



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 |

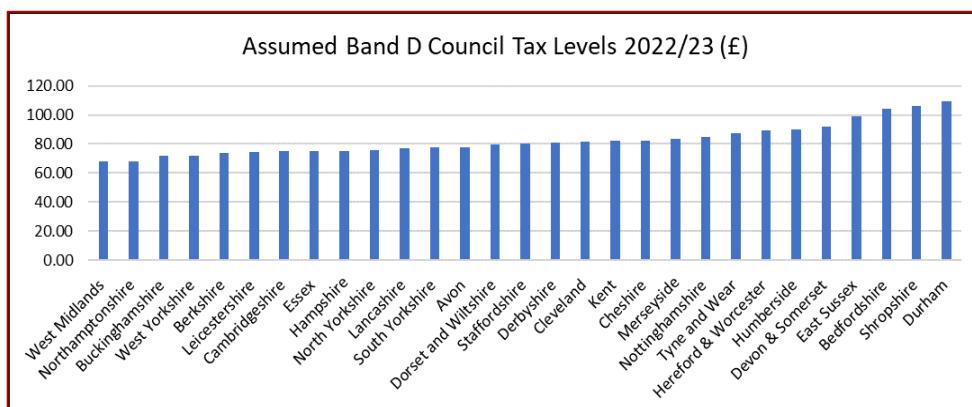
37. The 2022/23 budget will be approximately £4.6m more than the budget transferred as part of the governance arrangements. This equates to a revenue budget increase of 20% since 2018/19 and whilst savings are still required, puts the NCFRA revenue budget and the service on a much more resilient footing.

Comparative Information with Other Standalone Fire Authorities

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

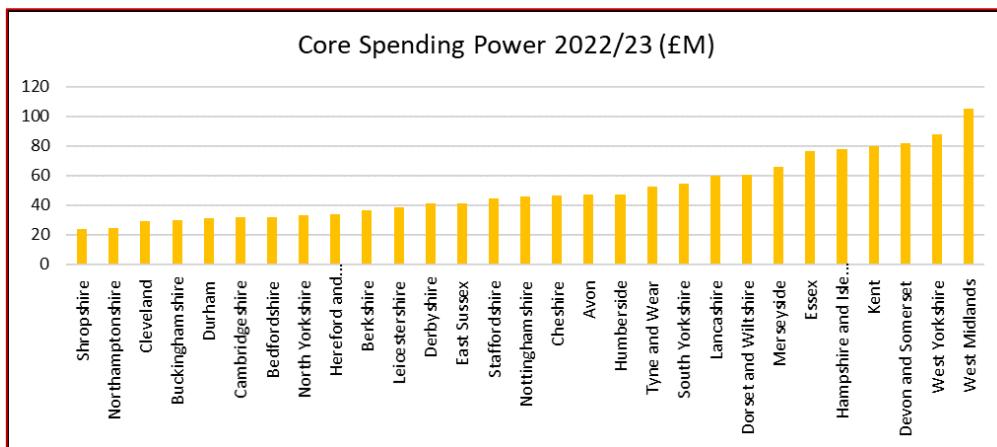
Comparative Council Tax Levels

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.



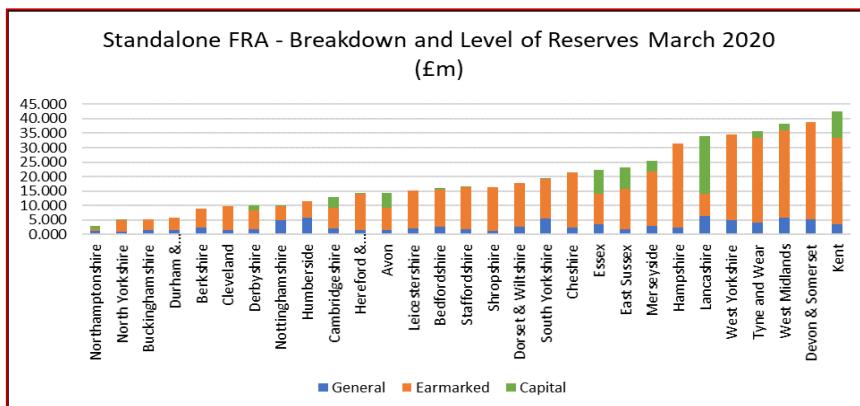
Comparative Core Spending Power

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 West | 111,892.00 | 113,047.00 | 1,155.00 | 1.03% |
| | 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 £ |
|--------------------|--|--------------------|
| 59,367 (81,419) | Taxbase Changes - North - West | 72,996 131,697 |
| (22,052) | | 204,693 |
| 137,627 169,150 | Precept Increase - North - West | 565,235 698,020 |
| 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.

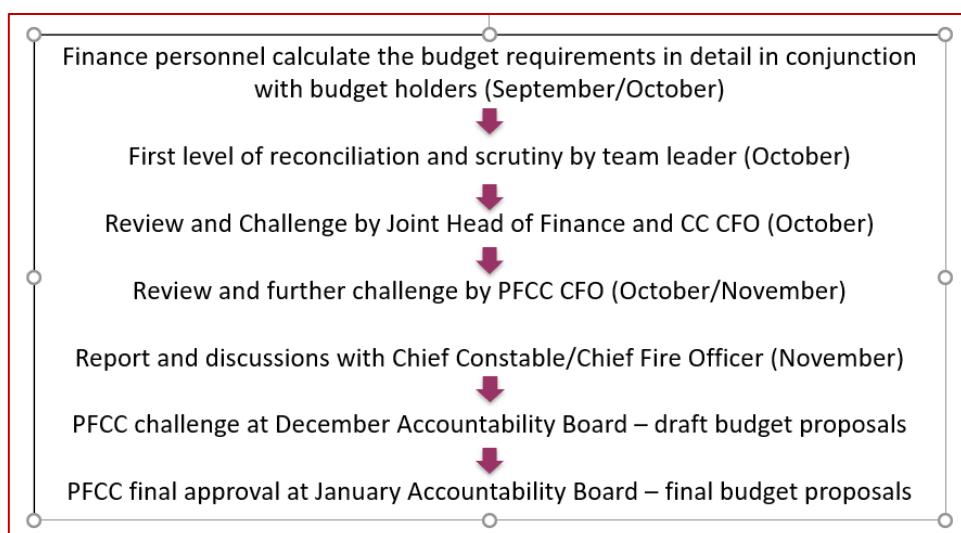
80. The PFCC will continue to make representation and seek updates and assurances from the Home Office in this regard. The MTFP will continue to be updated as discussions continue. At this time, it is highlighted as a potential risk and modelled in both the Police and Fire MTFPs.

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 £'000 | | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'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 and 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 1 st 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

Persons to Contact

Mrs H King,

Chief Finance Officer, Northamptonshire Police, Fire and Crime Commissioner and

Northamptonshire Commissioner Fire and Rescue Authority

Office of the Police, Fire and Crime Commissioner

Consultation on the Precept

An online consultation was carried out with the intention of reaching as many people as possible to obtain the views of a demographically representative group of the county's population.

The survey was open over the period - 20 December 2021 -16 January 2022 in order to meet the statutory timescales where the PFCC needs to publish his proposed Police and Fire Precept proposals by 31/1/22.

The online survey received 1,484 responses (although respondents did not respond to every question) and the full report will be published on the PFCC website by the end of February 2022.

Challenges

To achieve an informed consultation based on the proposed settlements, we have no alternative but to consult over the Christmas period because of the timetable that is determined by the Government's release of the financial settlement, and the deadline for setting our budget.

Recognising the impact of the Omicron strain of COVID-19 during the festive season, in person face to face survey groups were not carried out with the public for 2022/23. Meetings for the Commissioner to brief and discuss with three diverse groups were unfortunately cancelled because of illness and the effect of Omicron.

In person surveys were carried out for the Police, Fire and Crime Plan in October and November at Rushden and all Northants visits of the Beat Bus – however, take up and engagement from these was extremely low.

The Commissioner's Youth Team did, however, hold a facilitated session with a group of young people and the results were fed into the survey responses.

The challenges however were compounded by the fact that public views are being sought on a number of issues by a number of organisations during this period: The PFCC consulted on his Police, Fire and Crime Plan just weeks prior, and both West and North Northamptonshire Council were consulting on their council tax at the same time as the Commissioner is consulting on his precept.

We will continue to engage with our Unitary contacts and see how we can use maximise survey responses for all parties in future years.

How the consultation was carried out:

Despite these challenges, the survey was able to reach many residents through many different forums and media as follows:

We used four main communications channels to seek public views and encourage people to take part in our consultation:

- Mainstream media
- Partner and stakeholder and database marketing
- Digital and social
- Paid for advertising

Survey communication

| Audience | Reach |
|--|--|
| Stakeholders <ul style="list-style-type: none">• Neighbourhood Alert• Parish Councils and Town Councils• Councillors in North Northamptonshire and West Northamptonshire• Police, Fire and Crime Panel members• MPs• Chief Executives and Leaders of Local Authorities• Neighbourhood Watch Management Committee• Community Safety Managers for Northamptonshire North and Northamptonshire West• Diversity Forums of West Northamptonshire Council• Northamptonshire Police Community Engagement managers• Independent Advisory Group members• Independent Custody Visitors• Businesses via the Chamber of Commerce, Northampton BID and the Northamptonshire Business Forums• Secondary Schools• Joint Action Groups• Northamptonshire Association of Local Councils | The survey was sent to more than 25,000 stakeholders, with a request that they further cascade. The Commissioner wrote personally to Panel members, MPs and Leaders of local authorities to ask for their support in sharing and encouraging response to the consultation The invitation to take part in the consultation was repeated twice – at the launch in December and then again as a last call, on January 4 |

| | |
|---|---|
| <ul style="list-style-type: none"> • Various voluntary and third sector organisations • Rural interest groups • Facilitated work with the PFCCs Youth Commissions • The Police Liaison Representatives on every parish and town council | |
| Internal <ul style="list-style-type: none"> • News item on ForceNet – The Northamptonshire Police intranet viewed by all officers and staff – repeated twice during survey period • News item on Northants Fire and Rescue Service intranet for Firefighters and staff – repeated twice during the survey period • Daily Orders – link to item on ForceNet directing staff to survey • Chief Officer Vlogs in both Northamptonshire Police and Northamptonshire Fire and Rescue Service – repeated twice during the survey period | The survey potentially reached 3,279 people (2,778 police officers, staff and volunteers, and 501 firefighters and NFRS staff members), with a request that they further cascade |
| Key Internal Stakeholders <ul style="list-style-type: none"> • Northamptonshire Police Chief Officers • Northamptonshire Fire and Rescue Service (NFRS) Senior Fire Officers • Directors in the Office of the Police, Fire and Crime Commissioner (OPFCC) • OPFCC Customer Service team • Police Federation • Unison • Police Superintendents' Association • Fire Brigades Union • Police contact centre should residents call in about it • Police Community Engagement Officers • Voice • Youth Commission • Youth Team | Email request to cascade to their members/contacts The Youth Team carried out a facilitated session with a group of young people and their responses were fed in to the survey |

| | | |
|-----------------------------|---|---|
| Mainstream media | <ul style="list-style-type: none"> Two news releases were issued during the consultation, to all local and regional media across Northamptonshire News release was sent to hyper local publications The survey was trailed in the December edition of the PFCC newsletter and was the lead story on the January newsletter | The news release went to over 60 newsrooms (print and broadcast including the Northants Telegraph and BBC Radio Northampton), plus individual reporters and other local news sites. |
| Digital and Social | <ul style="list-style-type: none"> Twitter OPFCC account Twitter NFRS account Facebook OPFCC account OPFCC Website views - 4 different pages / news stories LinkedIn – OPFCC and NFRS | 77,413 impressions 979 engagements 13,351 impressions 142 engagements 59,390 impressions 195 engagements 2910 clicks 14,927 views OPFCC - 132 Impressions NFRS - 114 impressions |
| Paid for advertising | <ul style="list-style-type: none"> Online with the Johnston Press series of newspapers (the website of every newspaper in Northamptonshire advertised the survey) | 300,021 impressions 182 clicks |

| | |
|--|--|
| <ul style="list-style-type: none"> Google Ads/ Youtube <p>Budget Survey published Dec 20 2021</p> <p>Budget reminder January 10 2022</p> <ul style="list-style-type: none"> Facebook OPFCC account - Paid for (All Meta platforms) | <p>135,000 impressions</p> <p>61,674 views on YouTube</p> <p>3.3% CTR from YouTube</p> <p>17,500 impressions</p> <p>7,575 views on YouTube</p> <p>4.4% CTR from YouTube</p> <p>43,126 reach</p> <p>898 engagement</p> <p>780 Clicks</p> <p>2.03% CTR</p> |
| <p>Targeted briefings and Forums</p> <p>Annual Parish Council Budget and Precept Briefing by PGCC, Chief Fire Officer, Chief Constable and S151 Officer and targeted survey</p> <p>Annual Police, Fire and Crime Panel Budget and Precept Workshop</p> | <p>274 Parish Council Clerks contacted to disseminate to all Parish Councils</p> <p>46 requested contact details</p> <p>14 attended</p> <p>4 targeted survey responses</p> <p>8 members attended</p> |

Appendix B

NCFRA 2022/23 Budget and Medium Term Financial Plan (MTFP)

| 2021/22 £'000 | £5 1.99% | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 |
| | | | | | |
| 14,934 | 15,309 | 15,598 | 15,903 | 16,214 | 16,532 |
| 3,284 | 3,619 | 3,687 | 3,757 | 3,851 | 3,948 |
| 95 | 91 | 94 | 97 | 100 | 103 |
| 767 | 947 | 959 | 974 | 983 | 993 |
| 1,563 | 1,664 | 1,713 | 1,714 | 1,727 | 1,739 |
| 1,661 | 1,516 | 1,581 | 1,613 | 1,714 | 1,946 |
| 498 | 515 | 530 | 541 | 552 | 563 |
| 702 | 766 | 789 | 805 | 821 | 837 |
| 730 | 816 | 749 | 1,099 | 1,174 | 1,113 |
| (747) | (714) | (731) | (746) | (758) | (770) |
| 2,476 | 2,796 | 2,976 | 2,795 | 2,815 | 2,974 |
| 25,963 | 27,325 | 27,945 | 28,552 | 29,193 | 29,978 |
| OPERATIONAL BUDGET | | | | | |
| 29 | 179 | 351 | 428 | 529 | 625 |
| 68 | 92 | 254 | 230 | 258 | 276 |
| 150 | 300 | 150 | 150 | 300 | 300 |
| - | 30 | - | - | 100 | 100 |
| (950) | (484) | (280) | - | - | - |
| (703) | 117 | 475 | 808 | 1,187 | 1,301 |
| New Investment Proposals | - | - | - | - | - |
| Savings identified | (350) | (964) | (1,093) | (1,112) | (1,131) |
| TOTAL | 27,092 | 27,456 | 28,267 | 29,268 | 30,148 |
| Funding | | | | | |
| (2,814) | (2,814) | (2,814) | (2,814) | (2,814) | (2,814) |
| (1,186) | (1,186) | (1,186) | (1,186) | (1,186) | (1,186) |
| (2,278) | (2,347) | (2,370) | (2,394) | (2,418) | (2,442) |
| (2,587) | (2,587) | (2,587) | (2,638) | (2,691) | (2,745) |
| (280) | (280) | (280) | (280) | (280) | (280) |
| (281) | (444) | (444) | (444) | (444) | (444) |
| - | (372) | - | - | - | - |
| (224) | - | - | - | - | - |
| (15,763) | (17,231) | (17,837) | (18,511) | (19,209) | (19,934) |
| 153 | 169 | 62 | - | - | - |
| (25,260) | (27,092) | (27,456) | (28,267) | (29,042) | (29,845) |
| FUNDING (SURPLUS) / DEFICIT | - | - | - | 226 | 303 |

Impact of Potential Future Increase In Employers Pension Contributions

| | | | | | |
|----------|----------|----------|------------|------------|------------|
| - | - | - | 1,029 | 1,051 | 1,072 |
| - | - | - | (772) | (788) | (804) |
| - | - | - | 257 | 489 | 571 |

Precept

| | | | | | |
|--------|--------|--------|--------|--------|--------|
| £63.20 | £68.20 | £69.56 | £70.94 | £72.35 | £73.79 |
|--------|--------|--------|--------|--------|--------|

Note: Totals may not sum due to rounding

Appendix C

Section 25 Statement of the S151 Chief Finance Officer for Northamptonshire Fire and Rescue Authority:

"Working closely with the Force S151 Officer and the Joint Head of Finance, I have been assured by how the Joint Finance Team for Fire and Police have further refined and developed the Fire budget model from 2022/23. I am grateful for their hard work, scrutiny and challenge throughout this process and am assured by how they have continued to take forward and make improvements to it every year following the governance transfer.

The Chief Fire Officer and his Executive team have been fully involved in the budget discussions and in identifying and proposing a savings plan across the MTFP. I am grateful to him and his team for their engagement and commitment in this process.

I attended meetings with the Chief Fire Officer Team and Joint Head of Finance prior to and throughout the budget process and development of the capital programme, ensuring I have been fully briefed and informed and been party to all key assumptions and decisions. Assumptions included have been based on professional estimates, peer knowledge and advice and using where appropriate assumptions included in the business case. Where possible, I have aligned these with national Fire and technical colleagues.

At both meetings of the Accountability Board with the PFCC, the Joint Head of Finance and the Fire Chief officer team on the 14 December 2021 and the 11 January 2022, I attended as the S151 Officer to provide assurance that these factors have been considered. At those meetings and since that date, dialogue, scrutiny and challenge has continued where new factors or information have been highlighted, discussed and further work continues.

Since the date of the governance transfer, I have worked closely with the PFCC and Joint Head of Finance in setting out the financial challenges for Northamptonshire and requesting funding support. I am grateful too for the support, scrutiny and engagement of the Home Office and Ministers in considering these requests, together with the invaluable contributions from MPs, Councillors and Panel members in this process.

It is my recommendation that financially it is essential to take forward the £5 precept flexibility afforded to Northamptonshire for 2022/23. This will be built into the base budget and help provide a resilient position for the medium term. Whilst Northamptonshire Fire will still be funded relatively lower than its national peers, its revenue budget for 2022/23 will be around 20% higher than that transferred at the time of the governance change, and is supported by an adequate level of reserve and a funded capital programme.

However, there are still efficiency savings needed to ensure the budget is balanced and any transformation and investment requirements will need to be considered within the overall Fire funding envelope moving forwards. Plans and strategies are now in place and there is a provisional three year balanced budget which places NCFRA on a good basis. The volatility experienced in the first three years on the Fire revenue and capital budgets is reducing each

year and the governance structures in place better identify financial uncertainties and potential challenges at an earlier stage, enabling them to be considered in future plans.

Whilst the capital programme is approved and funded, and whilst some transformation is included, given the legacy investments within it, it is still a significant value, especially with regard to short life assets and as such there is an impact of both deliverability and financial cost on the revenue budget. Whilst the costs are included within the MTFP, any changes in specifications or slippage in timescales can have an impact in terms of cost and could affect the deliverability of other priorities within the programme. Therefore, it is essential that the programme is regularly reviewed; that proposed expenditure is taken forward on the basis of evidence based business cases and that delivery timescales are realistic, in full recognition of other competing priorities.

It is essential that the Chief Fire Officer and the Joint Head of Finance continue to work closely to ensure all pressures and challenges are identified at an early stage so they can be included within operational and financial plans. I will continue to support the Chief Fire Officer and the Joint Head of Finance in doing so.

The Internal Control Framework continues to improve, however, it is essential that compliance with procedures, policies and regulations continue to develop and embed across all the service. The first three years of Internal Audits identified a number of areas where policies and procedures are in place which have been developed and work is underway to embed them.

Some progress has been made and the Joint Head of Finance and I will continue to work with the Chief Fire Officer and Monitoring Officer to take these recommendations forward and ensure robust internal controls and assurances are in place, supported by an Internal Audit Plan; and contribute to Fire achieving Best Value by following procurement and purchasing policies and procedures and effective asset management arrangements; which meet operational requirements and stand up to external scrutiny.

Given the need to ensure and build stability and resilience, whilst some zero based operational pressures have been built into the budget model, any growth or changes will need to be accommodated from within the cash limited budget set for the year. I am assured by the commitment to the joint services work and the Joint Estates Strategy which has and will continue to assist in identifying future savings; but it is essential that disposals and activities are undertaken in a timely manner to enable benefits and savings to be realised.

I have reviewed the detailed calculations in arriving at the budget requirement and Council Tax precept and options and find these to be robust. I also have sought and received information from both Unitary Authorities in relation to taxbase and Council Tax deficits and I am grateful to all partners for their support in doing so.

I have highlighted some uncertainties within this report and the PFCC is aware of these and their potential impact and as such has ring fenced an allocation as a contingency within the revenue budget to mitigate risk. The PFCC has adequate levels of general and earmarked reserves (in particular the funding reserve) to mitigate any in year or medium term risks and unforeseen financial pressures.

The reserves position is much better than anticipated and general reserves are now at an adequate and sustainable level. Whilst earmarked reserves are currently sufficient, there are plans in place to use most of them, therefore, it is prudent to take opportunities to rebuild them and ensure there are optimum levels available to smooth unforeseen funding gaps, meet budget challenges, or to invest or meet one off pressures.

The MTFP does require efficiencies to be made to ensure the budget can be balanced across the medium term. I am assured that the Chief Fire Officer has already identified a plan and will continue to support the PFCC in ensuring the Chief Fire Officer and Joint Head of Finance provide regular updates to the Accountability Board to ensure that progress can be monitored and efficiencies realised in line with timescales.

The sections in this report on “Future Risks, Challenges and Uncertainties”, “Pensions” and the “MTFP” highlight significant unknown issues moving forwards in the medium term. Where possible forecasts and estimates are included within the MTFP and all opportunities for government funding in particular in relation to any potential pension impact will be pursued to ensure any financial impact on NCFRA is minimised.

The precept flexibility if taken will enable a balanced budget to be achieved for 2022/23 and in principle the two following years. This would not be possible at a 1.99% increase. The landscape after 2023/24 is less certain and it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFP.

I conclude, therefore, that the budget for 2022/23:

1. *Has been prepared on a robust basis, and*
2. *In 2022/23, the budget is balanced with an identified and agreed efficiency savings plan in place. Furthermore there are provisional balanced budgets for 2023/24 and 2024/25.*
3. *General reserves are adequate and sufficient to meet essential risks and challenges and earmarked reserves will continue to be built where it is appropriate and prudent to do so.*
4. *The Fire revenue budget and reserves are now more resilient and it is important that the budget is managed within the funding envelope each year and earmarked reserves are used where appropriate to support unforeseen issues or additional investment, not to balance the annual budget.*
5. *The future financial landscape is uncertain and whilst the MTFP is balanced for three years, it does require the identified efficiencies to be taken forward. The MTFP will continue to be kept under regular review as the efficiency savings plan progresses.”*

Helen King
Section 151 and Chief Finance Officer
Northamptonshire Commissioner Fire and Rescue Authority