



NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

16 DECEMBER 2021

NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

FIRE - FINANCIAL UPDATE AND 2021/22 FORECAST OUTTURN

AS AT SEPTEMBER 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.

2. 2020/21 Provisional Outturn

2.1 The fieldwork for the 2020/21 draft statement of accounts has been completed and it is anticipated that the accounts will be signed by the end of the calendar year.

3. Forecast Summary Revenue Outturn as at 31 March 2022

3.1 The forecast outturn is based on six months of estimated data will be updated and refined to reflect latest information as the year progresses.

3.2 At this halfway point in the year, there is a forecast underspend of £15K, compared to the £27K overspend forecast previously.

3.3 The forecast outturn is as follows:

Budget Group	As at 30 September (P6)		
	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Response Control	699	747	48
Response Wholetime	13,092	13,266	174
Response Retained	2,103	2,103	0
Business Planning & Perf	203	194	(9)
Joint Operations Team	97	87	(10)
Commercial Training	5	(24)	(29)
Community Prevention	517	517	0
Community Protection	527	545	18
Corporate Budgets	2,291	2,184	(107)
Engineering Services & Stores	1,493	1,560	67
ICT and Communications	1,332	1,412	80
Occupational Health	140	120	(20)
Estates & Facilities	1,538	1,467	(71)
Securing Water Supplies	62	62	0
Strategic Leadership Team	693	693	0
Training	783	783	0
Service Information Team	273	258	(15)
Contribution to/(from) Reserves	(950)	(973)	(23)
Contingency	120	0	(120)
Strategic Finance	249	249	0
Investment Interest	(7)	(5)	2
Total	25,260	25,245	(15)

3.4 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 which is met in part by the £120K PFCC contingency.
- II. 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.
- III. 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.
- IV. Additional fuel costs have impacted on engineering and stores, which is now showing an overspend.

- V. ICT pressures relate to contractual commitments for the revenue costs of essential ICT software and additional investment agreed during the year. 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. Some refunds of Fire Business Rates have been received, resulting in an underspend in Estates and Facilities.

3.5 At this stage in the year, a prudent shortfall in business rates compared to budget is forecast. As the PFCC budget and precept is set each year earlier than the Business Rate returns, there is often a difference between the budgeted and actual position. To smooth any potential impact, the PFCC established a funding reserve in 2020/21 to meet potential shortfalls which may occur.

3.6 Given that the budget monitoring is based on six months of estimated data, it is 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. 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 The Chief Fire Officer has undertaken two reviews of the capital programme during the year in order to balance operational requirements, deliverability and affordability.

4.2 Despite this, due to the historic under investment in the Fire capital programme, there are a lot of essential operational requirements which need to be addressed. This is a significant pressure on the NCFRA annual budget and further impacts the pressure on the Medium Term Financial Plan (MTFP).

4.3 In the coming weeks, the PFCC will make representation to the Home Office, seeking financial support for the Capital Programme to fund some of these legacy challenges.

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 Some savings have been identified and there are planned use of reserves to meet one off pressures. However, this will not bridge the gap and there are still significant shortfalls forecast every year of the MTFP.
- 5.4 Whilst on current assumptions it is assumed that the 2022/23 budget can be balanced, if the council tax precept level is not increased, Fire will need to use a significant proportion of its reserves to do so.
- 5.5 NCFRA have had close engagement with the Home Office on the NCFRA funding position throughout the year. Furthermore, since October 2021, the PFCC has actively lobbied the Home Office, the Department of Levelling Up Housing and Communities (DLUHC) and the Treasury; setting out the challenges and requesting a budget increase or precept flexibility to mitigate these shortfalls.
- 5.6 The PFCC has ensured Northamptonshire MP's have been appraised of Fire's funding challenges during the year, and has sought their assistance and support in obtaining a better base budget position. The PFCC also held a meeting with them on the 17 November 2021, where he took the opportunity to discuss the challenges.
- 5.7 The PFCC is extremely grateful to all MP's for their engagement and support and the proactive lobbying they have taken forward with the Home Office, DLUHC and the Treasury on NCFRA's behalf.
- 5.8 In addition to the challenging revenue position, members are reminded of the following challenges:
- Fire Reserves are currently stable and above the minimum and optimum levels set out in the reserves strategy: however, they remain the lowest nationally and if the base funding position for 2022/23 and future years is not addressed, they will no longer be sufficient.
 - Given the legacy issues being identified on estates, operational equipment and vehicles, the capital programme requirements are very high for a service of this size and funding of the capital programme is a significant pressure on the revenue budget.
- 5.9 Effective financial management requires an appropriate balance between the reserves, capital programme and revenue position. Whilst NCFRA is in a much better position than at the date of the governance transfer, its revenue budget is almost 12% higher than pre governance transfer and its capital, revenue and reserve plans are well progressed, they remain challenging and have not yet achieved the desired level of stability and resilience.

6. Spending Review October 2021

6.1 The Police and Crime Commissioner's Treasurer's Society (PACCTS) Technical Support Team have considered the spending review and have highlighted some of the key elements relevant for Fire:

"On 27 October 2021, Chancellor of the Exchequer, Rishi Sunak MP announced the outcome of the 2021 comprehensive spending review (SR2021) alongside his Autumn Budget 2021 (AB21). Sometimes referred to as the 'Spending Round' or the 'SR', the SR21 sets out public spending totals for the financial years 2022-23 to 2024-25. This was the Chancellor's second SR and his third Budget.

Alongside the SR21 and AB21, the Office for Budget Responsibility released its Economic and Fiscal Outlook.

Inflation – *As stated in the 2021 Spring Budget, CPI inflation fell to just 0.9% in 2020, compared to a pre-Brexit target of around 2% and a pre-pandemic forecast of 1.4%. As the economy has ramped up, forecasts for CPI have risen in the short term to a 2022 peak of 4.0% but are expected to settle to around 2% (the government's target) by 2024.*

The AB21 and SR21 contained very little fire and rescue specific announcements. **Announcements linked to fire and rescue are set out below:**

- *Cladding – SR21 confirms £5 billion funding (£3 billion of which is over the SR period) for remediation of the highest risk buildings with unsafe cladding to ensure everyone can feel safe and secure in their home.*
- *Home Office Funding – The Home Office settlement provides £4.2 billion over the Parliament, increasing from £12.3bn in 2019-20, (14.6bn in 2021-22) to £16.5bn in 2024-25. This is equivalent to a real-terms growth rate of 1.9% a year on average over the SR21 period.*
- *Council tax referendum limits expected to be 2% throughout the SR21 period.*
- *Business rates reliefs total £7bn. It is expected that this will be compensated through s31 grants in the usual way.*
- *ESN – The SR will provide £125 million resource funding in 2022-23 and a saving of £17m by 2024-25 as well as £121m capital funding for the Emergency Service Mobile Communications Programme of the SR21 period.*

6.2 It is likely that the detail of these announcements will not be available until the provisional settlements are published and the impacts are worked through.

6.3 From the information available and initial assessment, there does not appear to be anything contained within the SR to address the financial challenges facing Fire.

6.4 Members are advised that a 1.99% increase on the Fire precept would equate to £1.26 and would raise just over £300K. At current taxbase levels, a £5 increase would increase Fire funding by over £1.3m every year.

6.5 If precept and grants increase by an average of 1.9% each year of the SR period, this would still be far below the average 4% inflation expected. Based on the current indications, the proposed settlement will increase, rather than reduce the funding gap.

6.6 Whilst the spending review considers a three year period, it does not address the potential impact of pension actuarial reviews on the Fire and Police unfunded Pension Schemes from 2024/25. Members will be updated further as part of the Medium Term Plan considerations which will support the PFCC's precept proposal in February 2022.

- 6.7 The PFCC will consider the detail included in the December 2021 provisional settlement, the outcome of the budget negotiations with the Chief Fire Officer and the views of Northamptonshire residents to inform his budget and precept proposals. The proposals will be shared with the Panel in February 2022.
- 6.8 It is the intention of the PFCC to offer a budget and precept workshop with members in January 2022 to inform his precept proposals.

7. Recommendation

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