



NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

1 DECEMBER 2022

NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

FIRE - FINANCIAL UPDATE AS AT PERIOD 6 - SEPTEMBER 2022

REPORT BY THE CHIEF FINANCE OFFICER

Purpose and Context

1. This report sets out at a high level:
 - a) the forecast financial outturn for the period 1 April 2022 to 31 March 2023;
 - b) current and future challenges;
 - c) pre-budget settlement engagement; and
 - d) an update on the 2021/22 Statement of Accounts;

Forecast Summary Revenue Outturn as at 31 March 2023

2. The current forecast outturn includes assumption that the 2% Firefighter Pay Award and 1% in contingency will be fully utilised and any pay awards above that will be met from reserves. The national employers increased their offer to 5%, which was put to staff who rejected the offer. Negotiations continue between the Fire Brigades Union (FBU) and national employers and this impact remains a financial uncertainty in current and future financial years.
3. In line with Police staff, it is anticipated that the Fire staff offer will be reopened. If agreed to match the Police staff offer, this will be an unbudgeted pressure of a further £40k in 2022/23 and subsequent years and built into the next monitoring.

4. The forecast is based on six months of estimated data, which, alongside high inflation levels, means it is subject to change and in line with usual practice, it will continue to be updated to reflect latest information as the year progresses.
5. At this half way point in the year, there is a forecast overspend of £173k which is a reduction of £274k on quarter 1. However, it is likely that this will increase as any national settlement of the Firefighters pay award above 3% will increase this further.
6. As a prudent approach and to inform planning for the Medium Term Financial Plan and Reserves Strategy, it is currently assumed that the overspend will be drawn down from reserves at year end.
7. The forecast is attached in detail as an Appendix and is summarised below:

Budget Heading	Original	Outturn	Variance
	£000	£000	£000
Chief Fire Officer Managed Budgets	26,855	27,427	572
Managed by the Police, Fire and Crime Commissioner	237	237	0
Total Expenditure	27,092	27,664	572
Funding	(27,092)	(27,491)	(399)
Total Fire Forecast	0	173	173
Assumed drawdown from reserves	0	(173)	(173)
Anticipated Outturn	0	0	0

8. The summary above reflects a projected Fire overspend of £572k which is offset in part by an additional £399k in funding grants received during the year.
9. The majority of the Fire budget is delegated to the Chief Fire Officer. The conditions of this allocation are set out in a formal strategic outcomes 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. Options available include but are not limited to: efficiencies could be sought, funding from reserves could be provided for extenuating circumstances and/or any overspend could be taken from the following year's budget allocation.

10. Whilst the Chief Fire Officer will work hard to manage the Fire expenditure within the financial envelope at year end, as the overspend is due to changes in operational delivery and inflationary pressures, the treatment of it will be discussed with the PFCC at year end when the final position is known.

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

a) Wholetime and Retained Firefighters – The PFCC sought and received further information and assurances from the Chief Fire Officer on the wholetime and retained budgets at the September Accountability Board as follows:

i. The service have made changes to their operational delivery model to increase pump availability in the county during the year. These changes have significantly impacted on the costs of wholetime and retained which have been exacerbated by vacancies in retained firefighters, higher than anticipated sickness levels and the new recruits fully deployable until later in the year. Therefore, additional overtime and bank costs have been incurred.

The recently appointed Chief Fire Officer is currently reviewing service arrangements to ensure the deployment model is captured in the 2023/24 budget planning.

ii. Fire have advised the PFCC that total costs of providing essential Fire cover during the adverse weather conditions in July and August equate to between £50k-£100k. The S151 Officer has already raised this with the Home Office to facilitate a claim if any national funding is made available.

iii. Although pay awards are currently assumed in line with budget and the PFCC contingency of 1%, 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 an underspend is currently forecast.

c) Enabling Services Costs – some vacancies in joint enabling services teams and underwriting from reserves for set up costs of joint teams have resulted in an underspend in the current year.

- d) Engineering and Stores** – fuel costs are significantly more than budgeted due to inflation and additional cost pressures are also being experienced with vehicle parts.
- e) 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.
- f) 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.
- g) Funding** – as highlighted at the September Panel meeting, the budget and precepts are set prior to the statutory timescales for notification of Business Rates. As such, the budget was set on a prudent estimated level of Business Rates. Additional Section 31 Grant funding has been received by the government during the year and this is now released to the revenue budget and offsets the cost of the Fire overspend.

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

Future Challenges and Uncertainties

13. 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.

Fire employers increased the Pay offer to 5%, however, this offer was rejected by firefighters and negotiations continue at a local and a national level.

For context: a 5% Pay award would have resulted in 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.

14. Reserves are currently sufficient and provision is available for the PFCC to take forward Police, Fire and Crime Plan and other opportunities with the Chief Fire Officer. 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.
15. Work has already started on the 2023/24 budget and Medium Term Financial Plan. In respect of funding, we continue to link in with West and North Northamptonshire colleagues throughout the year to use consistent estimates of the Police's share of the taxbase, business rates and council tax fund.
16. The 2022 Autumn statement did not include any details on precept or funding levels for Fire and Rescue Authorities. Therefore. At this stage, the planning assumption is that the referendum limit will be the same as for local authorities (2.99%).
17. The Technical Support Team analysed the impact on Fire of the Autumn Statement on the 17 November 2022 for Fire and advised:

The Technical Support Team expects the fire and rescue council tax flexibility to be at least 3% but has not yet heard confirmation. Principles will be officially set out in the provisional local government finance settlement in December.

BUSINESSES

Business Rates Overall Package – Overall, there is a package of targeted support worth £13.6bn over the next 5 years to help support businesses transition. English Local Authorities will be “fully compensated” for

18. The detail of the Fire allocations and the value of any top-sliced elements (reallocations) will not be available until the provisional settlement which is currently anticipated in December.
19. The Panel will recall that precept flexibility of £5 was provided to bottom quartile Fire Authorities (which included NCFRA) in 2022/23 due to their tight financial envelopes. Given the challenging levels of inflation and the pressures on a small Fire budget, the PFCC and the Chief Fire Officer have written to Ministers and the Treasury seeking an increase to the centrally funded grants and similar precept flexibility for Northamptonshire in 2023/24.

Budget and Precept Engagement

20. Each year following the provisional settlement, the PFCC undertakes a precept consultation with residents of Northamptonshire to gather their views which help to inform his precept intentions.

21. The PFCC is mindful of the impact that inflation and the cost of living is having on the residents of Northamptonshire. As such, for 2023/24, and ahead of his precept consultation in December, the PFCC is undertaking further engagement to inform his considerations.

Of note are the following:

- i. The PFCC, Chief Fire Officer and Chief Fire Officer attended a meeting with Northamptonshire MP's, briefing them on the current financial position for Police and Fire and outlining the current financial context for both services.
- ii. The PFCC and the Chief Finance Officer are attending local meetings with representative groups to have conversations around the current financial position and hear their thoughts on the levels of precept, budget challenges and services. A number of these meetings have already taken place and the PFCC is already finding the conversations and discussions invaluable.
- iii. A meeting with local representatives was held in November, with attendance by the PFCC, Chief Fire Officer, Chief Constable and Chief Finance Officer. Discussions included an update on the financial context, key priorities, efficiencies progressed and examples of the inflation pressures for both organisations. A second meeting is scheduled in January 2023 which has become an established annual date in the calendar for attendees views to inform his precept intentions.
- iv. The PFCC is delighted to invite Police, Fire and Crime Panel members to the Police and Fire budget and precept workshop in January 2023. This workshop has become a key event in the PFCC's budget and precept timetable. The 2023/24 budget and precept will be the third year of holding this workshop which is specifically timed before the precept consultation concludes in order to help inform his intentions.

2021/22 Statement of Accounts

22. Work has commenced on the 2021/22 NCFRA external audit of the Statement of Accounts and officers and auditors are working effectively and collaboratively to progress the audit. However, whilst work on the audit will continue in a timely manner, the accounts cannot be signed off until the external audit of the Northamptonshire Pension Fund has been concluded.

23. Procurement for the next external audit contracts from Police and Fire external audit is undertaken nationally. The next national contracts will run from 2023/24 and proposed auditors for Northamptonshire are currently under procurement and due to be announced shortly.

Recommendation

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

Appendix A - Northamptonshire Fire – Forecast Outturn as at 30 September 2022 (Q2)

Budget Group	As at 30 September (P6)		
	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Response Control	899	797	(102)
Response Wholetime	13,535	14,458	923
Response Retained	2,112	2,141	29
Business Planning & Perf	201	190	(11)
Joint Operations Team	96	87	(9)
Commercial Training	(9)	(9)	0
Community Prevention	515	515	0
Community Protection	568	550	(18)
Corporate Budgets	1,206	1,181	(25)
Enabling Services Joint Teams	2,220	2,106	(114)
Engineering Services & Stores	1,037	1,194	157
Digital and Technology	943	942	(1)
Occupational Health & Wellbeing	186	186	0
Estates & Facilities	1,556	1,426	(130)
Securing Water Supplies	65	66	1
Strategic Leadership Team	803	809	6
Strategic Finance	(87)	(87)	0
Training	734	734	0
Service Information Team	278	157	(121)
Investment Interest	(3)	(16)	(13)
Total Chief Fire Officer Managed Budgets	26,855	27,427	572
Inflation Contingency held by the PFCC	120	120	0
Capital Financing Costs	571	571	0
Contribution to/(from) Reserves	(454)	(454)	0
Total PFCC Managed Budgets	237	237	0
Total Expenditure	27,092	27,664	572
Funding	(27,092)	(27,491)	(399)
Total Fire Forecast	0	173	173
Assumed year end drawdown from reserves		(173)	(173)
Anticipated Outturn	0	0	0