



## **NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL**

**8 SEPTEMBER 2022**

### **NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY**

#### **FIRE - FINANCIAL UPDATE AS AT JUNE 2022**

#### **REPORT BY THE CHIEF FINANCE OFFICER**

##### **Purpose and Context**

1. This report sets out at a high level:
  - a) a financial update on the 2021/22 provisional outturn;
  - b) the forecast financial outturn for the period 1 April 2022 to 31 March 2023 and;
  - c) current and future challenges.
  
2. 2022/23 is the fourth full year operating as Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) following the governance transfer on the 1 January 2019.

##### **2020/21 Audited Statement of Accounts**

3. The NCFRA 2020/21 statement of accounts were certified as unqualified on 28 February 2022. The 2021/22 draft statement of accounts were published in July 2022 in line with statutory timescales. Both are available on the OPFCC website.

##### **2021/22 Provisional Outturn and Assurance**

4. The draft Statement of Accounts for 2021/22 were published on the PFCC website before the statutory deadline in July 2022. However, due to the resourcing challenges the external auditors continue to experience, they have not yet provided dates for the 2021/22 external audit to take place. The external audit of NCFRA accounts have been significantly impacted by audit delays since it became a corporation sole in 2018/19.

5. Work commenced on the police external audit in Northamptonshire in January 2022. However, despite representation, external audit resourcing challenges means it has not yet been concluded. No external audit opinions have been issued for 2020/21 for any of the Police and Crime Commissioners or Chief Constables in the East Midlands Region.
6. In 2021/22, NCFRA received a number of Home Office Grants and other reliefs towards the end of the financial year. As such, there was a higher than anticipated £323K underspend at year end for which the PFCC approved the following:
  - £101K of Carry Forward Requests to support one off plans in 2022/23;
  - £92K ring fenced in reserves to support COVID pressures and ring fenced transformation funding provided by the Home Office;
  - £130K ring fenced in reserves to support investment in Police, Fire and Crime Plan priorities.
7. As at 31 March 2022 reserves had increased from £5.471m to £5.710m, of which all but £2m are earmarked for specific purposes.

#### **Forecast Summary Revenue Outturn as at 31 March 2023**

8. The forecast outturn is based on nine months of estimated data, therefore is subject to change. It will be updated to reflect latest information as the year progresses.
9. The first three months of the year the service have experienced increased operational demands and inflationary pressures above those forecast at the time of the budget. The outturn is subject to change as the year progresses and at this early stage in the year, there is a forecast overspend of £447K as follows:

Budget Group	As at 30 June (P3)		
	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Response Control	899	801	(98)
Response Wholetime	13,535	14,310	775
Response Retained	2,112	1,968	(144)
Business Planning & Perf	201	194	(7)
Joint Operations Team	96	87	(9)
Commercial Training	(9)	(9)	0
Community Prevention	515	515	0
Community Protection	568	568	0
Corporate Budgets	1,206	1,233	27
Enabling Services Joint Teams	2,220	2,220	0
Engineering Services & Stores	1,037	1,155	118
Digital and Technology	942	942	0
Occupational Health & Wellbeing	186	186	0
Estates & Facilities	1,556	1,424	(132)
Securing Water Supplies	66	66	0
Strategic Leadership Team	803	803	0
Training	734	734	0
Service Information Team	278	201	(77)
Contribution to/(from) Reserves	150	150	0
Investment Interest	(3)	(9)	(6)
<b>Total</b>	<b>27,092</b>	<b>27,539</b>	<b>447</b>

10. The Fire budget is delegated to the Chief Fire Officer and the conditions are set out in a formal budget letter from the PFCC to the Chief Fire Officer each year. This includes the expectation that the service will manage within the budget envelope allocated. If an overspend is forecast the service will realise efficiencies to bring it back in line.
11. However, the PFCC acknowledges that if there are unexpected or unprecedented circumstances or unplanned demand pressures, he and the S151 Officer will work with the Chief Fire Officer to seek additional Home Office funding and/or provide support where appropriate.
12. The budget for 2022/23 already included £350K of planned efficiencies 2022/23 and whilst it is currently assumed these will be achieved, the Chief Fire Officer is required to update the PFCC on progress throughout the year.

13. The most significant variations of note are as follows:

a) **Wholetime and Retained Firefighters** - There has been significant additional operational demand experienced in the first few months of the year. Furthermore, there are vacancies in retained firefighters, higher than anticipated sickness levels and the new recruits are not yet fully deployable. Therefore, additional overtime and bank costs have been incurred. With the hotter than usual weather conditions, these pressures have continued into July and August.

The PFCC has required the Chief Fire Officer to provide detailed monthly monitoring on overtime and bank arrangements to ensure he is fully sighted on the challenges and the S151 Officer has already highlighted the operational demands with the Home Office to facilitate a claim if any national funding is made available. Although pay awards are currently estimated in line with the budget, this is a significant uncertainty and is highlighted later in the report.

b) **Response Control** – additional funding was built into the control budget to facilitate handover and training in the event of vacancies. It has not yet been required, therefore a small underspend is currently forecast.

c) **Engineering and Stores** – fuel costs are significantly more than budgeted due to inflation and additional cost pressures are also being experienced with vehicle parts.

d) **Estates and Facilities** – additional unbudgeted income has arisen from the partial letting of Moulton Logistics Centre. Whilst this area is currently forecast as an underspend, it is subject to further inflationary pressures.

e) **Service Information Team** – the underspend on the SIT team is due to the timing of staff vacancies and a number of individuals have taken up posts in the joint Enabling Services Teams.

f) **Capital Financing Costs** are assumed to be spent as whilst there has been slippage on the 2021/22 programme, the current planning assumption is that any underspend in this area will be used as revenue contributions to mitigate the costs in future years. This will continue to be reviewed throughout the year based on the overall financial position and the capital programme updates.

14. At this early stage in the year, funding receipts are assumed to be in line with those budgeted. However, variations do arise on business rates and government grants and these will continue to be reviewed as the year progresses.

15. The PFCC scrutinises the budget monitoring throughout the year and receives regular updates at the Accountability Board.

### **Future Challenges and Uncertainties**

16. There are a number of uncertainties associated with the forecast, some of the key ones are as follows:

- a) There is uncertainty about the cost or impact of pay negotiations for 2022 as negotiations with the unions are still underway in respect of the 2022 Pay settlement. Firefighter pay is negotiated through the National Joint Council (NJC) for Local Authority Fire and Rescue Services arrangements which is made up of a group of employer representatives, which does not include the Northamptonshire PFCC.

A national employers offer was based on affordability of a 2% increase, which was rejected. In rejecting the offer, the Fire Brigades Union (FBU) have stated:

*“the employers need to come back with a genuine and fair pay offer that recognises the financial pressures our members face....members will consider all options, including strike action.”*

Inflation and the cost of living have influenced other public settlements such as Police which was set by the Police Remuneration Body and was based on a flat amount of £1,900. Fire employers are keen to increase the offer but are also mindful of the budget settlements from government which only provided for a minimal inflationary increase. The PFCC fully supports the letter that Fire employers have written to the Home Secretary requesting central funding support to enable an increased offer to be made.

If a Fire settlement was provided which matches the Pay Award given to Policing, this would equate to approximately an additional cost above that budgeted of £290K in 22/23 and £560K in a full year.

- b) The rate of inflation and supply chain costs particularly for fuel, vehicle parts and utilities are challenging in the current financial year and this uncertainty will continue in the
  - c) It is uncertain what impact the cost of living will have on council tax and business rate receipts, the S151 officer will continue to link in with the North and West authorities to gain updates as appropriate.
17. Reserves are currently sufficient and some funding has been set aside for the new Chief Fire Officer and PFCC to take forward Police, Fire and Crime Plan and Transformative opportunities. However, if pressures cannot be contained within the annual budget

envelope and reserves are utilised, the ability to take forward such opportunities could be impacted.

18. The S151 Officer and PFCC will continue to link in with the Home Office to ensure that they are updated on financial pressures facing Northamptonshire Fire.
19. Work has already started on the 2023/24 budget and Medium Term Financial Plan, this includes considering future assumptions of costs and funding.
20. As the budget work continues, the PFCC is mindful of the impact that inflation and the cost of living is having on the residents of Northamptonshire. This PFCC will continue to update the Panel in his regular reports.

### **Recommendation**

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