1 January 2019.

2. 2020/21 Provisional Outturn and Assurance

- 2.1 The NCFRA 2019/20 statement of accounts were certified as unqualified on 31 March 2021 and the 2020/21 draft statement of accounts were published in July 2021 in line with statutory timescales. Both are available on the OPFCC website.
- 2.2 The 2020/21 external audit had originally been notified to take place in early 2022. Following representation by the PFCC this is now anticipated in October/November 2021.
- 2.3 As set out in the February 2021 precept report, NCFRA had anticipated and planned for a challenging financial settlement for 2021/22. Some short term government grants

were provided and changing expenditure patterns helped mitigate financial pressures in 2020/21 and 2021/22. These challenges remain over the medium term.

- 2.4 In recognition of the tight financial climate, the PFCC had determined that where appropriate, underspends in the 2020/21 financial year would be set aside to help mitigate the future financial position.
- 2.5 Towards 2020/21 year end, NCFRA received a range of unbudgeted grants to mitigate lower than anticipated funding levels and/or additional pressures. As a result, the year-end underspend equated to £673K; of which, £99K is ring fenced for expenditure commitments in 2021/22 and the balance transferred to reserves.
- 2.6 The Home Secretary approved the transfer of NCFRA governance based on PFCC plans to build reserves to a sufficient level within three years. This level has been achieved through the delivery of robust plans and Home Office support. As at 31/3/21, NCFRA held:
 - £3m in a general reserve which reduces to £2m from 2021/22; and
 - £2.472m in revenue and capital reserves.
- 2.7 Reserves are now sufficient in the short term to meet unbudgeted risks, planned expenditure and to mitigate unforeseen pressures. However, they are not sufficient to meet the future financial shortfalls identified in the medium term financial plan to 2025/26.
- 2.8 NCFRA transferred without a capital programme and significant work has been undertaken with the Chief Fire Officer to develop a capital programme which balances operational need with affordability and deliverability. In 2020/21, £4.239m was spent on capital expenditure. With the exception of the joint fleet workshop with police, which was funded from borrowing, the balance was funded from revenue contributions, capital receipts, S106 and grants.
- 2.9 The service continued to review internal controls and assurances over the year and the Internal Audit Programme was delivered in full. At the year end, as with 2019/20, the Chief Internal Auditor's overall audit opinion for the year was "Satisfactory" and he recognised the positive direction of travel in establishing and embedding the internal control framework. The Chief Internal Auditor's Report is published in the Joint Independent Audit Committee (JIAC) July 2021 meeting papers on the OPFCC website.

2.10 The PFCC and his team continue to work with the service to highlight areas where internal controls need review, development, and to embed improvements and minimise the budget volatility which is still being experienced in some departmental areas.

3. Forecast Summary Revenue Outturn as at 31 March 2022

3.1 The forecast outturn is based on nine months of estimated data and, therefore is subject to change. It will be updated and refined to reflect latest information as the year progresses.

3.2 At this early stage in the year, there is a forecast overspend of £27K and in the current situation the outturn is subject to change as the year progresses. The forecast outturn is as follows:

Budget Group	Original Budget	As at 31 June (P3)		
		Expenditure to Date	Forecast Outturn	Variance
	£000	£000	£000	£000
Response Control	699	196	747	48
Response Wholetime	13,092	3,293	13,125	33
Response Retained	2,103	508	2,179	76
Business Planning & Perf	203	47	203	0
Joint Operations Team	97	18	97	0
Commercial Training	44	(17)	24	(20)
Community Prevention	517	122	517	0
Community Protection	527	130	545	18
Corporate Budgets	2,291	441	2,177	(114)
Engineering Services & Stores	1,493	446	1,523	30
ICT and Communications	1,332	408	1,417	85
Occupational Health	140	26	140	0
Estates & Facilities	1,538	239	1,538	0
Securing Water Supplies	62	15	62	0
Strategic Leadership Team	693	228	693	0
Training	744	153	744	0
Service Information Team	273	59	264	(9)
Contribution to/(from) Reserves	(950)	0	(950)	0
Contingency	120	0	0	(120)
Strategic Finance	249	0	249	0
Investment Interest	(7)	0	(7)	0
Total	25,260	6,312	25,287	27

3.3 Key highlights:

- I. In line with government direction, no funding was provided for pay awards in the funding settlement and as such was not budgeted for. However, a national pay award of 1.5% for Firefighters was approved by the National Joint Council (NJC) and has

been implemented. The forecast includes a financial pressure of £131K in the year for wholetime and retained firefighters.

- II. To mitigate the impact of any unforeseen pressures, the budget included a £120K contingency. As such, the PFCC has authorised this be applied to the costs of the pay award with the balance to be met from within the Fire revenue budget. Future years costs of over £200K have now been built into the Medium Term Financial Plan (MTFP). The contingency is now fully utilised and any further unbudgeted pressures will need to be met from either the Fire revenue budget or reserves.
 - III. The Control overspend is due to additional strength being added in 2020/21 to add resilience as there were several staffing changes taking place. Due to the pandemic, not all of these changes came to fruition.
 - IV. Staff turnover is lower than budgeted in the Protection team which has resulted in a small forecast overspend.
 - V. ICT pressures relate to contractual commitments for the revenue costs of essential ICT software. Whilst some additional costs had been included within the budget for 2021/22, work continues with the budget manager to minimise the volatility in this area moving forwards.
 - VI. The Corporate budget is anticipated to underspend due to some third party charges being less than budgeted such as reduced charges for posts with Police and Pension Administration charges.
 - VII. Small variations are forecast in engineering and stores, the service information team and commercial training.
 - VIII. At this point in time the estates and facilities budget is forecast to come in on budget. However, this area has historically been volatile and the joint finance team continue to work closely with the budget manager to minimise this.
 - IX. The PFCC has commissioned a review of all Fire Business Rates and it is anticipated that this will result in some reduced costs for 2021/22 and future years.
- 3.4 At this early stage in the year, funding receipts are assumed to be in line with that budgeted. However, variations often arise on business rates and government grants and these will continue to be reviewed as the year progresses.

- 3.5 Whilst an overspend is currently forecast, it is important to highlight that this is based on prudent estimates and assumptions and nine months of estimated data. It is, therefore, likely to change during the year. The Fire budget is delegated to the Chief Fire Officer and the conditions of this delegation are set out in a formal budget letter from the PFCC to the Chief Fire Officer each year.
- 3.6 This letter sets out a number of requirements and expectations, including that the Chief Fire Officer will manage the resources within his delegated budget and that any overspends would be discussed with the PFCC and could be taken from the following year's budget allocation.
- 3.7 The PFCC scrutinises the budget monitoring throughout the year and receives regular updates at the Accountability Board.

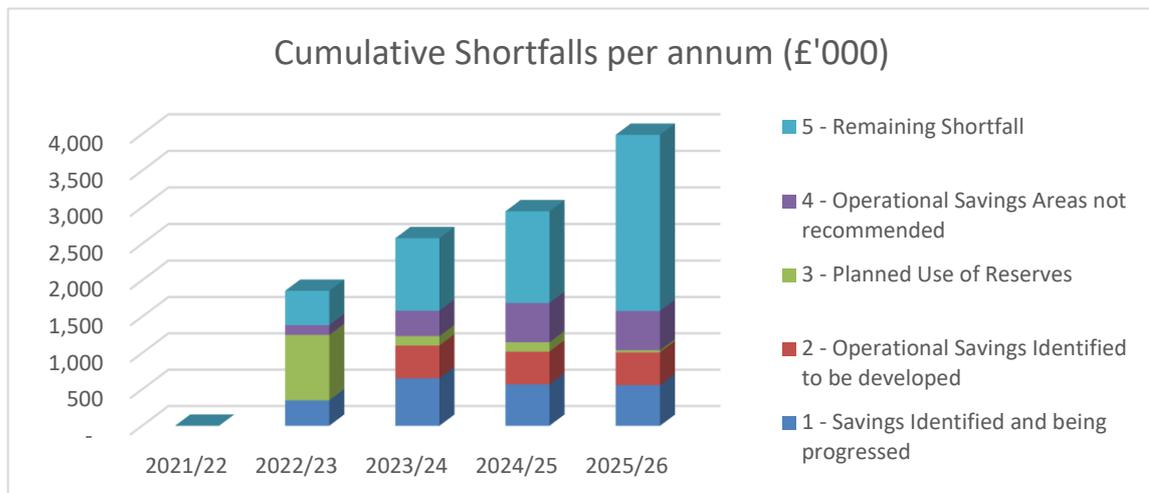
4. Capital Programme

- 4.1 As the PFCC set out in the precept report, the Chief Fire Officer has undertaken two further reviews of the capital programme in order to balance operational requirements, deliverability and affordability.
- 4.2 Due to the historic under investment in the Fire capital programme, there are a lot of essential operational requirements which need to be addressed and the revenue costs of financing the updated programme will be almost £800K per annum by 2025/26.
- 4.3 This is a significant pressure on the NCFRA annual budget and at the "Home Office" visit in June 2021. the PFCC raised this with the Home Office and is seeking financial support to address the funding of the legacy capital programme.

5. Future Financial Challenges

- 5.1 The PFCC is cognisant of the tight financial environment that NCFRA operate in and as such has been successful in obtaining a number of grants to mitigate financial challenges. Since 1/1/19, he has secured almost £4.3m in additional funding to support both revenue and capital pressures.
- 5.2 These grants have been welcomed and have been utilised to both supplement reserves and meet unbudgeted costs. However, one off grants do not support base funding requirements and the base budget funding challenge remains.
- 5.3 The February 2021 precept report set out the future MTFP position which highlighted shortfalls which needed to be met and the PFCC tasked the Chief Fire Officer to develop a savings plan. The Chief Fire Officer has worked closely with the PFCC and S151 Officer to identify a prioritised savings plan for the service.

5.4 The plan was considered at the Accountability Board in June 2021 and the MTFP has been updated as follows:



5.5 As seen in the chart in paragraph 5.4, whilst some savings have been identified there is a planned use of reserves until such time as the savings can be fully realised; the savings identified still do not meet the forecast shortfall over the MTFP.

5.6 Furthermore, the MTFP does not include the potential impact of additional pension contributions which are assumed from the next treasury review. This affects both Fire and Policing unfunded pension schemes. Conservative estimates for Fire at a 5% increase would result in a financial pressure of £0.5m per annum increasing to £1.1m per annum at 10% from 2024/25. However, national discussions indicate that potential increases could be even higher.

5.7 It remains the view of the PFCC that NCFRA do not receive fair funding when compared to other Fire Authorities and balancing the budget over the Medium Term is a challenge.

5.8 Mindful of the position, at their visit in June, the PFCC asked the Home Office to consider and support the following:

1. A permanent increase to the annual Fire budget;
2. Additional one off funding to meet essential capital expenditure; and
3. Central Home Office Support to address the potential pension pressures

5.9 Although the outcome of the Comprehensive Spending Review in the autumn and the impact on public finances of COVID-19 is still unknown at this time, the PFCC will continue to lobby and seek support for Northamptonshire Fire as set out within this report.

6. Recommendation

- 6.1 That the Police, Fire and Crime Panel considers the financial update and forecast outturn.