



NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

3 February 2022

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

PFCC PROPOSED FIRE PRECEPT 2022/23

Purpose of the Report

1. To propose the 2022/23 Fire Precept Proposal.
2. The revenue budget, capital programme, reserves and medium term plan are included within the report to provide context for the precept proposal.

Recommendation

3. The Police, Fire and Crime Panel is **RECOMMENDED** to endorse:

The proposal to increase the Fire Precept by £5 per annum (7.9%) for a Band D Council Tax to £68.20 (from £63.20 in 2021/22), 10 pence per week for Fire purposes.

4. Note the information presented in this report, including:
 - a. The statement of the Section 151, 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 (Appendix C).
 - b. At a £5 precept this gives a total 2022/23 net budget requirement of **£27.092m**, including:
 - The intention of the PFCC to set the Council Tax Precept Requirement for Northamptonshire Commissioner, Fire and Rescue Authority for 2022/23 of **£17.231m**.

- 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.
- 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, after the precept has been set, may be balanced by efficiency savings or through a transfer to or from reserves.
- The current MTFP and the anticipated savings required.
- The Capital programme
- The Reserves Strategy and proposed use of reserves.

Executive Summary

5. This report details the fourth precept proposal for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) which was established on the 1 January 2019.
6. The report is the culmination of several months' work by the Office of the Police, Fire and Crime Commissioner (OPFCC), supported by the Joint Finance Team and Fire colleagues and taking account of public and stakeholder consultation and key government announcements.
7. 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 outcome of the public consultation and the Spending Review (SR2021).
8. The Fire funding position in the governance transfer was based on a negotiated position between the PFCC and the former Northamptonshire County Council in line with CIPFA guidance. Given the challenging financial position of NCC at the time, this negotiated position was extremely tight. The main priority for the new Fire Authority was to build financial stability and resilience whilst investing in services and infrastructure where possible.
9. The PFCC set in place a three year programme to build a sustainable base budget, a realistic capital programme and establish a reasonable level of reserves. This three year programme has included active lobbying to secure appropriate grants for the service and to secure a permanent increase in the base budget funding for Northamptonshire Fire.

10. As a result of this precept proposal, a balanced budget has been achieved for the three financial years of 2022/23 to 2024/25. The proposed budgets continue with the investments made in the service since the governance transfer, including an essential equipment replacement and capital programme.
11. The PFCC has approved a capital programme which aligns with the MTFP. The costs are budgeted for, however, a significant value relate to short life assets and/or legacy requirements dating back to the time of the governance transfer. As such, the PFCC has actively lobbied, and written to the Fire Minister seeking a contribution towards these capital costs which would reduce the costs on the revenue budget.
12. The Chief Fire Officer has reviewed the findings of the Grenfell enquiry and investment requirements and priorities continue to be considered as part of the capital programme and essential investment requirements.
13. The S151 officer has reviewed the adequacy and level of reserves following the work undertaken since the governance transfer and has concluded that reserves are currently at an adequate level to manage risk.
14. However, to enable future transformation and investment it is prudent to set aside funding in reserves to facilitate this. Therefore, the MTFP plans that some transfers to reserves will take place from 2025/26.
15. In considering the Fire budget and proposed precept for 2022/23, the PFCC considered the national context and NCFRA's lower precept, core spending power and reserves position relative to other Fire and Rescue Authorities.
16. Furthermore, the PFCC has conducted, and been informed by, a consultation of 1,484 residents of Northamptonshire. The results of the surveys are summarised in this report and will be available on the PFCC website in due course.
17. Additionally, the budget and precept recognise the importance of collaborative working with Police and the OPFCC. The following enabling services areas are now embedded across Fire and Policing:
 - The Joint Assistant Chief Officer for Fire and Police Support Services
 - Joint Teams for Estates, Finance, HR, Fleet and Digital
 - A Joint Communications team between the OPFCC and Fire who work closely with the Police Communications team.
 - A Joint Estates Strategy has been published. The joint administration building has brought together Chief Officer teams from Fire and Policing, the OPFCC and the joint support services. Furthermore, a joint fleet workshop will be implemented later in the year. Once disposals are taken forwards, this will enable benefits and efficiencies to start to be realised.

- Requiring the services to actively seek opportunities to work together to deliver more efficient and effective public services.

In 2022/23 it is intended that opportunities bring together further support services teams will be progressed.

18. Both Fire and Police Budget agreements for 2022/23 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
- Control Room

19. With only a one year settlement and no indication of future funding for Fire and Rescue Authorities, the MTFP shows that even with a £5 precept increase there are financial challenges ahead in future years. The Chief Fire Officer has already prepared savings plans to meet these shortfalls.

After careful consideration of the factors included within this report, the PFCC is very much aware of the financial impact on households in the current time. However, he is extremely grateful for the support Northamptonshire residents have demonstrated for these proposals. As such, given the financial challenges facing NCFRA, this requires him to propose a precept of £5 (10 pence per week).

This will enable Fire to have a sustainable base budget, maintain an adequate level of reserves and maintain and safeguard Fire and Rescue Services in Northamptonshire.

National Context

20. The Fire Governance Business Case was predicated on a three year financial stability plan to establish a sustainable revenue budget, develop an affordable capital programme and build reserves to an adequate and resilient level.
21. The PFCC and Chief Finance Officer keep the budget and MTFP under regular review and this highlights any issues at an early stage . In 2020/21 these reviews identified at an early stage the potential impact of COVID-19 on the Fire budget. As such, the PFCC successfully sought and received both Northamptonshire specific and Fire sector funding above the levels they would have received from national funding formula.
22. COVID-19 impacted significantly on the stability plan both in terms of additional unfunded pressures and reduced funding receipts over the medium term. Fire have limited resilience or flexibility to withstand such variances and since early 2020, have

been in discussions with and lobbied the Home Office and DLUHC to secure additional funding and a permanent increase in the Fire as Budget.

23. In addition to sector specific grants, the Home Office supported Northamptonshire Fire with one off funding grants for COVID-19, £1m to build a resilient level of reserves and a further £1m to be used towards the Base Budget in 2021/22.
24. The PFCC has been in regular contact with Northamptonshire MPs on the financial challenges and; building on the 2021/22 budget engagement, he wrote to and held MP briefings in October and November 2021 respectively, seeking their support for a permanent base budget solution for Fire. He is immensely grateful to all MPs for their engagement and support.
25. The £5 precept flexibility included in the 2022/23 provisional settlement reflects the intense lobbying by Northamptonshire MP's, the PFCC and other Fire Authorities to secure permanent base funding.
26. Following active lobbying and discussions with the Home Office, the PFCC wrote to the Fire Minister in December 2021 seeking one off financial support towards legacy capital programme requirements. The Fire Minister is currently considering this request.
27. The S151 Officer is very appreciative of the regular updates provided by colleagues in the Unitary Authorities in respect of the impact on the taxbase and the council tax and business rate receipts for 2022/23 and future years.
28. The provisional settlement also includes special grant of £372K. Whilst welcome, this is a one off and as evidenced in the MTFP, there is still a need for some savings over the medium term.
29. These savings have already been identified by and agreed with the Chief Fire Officer and, based on current assumptions enables the budget to be balanced over the next three years.

Provisional Local Government Finance Settlement

30. The Provisional Local Government Finance Settlement was announced by the Secretary of State for Levelling Up, Housing and Communities, Michael Gove MP in a written ministerial statement on Thursday 16 December 2021. The announcements set out provisional allocations for 2022/23.
31. The Provisional Settlement publication marks the start of the four-week consultation which closed on 13 January 2021. At the time of writing, the date of the final settlement is unknown.
32. Due to the recency and detail of local government finance settlements at the 2021 Spending Review (SR2021), the majority of the provisional settlement was already known.

33. The national Technical Team undertook an analysis of the day's main announcements and the following headlines were available for Fire:
- Confirmation that Core Spending Power increases by an average of 4.7% (£71m) for standalone Fire Authorities.
 - Precept – 1.99% (under the 2% referendum limit) for Fire and Rescue Authorities but £5 precept flexibility for the lowest eight FRA's (which include Northamptonshire).
 - Core Spending Power includes an estimated taxbase for each authority and was calculated prior to the £5 - so is based on a 1.99% precept increase for all FRAs.
 - £822m Services Grant for which standalone FRAs receive £21.3m. This is a one off grant expected to cover additional costs due to pay, inflation, the increased NI levy and all other pressures.
 - The Fire Pensions Grant is not included in the Provisional Settlement – allocations are expected to be unchanged from 2021/22.
 - It is unknown at this time whether separate Protection Grant will be available in 2022/23 as with previous years. If so, this grant is circa £127K in the current year.
34. The 2022/23 Draft Referendum Principles (and Council Tax: Local Referendums Briefing Paper) were issued alongside the settlement and for 2022/23 the proposed referendum limit has been set at 2% for Fire, but £5 one-off precept flexibility increase for the eight lowest charging Fire authorities. This includes Northamptonshire.
35. Northamptonshire have responded to the provisional settlement consultation, welcoming the settlement, supporting flexibility and requesting continuation of the special services grant.

36. A summary of the provisional settlement for Fire demonstrates that funding has increased by £1.83m (7.25%) from 2021/22, as follows:

2021/22 £m		2022/23 £m
2.278	Revenue Support Grant	2.347
2.814	Top Up Grant	2.814
-	Special Grant	0.372
0.281	S31 Grant	0.444
2.867	Business Rates & S31 Grant	2.867
8.240		8.844
15.763	Council Tax	17.231
0.224	Local Council Tax Support	-
(0.153)	Council Tax Surplus (Deficit)	(0.169)
24.074	Total Funding	25.906
1.186	Pensions Grant	1.186
25.260	Total	27.092

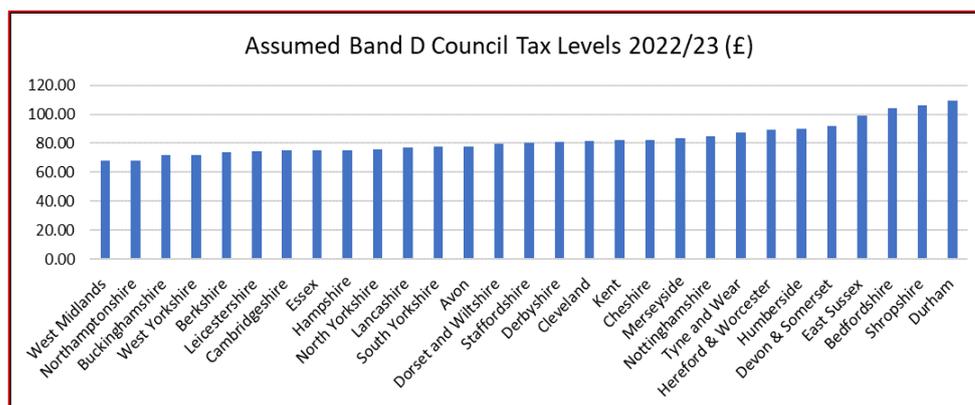
37. The 2022/23 budget will be approximately £4.6m more than the budget transferred as part of the governance arrangements. This equates to a revenue budget increase of 20% since 2018/19 and whilst savings are still required, puts the NCFRA revenue budget and the service on a much more resilient footing.

Comparative Information with Other Standalone Fire Authorities

38. A review of other Fire and Rescue Authorities has highlighted the following:

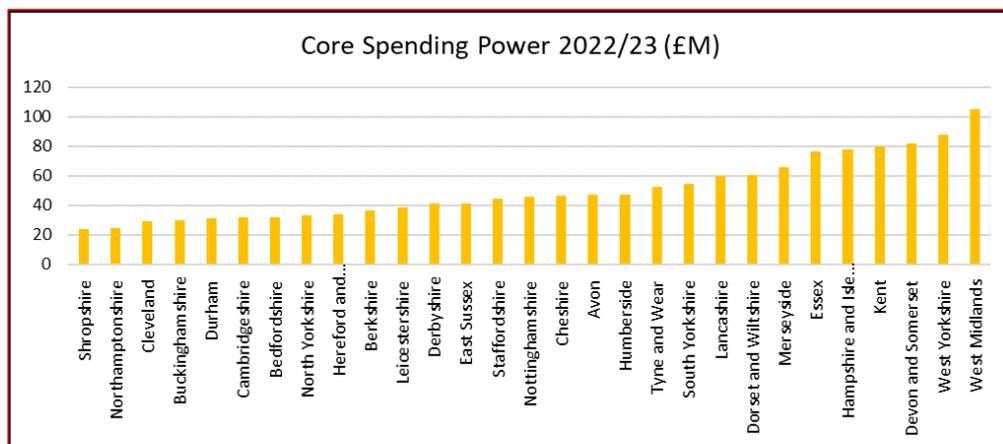
Comparative Council Tax Levels

39. If all eight FRAs take up the precept flexibility, Band D Council Tax levels for Fire and Rescue Authorities will range between £68.04 in the West Midlands and £109.69 in Durham, with an average of £82.66 per Band D property (as compared to £80.06 in 2021/22).
40. At £68.20 Northamptonshire will still be the second lowest Fire preceptor in 2022/23 and will be 17% below the average precept in England and Wales. However, this will be an improvement on the 2021/22 position where Northamptonshire was 21% below the average precept.



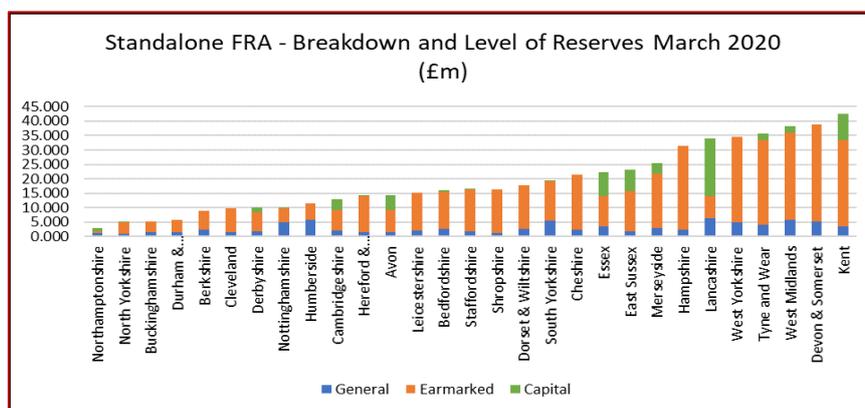
Comparative Core Spending Power

41. Core Spending Power (CSP) is set out in the provisional settlement and includes central settlements as well as business rates and assumed council tax receipts at DLUHC estimated levels.
42. The provisional CSP tables do not include the £5 precept flexibility for authorities. Furthermore, CSP includes estimated, rather than the actual taxbase for authorities and does not include collection fund surplus or deficits nor pension grant.
43. As an indication of Northamptonshire's position in relation to other Authorities, the CSP per standalone authority for 2022/23 ranges between £24.2m in Shropshire to £105m in West Midlands. At 1.99%, Northamptonshire CSP at £24.9m is second lowest and will increase by £1m if precept flexibility is utilised. Even then it will remain the second lowest although it is envisaged the gap to Cleveland (the third lowest Authority) will reduce by £1m to £3.3m.



Comparative Level of Reserves

44. The Home Office will shortly publish their updated analysis of the reserve levels for Fire and Rescue Authorities as at 31/3/20 (based on the audited accounts for 2019/20 and prior to the additional £1m for Northamptonshire). This analysis highlights that total reserves ranged from £2.911m in Northamptonshire to £42.643m in Kent.



45. As a result, and following representation by the PFCC, in 2020/21, the Home Office provided the sum of £1m to augment reserves. Despite this, whilst March 2021 reserve levels have not yet been published, it is envisaged Northamptonshire will still be amongst the lowest levels nationally.

Council Taxbase and Council Tax Precept Income

46. The Council Tax and the level of precept is a fundamental part of the local government finance settlement.
47. Income generated from the precept depends on both the level of the Band D precept and the taxbase – the latter being effectively the number of properties who are required to pay Council Tax.
48. In Fire, the precept accounts for over 63% of funding, therefore any variations can have a significant impact. Historically, the taxbase has increased year on year, however, due to the impact of COVID, as reported to the Panel in 2021/22 the taxbase reduced by 0.41%.
49. The North and West Unitary Councils have advised the PFCC of their proposed taxbases for 2022/23.
50. A comparison of the 2021/22 and 2022/23 figures reflects an average 1.3% taxbase increase as follows:

	2021/22 (number)	2022/23 (number)	Change	
			(number)	%
North	111,892.00	113,047.00	1,155.00	1.03%
West	137,520.22	139,604.04	2,083.82	1.52%
Taxbase (Band D)	249,412.22	252,651.04	3,238.82	1.30%
CSP DLUHC Estimate		253,333.74	3,921.52	1.57%
CSP Home Office Estimate		252,205.64	2,793.42	1.12%

51. As with previous years, the estimated taxbase in CSP Power estimated by DLUHC is significantly higher than the estimate used by the Home Office for Policing. It is interesting to note that the actual taxbase is between the two estimates.
52. Moving forwards, the MTFP assumes average increases which align with Unitary Councils taxbase assumptions.

53. The total precept funding is a combination of the taxbase increase and the precept increase as follows:

2021/22 £	Variation	2022/23 £
	Taxbase Changes	
59,367	- North	72,996
(81,419)	- West	131,697
(22,052)		204,693
	Precept Increase	
137,627	- North	565,235
169,150	- West	698,020
306,777		1,263,255
284,725	Total Precept Change	1,467,948

54. The 2022/23 proposed precept increase of £5, together with the increased taxbase will generate an additional £1.468m on the base budget.

Council Tax Collection Fund

55. 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.
56. The PFCC is very appreciative of the hard work undertaken by the North and West Northamptonshire Unitary Authorities in providing the deficit information to enable their inclusion in his budget and precept considerations.
57. Despite high collection rates within Northamptonshire, COVID-19 impacted on this area. collection fund positions vary significantly throughout the country with some Authorities achieving surpluses and many others having significantly worse deficit positions.
58. The Unitary Authorities have advised the PFCC of their collection fund deficit positions for 2022/23 for Fire as follows:

	2021/22 £	2022/23 £
North	75,974	125,898
West	77,145	42,762
Collection Fund Deficit	153,119	168,660

59. To mitigate this, given the uncertainty at the time of setting the 2021/22 precept, the first instalment of the Council Tax Income Guarantee Grant (£91K) was intentionally not budgeted for in 2021/22 and was added to reserves which will be drawn from reserves in 2022/23. No further instalments have been budgeted for, therefore, if any are received they will be added to reserves and considered alongside the position in 2023/24 and future years

60. The S151 Officer will work closely with the Unitary Authorities throughout the year to monitor and understand any impact on the collection fund deficit position for 2023/24 and future years.

Public Consultation on the Level of the Precept

61. For this year's precept, over the period 20 December 2021 to 16 January 2022, the PFCC undertook as wide a range of consultation as possible to obtain the views of Northamptonshire residents. The survey was sent out to more than 200,000 contacts and using many different approaches, the main ones are set out in Appendix A. This wide reach is set within the challenges of the limited timescale of the government funding settlement and the current COVID climate over the festive season.
62. As consultation has recently taken place on the Police, Fire and Crime Plan priorities, the online survey was targeted specifically in relation to the precept and communicated to as many stakeholders as possible, to enable any Northamptonshire resident to share their views on the level of the precept.
63. The online survey received a response from 1,484, all of whom responded for Fire and which is classed as a statistically relevant sample size for the County based on a 95% level of confidence.
64. Furthermore, the PFCC personally undertook the following specific targeted engagement:
- An annual Parish Councillor Budget and Precept meeting was held on the 19 January 2022, 274 Parish Clerks were contacted and asked to disseminate to all their Parish Councillors. 14 Parish Councillors attended and received a briefing on the budget and precept considerations for both Fire and Policing. All councillors attending were also invited to undertake the summarised online survey. The PFCC has considered their responses and is grateful to those who attended the meeting and found their engagement extremely useful.
 - The PFCC held a Police Fire and Crime Panel workshop on the budget and precept considerations for 2022/23, which was attended by eight members. The annual workshops commenced in January 2021 and the PFCC has again found this approach and member input invaluable. The PFCC is grateful to all panel members who attended, and subject to the views of the Panel wishes to continue to offer the budget workshop as an annual event for consideration.
 - The PFCC would like to give particular appreciation to the commitment and engagement of MPs, Members of the Police, Fire and Crime Panel and Parish Councillors; as he recognises they have been contacted multiple times during the survey period and asked to disseminate the survey amongst their local residents and contacts.

65. The PFCC has considered the results of the 1,484 responses, which were:

That around 61.3% of residents were prepared to pay £5 or more if they were able to for Fire services. Around 34.5% were not prepared to pay any more than they do now and 4.2% said they did not know.

66. Respondents were also given the opportunity to comment on how good a job the Police and the Fire and Rescue Service did. For Fire, 1,439 residents replied. **Approximately 63.7% of residents thought Fire were doing a good or excellent role**, 3.3% of residents advising poor or very poor. 11.7% of residents thought they were doing a fair job and around 21.3% did not know.

67. The PFCC will consider the narrative comments in the report which will be published on the PFCC website in due course.

The Financial Challenge – Future Risks, Challenges and Uncertainties

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

- Every 1% in Council Tax equates to circa £172K per annum
- Every £1 in Council Tax equates to £252K per annum
- Every 1% in Pay equates to circa £190K in a full year
- Every 1% non-pay inflation equates to £9k per annum

69. Prudent forecasts have been included where information which has not yet been finalised. Any variations between the provisional and final local government settlements, business rates, council tax or the collection fund will be balanced with reserves.

70. Each year since the governance transfer, a better understanding has been developed in respect of the operational and budgetary pressures facing NCFRA. A lot of these pressures required investment to ensure resources, premises and equipment is at an appropriate level.

71. These challenges, where known have now been built into the revenue budget and capital programmes to enable Fire to have a base budget which reflects their business requirements and takes account of current and future demands and opportunities.

72. Pressures have been significant and, together with mitigations, have included:

- Strategies for: Estates, Fleet, Digital and Operational equipment have been developed and reviewed, which inform the Capital programme and Revenue budgets.
- An essential new Command and Control System has been procured, together with Warwickshire, the current partner in Joint arrangements which provides stability and

resilience across both Authorities. The system will provide much needed functionality and resilience and will be Emergency Services Network (ESN) compliant.

- Condition surveys for the Fire estate have informed the production of maintenance and repair programmes for all Fire sites.
 - Work on ICT systems has identified significant capital and revenue investment requirements. Those known have been built into the financial plans but it is anticipated the requirements will increase further as this understanding continues.
 - Developing a prioritised comprehensive rolling operational equipment maintenance and replacement programme. The operational equipment reserve assists in mitigating this impact.
 - Ensuring all relevant factors are considered when making decisions and supporting procurement processes to ensure that they are informed and evidenced based.
 - Joint Support services with Police and managed by a Joint Assistant Chief officer have been established to ensure that the Authority has the right range and resilience of skills and expertise to build capacity and support transformative as well as business as usual activities.
 - An Internal Audit Plan has been in place from 2019/20 which provides much needed assurance of key areas and internal controls for the PFCC and Statutory Officers.
73. Some costs in relation to the Emergency Services Network (ESN) changes, have been assumed in the capital programme and MTFP, however, it is recognised that nationally these have not been finalised and may be subject to variation.
74. Any potential for industrial action requires contingency arrangements which have previously been managed within year or from reserves. That position remains and any alternative options would need to be costed, determined and funding set aside.

Other Financial Risks and Uncertainties - Pensions

75. The Government introduced reforms to public service pensions in 2015 which resulted in most public sector workers being moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members gave rise to unlawful discrimination on the basis of age. In July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

76. It is expected that the on-going cost of higher pension benefits will arise from two main areas:

- Costs arising from the above case, and;
- The as yet unknown results of the next actuarial valuations for unfunded schemes such as Firefighters and Police which will be built into the scheme valuation process and reflected in the 2024/25 employer and employee contribution rates.

We have assumed that these issues could lead to employer contribution rates increasing by up to 10.0% from 2024/25 (£1m per annum).

77. The government has provided additional grant funding for pension increases in the past for both Fire and Police but there is a risk that authorities may need to meet some or all of this increase.

78. Whilst assumptions vary between 0% and 30% impact, a potential impact is modelled as scenario in the MTFP assuming a 10% increase and also with a modelling assumption that 75% of that cost would be funded by Home Office grant.

79. Whilst this was not addressed in the SR2021; in January 2022, James Cartlidge MP, Parliamentary Under Secretary for State (Ministry of Justice) and Assistant Government Whip stated that cost of remedy for the above when legislation is in place would fall on the Exchequer (source: Hansard). Whilst this indication is welcome, no details are currently available and this would only contribute to part of the additional costs. However, the Home Office are alive to this issue and are already in discussions with the Treasury.

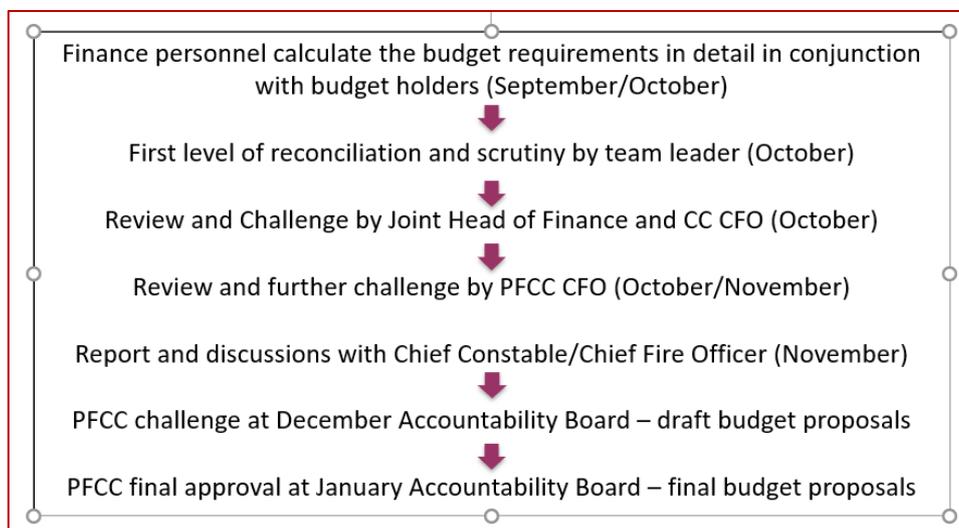
80. The PFCC will continue to make representation and seek updates and assurances from the Home Office in this regard. The MTFP will continue to be updated as discussions continue. At this time, it is highlighted as a potential risk and modelled in both the Police and Fire MTFPs.

2022/23 – Base Budget preparation, approach and scrutiny

81. The budget is the second budget prepared under the recently established joint Finance team and has brought an approach which has provided consistency across Fire and Police. This has enabled comparability of assumptions and principles, together with best practice, resilience and a more efficient approach applied to budgeting for all services.

82. The budget has been prepared on a zero-base where possible, in full consultation with budget holders, aligned to the Police, Fire and Crime Plan and tested against the MTFP.

83. The zero based approach ensures that efficiencies are taken from this process where possible that only approved increases, inflation and unavoidable pressures are built in. Detailed workings are prepared and the format of the budget models are consistent and have built in checks and balances to ensure the correct information is fed through. This approach also enables resilience within the finance team.
84. Following the preparation of the Budget Strategy and approach in September, briefing sessions took place with all budget holders and it the strategy was shared with the Joint Independent Audit Committee (JIAC) for further scrutiny and review.
85. The table below sets out the preparation and scrutiny elements which culminated in the December Accountability Board where the Chief Fire Officer presented his initial budget proposals which were scrutinised and challenged by the PFCC.



86. At the December Accountability Board the PFCC asked for the budget work to be extended and provide an additional budget proposal for a provisional three year balanced budget for the service (excluding potential pension uncertainties), based on £5 precept flexibility in 2022/23 and 1.99% thereafter..
87. A provisional three year balanced budget has been produced, which includes a proposed savings plan by the service and includes an agreed capital programme. This will enable a level of planning and continuity for the service.
88. After further scrutiny and challenge, the PFCC considered the Chief Fire Officer’s budget proposal at the January 2022 Accountability Board

89. These elements have resulted in the PFCC setting the following budget for NCFRA as follows:

2021/22 £m	Budget Heading	2021/22 £m
14.934	Fire Fighters	15.309
3.284	Staff	3.619
0.862	Other Employee Expenses	1.038
1.661	IT & Communications	1.516
1.563	Estates & Facilities	1.664
0.498	Transport	0.515
1.432	Supplies & Services	1.582
2.476	Enabling Services/LGSS	2.796
(0.747)	Income	(0.714)
25.963	Total Service	27.325
0.029	Capital Financing - MRP	0.179
0.068	Capital Financing - Interest	0.092
0.150	Capital Financing - RCCO	0.300
-	Transfer to Reserves	0.030
(0.950)	Transfer from Reserves	(0.484)
25.260	TOTAL	27.442
-	Savings identified	(0.350)
25.260	TOTAL	27.092

90. Key Headlines are as follows:

- a. The firefighter budget follows a zero based review and reflects the planned retirement and recruitment profile.
- b. Twelve new firefighters are being recruited from April 2022 which is estimated will be over establishment for some of the year. Provision has also been set aside for transferees to be appointed if required.
- c. Other employee expenses include the allowances for call out arrangements to provide resilience, overtime, training and bank arrangements and are based on a zero based budget review.
- d. The additional cost of the NI levy has been built into the budget, alongside the full year impact of the excess 2021 pay award.
- e. Staff costs relate to operational non-firefighter posts such as control, prevention and protection.
- f. Changes in Other non-Pay costs include:
 - Additional requirements from reviewing all fire ICT systems and as highlighted earlier in the report.
 - Increased gas and electricity pressures
 - Increased fuel pressures

- g. Joint support service arrangements for the Assistant Chief Officer, HR, Finance, estates, fleet and digital arrangements and are now delivered by Police employed staff rather than in house or from LGSS. Included in this area are:
- Shared services costs between Fire and Police £2.22m most of which relate to staffing transferred from Fire to Police employ under TUPE and some have been the result of previous LGSS charge reductions.
 - The OPFCC charge for governance and strategic support has reduced from £232K to £209K.
 - The Fire element of the Joint Communications Team with the PFCC is £170K. It also reflects services which were previously undertaken internally within Fire or by the Police.
- h. Capital Financing costs reflect the costs of financing the capital programme introduced following the governance transfer.
- i. Reserves transfers out reflect:
- Agreed implementation costs of the digital restructure and extra pension administrative support, shared with Policing.
 - The Council Tax Income Guarantee Grant received in 2020/21 which will be drawn down in 2022/23. Any future grants will be added to reserves and used to support 2023/24.
 - A contribution of £30K has been made to the operational equipment reserve to help smooth the impact of replacing essential equipment.
- j. Efficiency savings have been identified, mainly from shared joint team efficiencies which will be implemented in 2022/23, operational overtime following the appointment of additional firefighters and managing the risk of unplanned and unexpected fire injury awards from reserves.
- k. A contingency of £120K is set aside within the revenue budget to meet any above inflation increases which cannot be met within budgeted provision or to support in year transformation or innovation opportunities.

Medium Term Financial Plan (MTFP)

91. This is the first Fire MTFP produced after the period covered by the three year stability plan to build a sustainable budget. The current MTFP covers a five year period.
92. Most of the challenges associated with the revenue budget and capital programme have now been identified and addressed which is less subject to reactive and historic

challenges, is balanced over three years is based on realistic plans and is considered both deliverable and affordable.

93. Whilst the MTFP does include efficiency savings of up to a cumulative level of £1.1m by year 5 (2026/27); a savings plan to cover this has already been proposed by the service, supported by the PFCC and work is already underway to realise these efficiencies, most of which in 2022/23 have resulted from shared services.
94. One of the main impacts on the MTFP is the revenue costs of financing capital, mainly as a result of legacy items from the governance transfer in the capital programme. As such, the PFCC has written to Lord Greenhalgh, the Minister of State for Building Safety, Fire and Communities, seeking one off capital funding support to mitigate these cost.
95. The MTFP based on key assumptions detailed below, is attached at Appendix B and summarised as follows:

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
25,259	Expenditure	27,442	28,420	29,360	30,380	31,279
-	Savings identified	(350)	(964)	(1,093)	(1,112)	(1,131)
25,259		27,092	27,456	28,267	29,268	30,148
25,259	Funding	27,092	27,456	28,267	29,042	29,845
-	(Shortfall)	0	0	0	(226)	(303)

96. The plan demonstrates that without any additional growth, based on current assumptions, within current plans, and excluding potential pension implications, the budget can be balanced until 2025/26.
97. This exceeds the current external audit value for money assessment which considers the ability of an organisation to balance its budget over a three year period.
98. Of particular note is that by 2026/27, the cost of funding the capital programme, will equate to approximately £1.2m per annum. Any capital funding received from the Home Office will be used to mitigate these costs.
99. It is assumed that no additional unfunded priorities or responsibilities are given to the PFCC and Chief Fire Officer.
100. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
 - Precept will increase by £5 in 2022/23 and thereafter a 1.99% increase. (source: National professional assumptions).
 - Prudent funding assumptions have been made in respect of government funding, business rates, taxbase levels, and council tax deficits (source: professional assumptions).

- Prudent Pay increase estimates are assumed at an average of 2% (source: National professional assumptions).
- Investment requirements can be prioritised and met from within the revenue budget or capital programme.
- Further borrowing beyond the capital programme is not required.

101. As set out earlier in the report, the MTFP also models a potential impact of increased pension contributions and if some grant were provided.

Capital Programme

102. The Capital programme is now an integral part of Fire’s operational and financial plans and organisational awareness and governance arrangements are continuing to develop to ensure that appropriate scrutiny and challenge of investment proposals takes place and that the affordability and deliverability of them is fully considered. An updated Capital programme has been approved as part of the budget setting process.

103. The approved capital programme is as follows:

Programme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Estates	4.8	0.9	0.3	0.1
Vehicles	0.9	0.3	0.2	0.5
ICT	2.8	0.5	0.7	1.1
Equipment	0.3	0.2	0.2	0.2
Total	8.8	1.9	1.4	1.9

104. Estates costs in 2022/23 include essential condition survey refurbishments and ensuring appropriate welfare facilities in Fire buildings in addition to the cost of refurbishing the recently acquired shared vehicle fleet workshop with Police which will become operational in the near future. Following representation, the Home Office approved the reallocation of the unused Fire transformation grant towards the cost of the Joint Fleet Workshop.

105. ICT and Operational costs particularly as short life assets in nature, as such the cost of financing them can be significant. Furthermore, legacy costs of the capital programme are forecast to be approximately £11m. Throughout the year the PFCC has actively lobbied and has now written to the Minister seeking some one off financial support to mitigate the revenue costs of these.

106. The S151 Officer will continue to seek all available funding and advise the PFCC 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.

107. A Joint Estates Strategy is in place which promotes joint sharing of buildings and progress has already been made with the enabling developments of the shared administration and joint fleet workshops which will enable further changes to the estate and realise efficiencies over time for both Fire and Police.
108. Costs are often occurred ahead of any efficiencies, therefore, the PFCC will continue to push to ensure that any disposals are made in a timely an efficient manner to ensure the full benefits can be realised.
109. The Commissioner is required to approve a “Treasury Management Strategy” each year, setting out the detail of his policy and approach to managing investments, borrowing and cash management.
110. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Prudential Code to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
111. The Treasury Management Strategy will be considered at the February 2022 Accountability Board and where possible will be available on the PFCC website by April 2021 as it is usual practice for the Joint Independent Audit Committee (JIAC) to consider this key document at their March meeting prior to being placed on the website.

Use of Reserves

112. 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.
113. NCFRA transferred on the 1 January 2019 with no reserves and set in place a three year financial stability plan to build reserves and made good progress in doing so. By 2021/22 they had exceeded the minimum level of general reserves as set out in the financial plans forecast at the time of the governance transfer.
114. With the impact of COVID-19 on funding levels, the PFCC made early representation to Lord Greenhalgh, seeking one off support to bolster reserves and provide some resilience. As a result, £1m was provided to Northamptonshire to support general reserves.
115. This has enabled general reserves to be increased above the minimum level and to be stabilised at a level of £2m or 5% (whichever is the higher). This level reflects both the current uncertain environment and the minimal levels of earmarked reserves held to meet other purposes.

116. As a result, general reserves are not excessive but are adequate and the authority is better placed to meet any challenges.
117. It is the intention of the PFCC to continue to create earmarked reserves to meet where the opportunity arises, such as in year underspends. Such opportunities will be used to augment the funding smoothing reserve, meet potential risks or support transformative or innovative activities.
118. The reserves strategy sets out planned use of reserves across the MTFP. Of note is the use of S106, capital receipts and transformation reserves, which, alongside revenue contributions will be applied against capital expenditure to minimise and mitigate future borrowing costs where possible.
119. Types of reserves and planning assumptions are detailed within the Reserves Strategy which is attached to this report. Headlines of which are as follows:

General Reserve

120. Following the additional allocation from the Home Office, the S151 Officer has advised that it would be prudent to maintain general reserves at a sustainable level of £2.0m or 5% (whichever is the higher). As of 31 March 2022, the balance on the general reserve is forecast to be £2.0m which equates to approx. 8% of the current revenue budget.
121. Additionally, it is prudent to have in place earmarked reserves to better smooth the impact of replacement of essential operational equipment, to mitigate year on year funding variations and take forward transformation priorities.

Earmarked Reserves

122. NCFRA plan to hold a number of earmarked reserves which are set out in detail within the reserves strategy at Appendix D.
123. As at 31 March 2022, the balance on the earmarked capital and revenue reserves totals £2.433m (approx. 9.6% of total current budget) and they are summarised below as follows:
 - Insurance Reserve
 - Operational Equipment
 - Funding
 - Transformation
 - S106
 - Capital and ESN Reserve
 - Capital Grants Unapplied
124. Reserve levels are better than forecast, and over time, some earmarked reserves will continue to be built within the reserves strategy.

125. Challenges and uncertainties which will be considered as part of a future review of the reserves strategy are:

- NCFRA 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.

126. NCFRA has made good progress in establishing reserves and, following the contribution from the Home Office, it is the view of the S151 officer that whilst general reserves are now at an adequate level, it is prudent to increase earmarked reserves where appropriate. This will assist in smoothing potential funding impacts and to support the funding of equipment and transformation activities.

127. Furthermore, as general reserves have been stabilised and resilience has now been improved, it is essential that they are used in exceptional circumstances and if used, are rebuilt to the sustainable level in a timely manner.

Robustness of the Budget –Statement of the S151 Chief Finance Officer

128. Section 25 of the Local Government Act 2003, places a duty on the S151 to make a report to the authority on:

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

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

130. In her considerations, the S151 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')

131. To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the S151 Officer to report in consultation with the Monitoring Officer if there is or is likely to be unlawful expenditure or an unbalanced budget.
132. This report has set out the detailed budget setting process that has taken place and the work undertaken to ensure the budget is as realistic, deliverable and achievable as possible.
133. The Fire Joint Head of Finance has worked closely with the Fire Executive team, budget holders and the finance team to deliver the draft budget and savings plan, ensuring that effective scrutiny and challenge has taken place throughout. The S151 officer has worked closely with the Joint Head of Finance and Chief Fire Officer throughout. The PFCC has undertaken scrutiny and strategic review of the proposals on two occasions and has been updated regularly throughout the budget cycle as appropriate.
134. 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.
135. The Section 25 Statement of the S151 Chief Finance Officer for Northamptonshire Fire and Rescue Authority is included at Appendix C.

EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS

The budget and proposed precept provide the resources for the delivery of Fire and the priorities set out in the Police, Fire and Crime Plan.

HUMAN RESOURCES IMPLICATIONS

Additionally, the survey is comprised of a representative sample of Northamptonshire residents.

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 - Consultation on the Precept

Appendix B - Budget and MTFP

Appendix C - Section 25 Statement of the Chief Finance officer

Appendix D - Reserves Strategy - NCFRA

Persons to Contact

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Office of the Police, Fire and Crime Commissioner