



Report of the PFCC for North Yorkshire to the Police, Fire and Crime Panel

31st January 2019

Status: For decision

The 2019/20 Fire Precept Proposal

1 Purpose

- 1.1 Legislation requires that I agree my budget and associated precept and basic council tax for the forthcoming year before 1st March each year. However before doing so I must notify this Panel of the precept which I propose to issue for the following year.

2 Recommendations

- 2.1 The Panel is asked to consider my proposal to set the Band D Fire Element of the Council Tax within North Yorkshire for 2019/20 at £71.27. This is an increase of 2.99% or £2.07 over the 2018/19 level.
- 2.2 The Panel is asked to note that in making this proposal I have taken into account the results of consultation with the public of North Yorkshire in relation to the level of precept for 2019/20. This consultation had 2,714 responses, a summary of the results is provided at Appendix 4.
- 2.3 The Panel is asked to support this proposal.

3 Reasons

- 3.1 The balance of the cost of the fire service not paid for by central government is met by local taxpayers through a precept on their council tax. In North Yorkshire this will equate to over 60% of the overall income that I will receive in 2019/20. It is the responsibility of the eight local billing authorities to collect this.
- 3.2 Legislation requires the precept for 2019/20 to be set before 1st March 2019 and that the first step in enabling this to happen is that I am required to inform this panel of my proposed precept by the 1st February 2019. Which I did by submitting this report prior to that date.

- 3.3 In making my proposal on the Police precept I have taken into account the following:
- The views of the public of North Yorkshire
 - The financial impact on the people of North Yorkshire.
 - The financial needs of the organisation as currently projected both for 2019/20 and in the future.
 - The limits imposed by the Government on a precept increase before a referendum would be triggered in North Yorkshire.
 - I have discussed my proposals with both the Chief Fire Officer and engaged and consulted with the public on the options available to me.

Overall Financial Context

3.4 **Financial Position on Transfer of Governance**

The Home Secretary announced on the 13th June 2018 that the elected Police and Crime Commissioner for North Yorkshire, now the PFCC, would take on the governance of North Yorkshire Fire and Rescue Service. The legislation to enable this to come into effect was passed on the 15th November 2018.

- 3.5 The financial position of the Fire Authority, at the time of the announcement and at the point of subsequent transfer of Governance, is set out in a report to the Fire Authority dated the 27th June 2018. A copy of this report is attached for the Panel's information.

3.6 In Summary the position was as follows:

- The Authority agreed the 2018/19 Budget and the Medium Term Financial Plan which took the Authority up to and including 2022/23 at its meeting on 16 February 2018. The MTFP identified a shortfall of £2,810k on a recurring basis over the period. The Plan set out to use reserves for 2018/19 to 2020/21 in order to bridge the funding shortfall during that period.
- The June 2018 report then sets out the review that this MTFP underwent, how savings opportunities were identified (£920k), assumptions were revisited (£300k) and additional costs of £985k identified. This resulted in the PFCC inheriting a MTFP that required £1.2m from reserves to balance the budget in 2018/19 and plans that lead to an imbalance that would rise to nearly £2.6m by 2022/23 **AND** no firm plans to address this imbalance beyond the use of reserves to provide some time to develop savings.

3.7 **Provisional Local Government Finance Settlement 2019/20**

The Provisional Local Government Finance Settlement was announced by the Secretary of State for Communities and Local Government, James Brokenshire MP, in an oral statement to the House of Commons on Thursday 13 December 2018. Full details of the Provisional Settlement can be found on the GOV.UK website. The announcements set out provisional allocations for 2019-20.

These were originally announced in December 2015 as part of the multi-year settlement offer, accepted by 97% of local authorities.

3.8 Headlines

The main points within the provisional settlement are as follows:

- A national increase in the 2019-20 Core Spending Power of 2.8% compared to 2018-19. National Fire Chiefs Council members (exc. London) see an increase in Spending Power of 3.2%, with stand-alone fire authorities seeing an average increase of 2.2%.
- Maintained council tax referendum principles (3%) for all Fire Authorities, Shire Counties, Single Tier Unitaries, Metropolitan Districts and London Boroughs as announced in the 2018-19 Settlement. Police referendum limit raised from £12 to £24.
- Announcement of £98.5m grant allocations to support increased pension costs of £108.5m. Expected to be paid in full in early 2019-20.
- No date has yet been provided for the Comprehensive Spending Review except that it shall be conducted in time for Budget 2019.
- Publication of Business Rates Retention Consultation on Systems Design, as well as a Fair Funding Review Consultation and 2019-20 business rates pilots.
- Slight increase in Rural Services Delivery Grant to £81m (equal to 2018-19).

3.9 Government Funding beyond 2019/20

2019-20 represents the last year of the Multi-Year Offer and the 2019/20 announcement included reference to the upcoming Comprehensive Spending Review (CSR). Multi-Year Settlements are expected to continue going forward following the CSR however no date has yet been provided for the CSR except that it shall be conducted in time for Budget 2019.

3.11 Pensions Grant

In early September HM Treasury announced changes to the discount rate for unfunded public-sector pensions including fire. This, combined with the earlier announcement at Budget 2016, has resulted in a reduction to the discount rate from 3% to 2.4% and has the effect of increasing the employer contributions (to include ill-health costs) from 17.6% to 30.2% from April 2019. The Government Actuary's Department estimated that the additional cost to fire as a result will be around £108.5m per annum.

3.12 HM Treasury indicated that additional funding would be provided to public sector bodies in 2019-20 to mitigate most of this increase, with the sector "paying only the additional costs announced at Budget 2016" (a reduction in the discount rate from 3% to 2.8%). This means that fire will pay £10m of the

additional costs in 2019-20, with the remaining £98.5m being provided via a grant under section 31 of the Local Government Act 2003. Although FRAs have some cost to bear they have come out relatively well when compared to the Police.

- 3.13 No assurances have been given that this Grant, which for North Yorkshire Fire totals £1,466k, will continue beyond 2019/20 however the current financial plans assume this will happen. Clearly if this grant ends then there will be a significant impact on the current MTFP.

3.14 Fair Funding Review and Business Rates

Following the 2017 General Election and the omission of the Local Government Finance Bill in the Queen's Speech, the Government moved from its pursuit of 100% Business Rates Retention to increased Business Rates Retention (set at around 75%). Due to the General Election, the implementation date of 2019-20 was delayed to 2020-21.

- 3.15 Alongside the provision settlement the government announced consultations on the Business Rates Retention System Design and on the Fair Funding Review.

3.16 Rural Services Delivery Grant (RSDG)

In the lead-up to the 2018-19 Provisional Settlement it had been expected that Rural Services Delivery Grant funding would dip in 2018-19 from 2017-18 and then regain in 2019-20. At the 2018-19 Provisional Settlement this dip was cancelled and in the Final Settlement was increased. The table below shows the expected annual RSDG funding at different Settlement stages.

Settlement	2017-18	2018-19	2019-20
2017-18 Final	£65m	£50m	£65m
2018-19 Provisional	£65m	£65m	£65m
2018-19 Final	£65m	£81m	£65m
2019-20 Provisional	£65m	£81m	£81m

North Yorkshire Fire receives £515k in terms of Rural Services Delivery Grant.

What Impact does this have on Funding for Fire Services in North Yorkshire?

- 3.17 Based on the draft information received to date, then the Core Spending Power for North Yorkshire Fire has increased by circa 2.1% however this doesn't take into account the impact of changes to the contributions that will be made into the Fire Pension Fund and the part funding received for these additional costs.
- 3.18 The Core Spending Power calculation assumes that 'Authorities' will increase their precept by the maximum allowable before triggering a referendum. In terms of the Fire Service this would be 2.99%. When this is factored into the other changes, and compared to 2018/19 then the summary financial picture is as follows:

Funding the Net Budget Requirement				
	2019/20	2018/19	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
Government Funding				
Total Settlement Funding	(8,555)	(8,848)	293	-3.3%
Rural Services Grant	(514)	(514)	0	0.0%
Levy Allowance	(92)		(92)	
Total Government Funding	(9,161)	(9,362)	201	-2.1%
Additional Fire Pensions Grant	(1,466)	0	(1,466)	
Additional Fire Pension Contributions	1,615	0	1,615	
Actual Impact of Settlement changes	(9,012)	(9,362)	350	-3.7%
Impact of a 2.99% increase in Band D Precept				
Net Surplus on Collection Funds	(94)	(150)	55	
Council Tax Requirement	(21,450)	(20,559)	(892)	
Total Local Funding	(21,545)	(20,708)	(836)	4.0%
Total Government + Local Funding	(30,556)	(30,070)	(486)	1.6%

3.19 It is important to recognise that a number of these figures are estimates at this stage and should be finalised during February. It is unlikely however that any will change significantly.

3.20 In overall terms then even with a 2.99% increase in Precept the overall impact of the funding changes, once the overall financial impact of the changes to Pensions have been accounted for, will only have increased by circa 1.6%. Given that pay inflation is currently forecast to be 2% and both RPI and CPI are higher than this then the funding available to the PFCC for 2019/20 will be lower than 2018/19, in real terms, by circa £150k.

3.21 MTFP Assumptions

A review of the assumptions within the MTFP has been undertaken, these will remain under review and are updated with the best information available, the current assumptions incorporated into the MTFP for 2019/20 and beyond are as follows:

- Pay Awards: 2% increase p.a
- Precept: Increases of 2.99% per annum thereafter
- Tax Base increases 1.0% per annum, Collection Surplus £150k p.a
- Government Grants: Continue to reduce by 3% per annum.
- Pensions Grant continued to be paid at £1,466k per annum.
- Nil impact from Fair Funding review
- Nil impact from Business Rates Retention
- Rural Service Delivery Grant continues at £515k per annum.
- Inflation: 2.0% for most non-pay areas

3.13 Based on these revised assumptions and the information received and forecast around other areas of funding then the entire funding expected to be

available for Fire Services for the next 5 years, in comparison to 2018/19, is as follows:

	Actual Budget	Forecast Budget	Forecasts		
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	£'000	£'000	£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,850)	(8,555)	(8,300)	(8,050)	(7,810)
Rural Services Grant	(415)	(515)	(515)	(515)	(515)
Levy Allowance	0	(90)	0	0	0
Council Tax Precept	(20,560)	(21,450)	(22,320)	(23,220)	(24,150)
Collection Fund Surplus/Deficit	(150)	(95)	(150)	(150)	(150)
NNDR Surplus/Deficit	0	0	0	0	0
Funding for the Net Budget Requirement	(29,975)	(30,710)	(31,285)	(31,935)	(32,625)
%age change in Net Budget Requirement	1.3%	2.5%	1.9%	2.1%	2.2%
Specific Grants	(1,600)	(1,235)	(1,060)	(1,040)	(965)
Pensions Mitigation Grant	0	(1,465)	(1,465)	(1,465)	(1,465)
General Income	(480)	(505)	(430)	(440)	(450)
TOTAL FUNDING	(32,055)	(33,910)	(34,240)	(34,880)	(35,505)
%age change in Total Funding	3.2%	5.8%	1.0%	1.9%	1.8%

- 3.14 As can be seen from the projected percentage changes to the Net Budget Requirement then providing expenditure inflation (both Pay and Non-Pay) can be contained at circa 2% per annum, which is likely to prove a challenge given that CPI is currently 2.1% and RPI is 2.7%, then the Fire Service would have a chance of maintaining current service levels.
- 3.15 **However** as referred to earlier the underlying financial plan, that was inherited by the PFCC, does not balance by £1.2m per annum and this was set to grow to an imbalance of £2.6m by 2022/23.
- 3.16 What action has been taken since the Transfer of Governance?
As mentioned throughout the development of the business case for the Transfer of Governance of the Fire Service, the previous financial plans of the Fire Authority had an unsustainable and unaffordable need to borrow to fund the Capital Programme.
- 3.17 The business case included savings from this area and from shared enabling support services of £550k per annum from 2020/21 on a recurring basis.
- 3.18 The Capital Financing area has been reviewed and a significantly reduced Capital Programme is now in place. These changes, coupled with a further review of how capital financing was managed, have resulted in reducing the projected spend in this area by £850k per annum by 2022/23.
- 3.19 In addition to this first part of the work to move towards shared enabling support service is expected to begin in early 2019/20. This will result in business cases that aim to:

- 3.20 **Stage 1 – Simplify**
Remove duplication of processes, define and refine what our enabling services do, ensure staff are deployed appropriately and supported to be the best they can, support managers to provide strong leadership and optimise the use of technology.
- 3.21 **Stage 2 – Standardise**
Transition to self service enabling services across the organisations, continue to improve processes, implement technology standardisation through joint procurements when upgrades are required, ongoing prioritisation in line with emerging needs of North Yorkshire Police, North Yorkshire Fire & Rescue Service and the public of North Yorkshire.
- 3.22 This will then lead to **Stage 3 – Share** – where: A completely standard set of processes across North Yorkshire Police and North Yorkshire Fire & Rescue Service, underpinned by a common set of systems.
- 3.23 This is expected to lead to further savings within support services.
- 3.24 The business case also set out plans to reduce the expenditure on Senior Management Posts by £50k for 2019/20 and by £250k per annum thereafter. To date plans are in place and have been delivered for the start of 2019/20 that deliver £180k of these savings.
- 3.25 Shared Estates savings totalling nearly £300k per annum, to be delivered by 2022/23, were included within the business case. The agreed move of the Fire HQ to Alverton Court, along with this move also enabling the lease at Coxwold House to be allowed to cease, means that in excess of £400k of savings are expected to be delivered from these 2 lease properties alone by the end of 2020/21.
- 3.26 Work will then continue across all areas of the Fire and Police estate to identify and deliver further savings through better/joint use of the estate.
- 3.27 These savings, coupled with the delivery of some procurement savings and a Management Savings Challenge has resulted in the summary financial picture that is attached at Appendix 1.
- 3.28 While the projected financial picture is significantly better than the one inherited from the Fire Authority just under 3 months ago, there is a recurring imbalance of circa £1m across the life of the financial plan. A Finance Working Group has been established to *'identify one-off as well as recurring, deliverable cashable savings to enable the Service to live within its means. It will oversee all financially driven change activity undertaken by the Service. It will ensure visibility and transparency of all savings considerations and co-ordinate work to consider the capacity to deliver the savings and the impact on the wider Service.'*

4 Public Consultation

- 4.1 To further inform the decision around the proposed fire precept for 2019/20 consultation has been undertaken with the Public to ascertain their feedback and thoughts on this subject.
- 4.2 The Public were asked the following question, via both a representative telephone interview and a separate Online survey the following:
- 4.3 How much more would you be prepared to pay per year through your council tax for the fire and rescue service?
- No more than I pay now – a precept freeze. This would mean a real terms cut to the fire and rescue budget when inflation is taken into account
 - As per last year – an extra £2 per year for a Band D property raising £600k
 - Between £2 and £5 – raising up to £1.5m
 - More than £5 – raising more than £1.5m
- 4.4 In total, 2,741 responses were received from North Yorkshire residents. The consultation was undertaken in numerous ways. A representative telephone survey was conducted, supported by an open, online survey. The open survey was publicised on the Police, Fire and Crime Commissioner’s website and promoted via social media. Leaflets located in libraries and other accessible locations across North Yorkshire further promoted the survey as well as providing a paper-based return option. The results of the consultation are detailed in Appendix 1.
- 4.5 The results of consultation with the public of North Yorkshire in relation to the level of fire precept for 2019/20, which had 2,741 responses, has resulted in 76% of the telephone survey and 74% of the Open On-Line survey supporting an increase.

- 4.6 Overall, a large majority (75%) support the maximum increase allowable before a referendum would be required of circa £2 in the fire and rescue precept. Half of all respondents (49%) are prepared to pay over the referendum limit of circa £2 with one in five people (22%) prepared to pay over £5, more than double the referendum limit.

	Telephone (n=975)	Online (n=1735)	Total (n=2710)
Freeze	24%	26%	25%
£2 as per last year	24%	25%	25%
£2 - £5	30%	26%	27%
More than £5	22%	22%	22%
TOTAL who support an increase	76%	74%	75%

*figures may not add to 100% due to rounding

- 4.7 In looking at the public opinion, a clear majority support an increase to the precept.

4.8 The Tax Base

The eight local Councils have notified the PFCC of their tax bases for 2019/20 as set out in the table below:

Tax Base		
	2019/20	2018/19
	Net Tax Base	Net Tax Base
Craven District Council	22,525	22,455
Hambleton District Council	36,847	36,033
Harrogate Borough Council	62,461	61,898
Richmondshire District Council	19,831	19,608
Ryedale District Council	21,812	21,581
Scarborough Borough Council	38,397	38,007
Selby District Council	31,395	30,837
York City Council	67,706	66,671
Total	300,974	297,090
Annual Increase	3,884	
Percentage Increase	1.31%	

- 4.9 The tax base is expressed in terms of Band D equivalent properties. Actual properties are converted to Band D equivalent by allowing for the relevant value of their tax bands as set down in legislation (ranging from 2/3rds for Band A to double for Band H; discounts for single person occupation, vacant properties, people with disabilities etc;) and a percentage is deducted for non-collection. Allowance is also made for anticipated changes in the number of properties.
- 4.10 The tax base calculated by the billing authorities differ from the figures used by the Government (which assumes 100% collection) in calculating Grant Formula entitlements.

- 4.11 As can be seen from the table above the number of Band D equivalent properties across North Yorkshire has increased in 2019-20, in comparison to 2018-19, by 3,884 – this equates to an increase of 1.31%.
- 4.12 The financial impact of this permanent increase in the number of calculated Band D properties of 3,884 is a recurring increase in precept funding of £275k from 2019/20 onwards, which has helped to reduce budget reductions and savings.
- 4.13 The 2019/20 tax base is therefore 300,974.02 Band D Equivalent properties.
- 4.14 Setting the Council Tax
The precept calculation needs to take account of any net surplus or deficit on the billing authority collection funds. Projected surplus/deficits on the individual funds are shown in the table below.

Collection Funds Surplus/ (Deficit)	
	£
Craven District Council	29,180
Hambleton District Council	14,960
Harrogate Borough Council	(12,187)
Richmondshire District Council	(3,836)
Ryedale District Council	(3,910)
Scarborough Borough Council	50,184
Selby District Council	(6,842)
York City Council	26,664
Net Surplus on Collection Fund	94,213

- 4.15 The surpluses/deficit that have arisen need to be returned through the precept. The final precept to be levied will reflect the position on each council's collection fund.
- 4.16 The collective collection surplus is the lowest that it has been since 2013/14, which may suggest that the collection of Council Tax is becoming more challenging.
- 4.17 This will need to be closely watched over the coming years as the current financial plans assume a surplus on the collective collection funds of £150k per annum across the eight councils.

4.18 **Financial Summary- Net Budget Requirement**

Based on the proposed precept increase of 2.99% the Net Budget Requirement (NBR) for 2019/20, in comparison to 2018/19, is set out in the table below:

Funding the Net Budget Requirement	Budgeted Figures		(Increase)/Reduction	%age Change
	2019/20	2018/19		
	£000s	£000s	£000s	
Funding				
Total Settlement Funding	(8,555)	(8,850)	295	-3.3%
Rural Services Grant	(515)	(415)	(100)	24.1%
Levy Allowance	(90)	0	(90)	
Council Tax Precept	(21,450)	(20,560)	(890)	4.3%
Collection Fund/NNDR Surplus/Deficit	(94)	(150)	56	-37.2%
Net Budget Requirement	(30,705)	(29,975)	(730)	2.4%

- 4.19 As can be seen from the above the NBR is expected to increase in 2019/20, by £730k (or 2.4%,) if the precept is increased by 2.99%.
- 4.20 It is worth noting however that this increase is reduced by the additional, unfunded Pension costs, estimated at £150k. This is then further absorbed by unavoidable additional costs to the organisation in 2019/20, in comparison to 2018/19, primarily from 2% National Pay Awards and more general inflation, where CPI is currently 2.1% and RPI 2.7%.
- 4.21 Therefore despite what appears to be better a funding position than previously forecast there is still a need for the organisation to generate savings, to not only balance the budget but also to address the underlying budget imbalance, that the PFCC inherited from the Former Fire Authority, which was an initial recurring imbalance of £1.2m.
- 4.22 Any reduction from the proposed 2.99% increase in precept would therefore increase the savings needed and/or require reduced services.

4.23 Precept Calculations

The final precept calculations are set out in the tables below based on a 2.99% increase:

Proposed Precepts - 2.99% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Craven District Council	1,634,537	29,180	1,605,357
Hambleton District Council	2,641,061	14,960	2,626,101
Harrogate Borough Council	4,439,388	(12,187)	4,451,575
Richmondshire District Council	1,409,521	(3,836)	1,413,357
Ryedale District Council	1,550,616	(3,910)	1,554,526
Scarborough Borough Council	2,786,738	50,184	2,736,554
Selby District Council	2,230,693	(6,842)	2,237,535
York City Council	4,852,078	26,664	4,825,414
Total Precept	21,544,631	94,213	21,450,418

4.24 The 'basic amount' of council tax is the rate for a Band D property. It is calculated by dividing the Council Tax Requirement by the total tax base i.e. £21,450,418 by 300,974.02 giving a council tax rate for Band D properties of £71.27.

4.25 The proposed council tax rate for each property band is determined in accordance with the statutory proportions and is set out in the table below, it also shows the increases for each Band in comparison to 2018/19. It is advised that the tax rates should be calculated to more than 2 decimal places.

Council Tax Band Amounts and Increases				
Property Band	2.99% increase			
	2019/20	2018/19	Increase per Annum	Increase per Week
	£	£	£	£
A	47.513	46.133	1.38	0.03
B	55.432	53.822	1.61	0.03
C	63.351	61.511	1.84	0.04
D	71.270	69.200	2.07	0.04
E	87.108	84.578	2.53	0.05
F	102.946	99.956	2.99	0.06
G	118.783	115.333	3.45	0.07
H	142.540	138.400	4.14	0.08

5. Conclusion

I have considered various options and various factors in deliberating on my proposal for precept in 2019/20. I have taken into account the needs for the continued delivery of high levels of Fire and Rescue Services within North Yorkshire. I have spoken with the Chief Fire Officer and have consulted with the public. Based on these views and the financial needs of the organisation over the medium term I formally propose a precept increase of 2.99%, or £2.07, for a Band D property for 2019/20, which would result in Band D Fire precept for 2019/20 of £71.27 and ask that this panel considers my proposal.

To aid the Panel in considering my proposal on Precept I attach to this report:

A copy of the last Finance Report from the Fire Authority showing the financial position that transferred to the PFCC

A Decision Note on 'Proposing the 2019/20 Fire Precept

Further to this the following additional Appendices are also attached:

- Appendix 1 – Draft Budget based on a 2.99% or £2.07 Fire Precept Increase
- Appendix 2 – Draft Capital Budget
- Appendix 3 – Draft Forecast Reserves Schedule
- Appendix 4 – Report on Fire Precept Consultation

Glossary

Band D council tax - This is the council tax payable on a Band D dwelling occupied as a main residence by two adults, before any reductions due to discounts, exemptions or council tax benefit. This definition is widely regarded as a benchmark when comparing council tax levels in different areas or over time.

Billing Authorities - Billing authorities are the 326 authorities (354 before 1 April 2009) that are empowered to set and collect council taxes, and manage a Collection Fund, on behalf of themselves and other local authorities in their area.

Budget requirement – This is an amount calculated, in advance of each year, by each billing authority, by each major precepting authority and by each local precepting authority (primarily parish councils). It is broadly the authority's net revenue expenditure allowing for movement in reserves. It is therefore, the amount to be met from revenue support grant, redistributed non-domestic rates, principal formula police grant, GLA general grant and council tax.

Chargeable dwellings - Those domestic dwellings in an area for which council tax is payable. It excludes dwellings on the valuation list which are exempt from paying council tax. Each chargeable dwelling is counted as one dwelling, whether or not a full council tax bill is payable for it. The total number of chargeable dwellings in an area is the denominator used to calculate the average council tax per dwelling. In April 2013 council tax exemptions for short term empty properties and properties undergoing major structural repairs were abolished and replaced with a flexible discount rate for all empty properties. This change significantly increased the number of chargeable dwellings in England,

Collection Fund - The fund administered by a billing authority into which council taxes are paid, and from which payments were made to the general fund of billing and precepting authorities.

Council tax - This is a local charge (or charges) set by the billing authority in order to collect sufficient revenue to meet their demand on the collection fund and the precepts issued by the precepting authorities. It replaced the community charge on 1 April 1993 and is calculated based on the council tax band assigned to the dwelling. The Valuation Office Agency assesses the properties in each district area and assigns each dwelling to one of eight valuation bands; A to H. Council tax is set on the basis of the number of Band D equivalent properties. Tax levels for dwellings in other bands are set relative to the Band D baseline.

Council Tax Band - There are eight council tax bands, A to H. Each domestic dwelling is assigned a council tax band by the Valuation Office Agency (VOA). Council tax bands are based on the value of the dwelling as at 1 April 1991. Any dwelling built after this date is given a notional 1991 value for council tax purposes.

Council Tax Freeze Grant – a scheme introduced in 2011-12 to pay a grant to local authorities that froze or reduced their council tax in that year. Further schemes have been offered to authorities that froze or reduced their council tax in all subsequent years.

Council Tax Referendums - The Localism Act 2011 abolished central government capping and made provision for binding referendums to be held on excessive council tax increases. A referendum must be held where an authority's council tax increase is higher than the principles proposed annually by the Secretary of State and approved by the House of Commons.

Council tax requirement - This is an amount calculated, in advance of each year, by each billing authority and by each major precepting authority. It is the amount of revenue to be met

from council tax, and is equivalent to an authority's Band D council tax multiplied by its council tax base.

Localisation of council tax support – From 1 April 2013 council tax benefit, the means of helping people on low incomes meet their council tax obligations, was replaced by new localised support schemes. This means that, at least for working age people, local councils are now free to design almost any scheme they wish to provide help with council tax.

Local precepting authority – parish / town councils, chairmen of parish meetings, charter trustees and the treasurers of the Inner and Middle Temples are all local precepting authorities. These local authorities make a precept on the billing authority's general fund.

Major precepting authority - These are county councils in two-tier areas, police and crime commissioners, fire and rescue authorities and the Greater London Authority. These local authorities make a precept on the billing authority's Collection Fund.

Precept - The amount of money (council tax) that a local or major precepting authority has instructed the billing authority to collect and pay over to it in order to finance its net expenditure.

Relevant basic amount of council tax – It is used as the basis for deciding if a referendum is required to approve or reject a local authority's level of council tax for the year.

Tax base - This is the number of Band D equivalent dwellings in a local authority area. To calculate the tax base for an area, the number of dwellings in each council tax band is reduced to take account of discounts and exemptions. The resulting figure for each band is then multiplied by its proportion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. An adjustment is then made for the collection rate. The tax base figure that is used by a local authority when it sets its council tax uses an adjustment for the collection rate, the actual discount for second homes and any premium applicable to empty homes.

Budget - A statement of an organisation's plans in financial terms. A budget is prepared and approved before the start of each financial year and is used to monitor actual expenditure throughout the year.

Government Grants - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

National Non-Domestic Rate (NNDR) - The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a central government pool that is then distributed according to resident population.

Police Grant - A grant paid by the government to Police and Crime Commissioners as a proportion of the Formula Spending Share or FSS.

Precept - The income which the Police and Crime Commissioner requires the District Council to raise from Council Tax on behalf of the Police and Crime Commissioner.

Revenue Support Grant (RSG) - General government grant support towards expenditure.

Decision Notice

Fire Precept Proposal 2019/20

The PFCC has decided, after consultation with the public, to propose to the Police and Crime Panel a police precept for 2019/20 of £71.27 for a Band D property within North Yorkshire. This would be an increase of 2.99% (or £2.07) per annum, from the 2018/19 level.

Background

Legislation requires that the Police, Fire and Crime Commissioner (PFCC) agrees their budget and associated precept and basic council tax for the forthcoming year before 1st March each year. However before doing so the PCC must notify the relevant Police, Fire and Crime Panel, by the 31st January, of the precept which they propose to issue for the following financial year.

The Provisional Local Government Finance Settlement was announced by the Secretary of State for Communities and Local Government, James Brokenshire MP, in an oral statement to the House of Commons on Thursday 13 December 2018.

Within the announcement it was set out that stand-alone fire authorities would see an average increase in their Core Spending Power of 2.2% given council tax referendum principles for all Fire Authorities would be maintained at the previous years' level of 3%. This means that any increase in the Fire Precept of 3%, or more, would require a referendum.

Consultation with the public of North Yorkshire has been undertaken to help inform the PFCC of their views in relation to precept increase for the Fire Service.

The results of consultation with the public of North Yorkshire in relation to the level of Fire precept for 2019/20, which is the first undertaken since the transfer of Governance to the PFCC and which had 2,741 responses, which compares to less than 100 received by the previous Fire Authority, has resulted in 76% of the telephone survey respondent and 74% of the Open On-Line survey supporting an increase.

The overall results are summarised below:

	Telephone (n=975)	Online (n=1735)	Total (n=2710)
Freeze	24%	26%	25%
£2 as per last year	24%	25%	25%
£2 - £5	30%	26%	27%
More than £5	22%	22%	22%
TOTAL who support an increase	76%	74%	75%

In looking at the public opinion, a clear majority support an increase to the precept. It is worth noting that nearly 50% support an increase that would be in excess of the referendum principles.

Decision Record

The PFCC, having consulted with the public and taken their opinion on board, has reviewed the advice of her officers in relation to the inherited financial position she now has responsibility for, after the transfer of Governance for the Fire and Rescue Service from the former North Yorkshire Fire Authority.

With this in mind, the PFCC has decided to propose to the Police, Fire and Crime Panel a Fire precept for 2019/20 of £71.27 for a Band D property within North Yorkshire. This would be an increase of 2.99% (or £2.07) per annum, from the 2018/19 level.

Signature redacted by NYPCFP

Julia Mulligan
Police and Crime Commissioner for North Yorkshire

Statutory Officer Advice

Legal, Management and Equality Implications

The PCC's CEO and Monitoring Officer has advised that

Financial and Commercial

The PFCC's Chief Finance Officer and S151 Officer has advised that the financial implications of this Decision are set out in the Executive Summary and/or the attached report. The decision will ensure that the PFCC meets her legislative requirements in relation with the Fire element of the precept.

The CFO would like to bring the following to the attention of the PFCC in making this decision:

The PFCC inherited a Medium Term Financial Plan (MTFP) from the former Fire Authority that had an underlying £1.2m annual imbalance, and organisational plans that would have seen this imbalance increase to at least £2.5m across the life of that 4 year plan. That MTFP assumed a 2.99% increase in 2019/20. While much work has been done to stabilise the financial position of the organisation this proposed Precept increase unfortunately does little to address the underlying budget imbalance that the PFCC inherited. Options will therefore need to be developed over the coming 2 years to return the Fire service to a recurring balanced financial position.

				APPENDIX 1	
	Actual	Forecast			
	Budget	Budget	Forecasts		
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	£'000	£'000	£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,850)	(8,555)	(8,300)	(8,050)	(7,810)
Rural Services Grant	(415)	(515)	(515)	(515)	(515)
Levy Allowance	0	(90)	0	0	0
Council Tax Precept	(20,560)	(21,450)	(22,320)	(23,220)	(24,150)
Collection Fund Surplus/Deficit	(150)	(95)	(150)	(150)	(150)
NNDR Surplus/Deficit	0	0	0	0	0
Funding for the Net Budget Requirement	(29,975)	(30,710)	(31,285)	(31,935)	(32,625)
%age change in Net Budget Requirement	1.3%	2.5%	1.9%	2.1%	2.2%
Specific Grants	(1,600)	(1,235)	(1,060)	(1,040)	(965)
Pensions Mitigation Grant	0	(1,465)	(1,465)	(1,465)	(1,465)
General Income	(480)	(505)	(430)	(440)	(450)
TOTAL FUNDING	(32,055)	(33,910)	(34,240)	(34,880)	(35,505)
%age change in Total Funding	3.2%	5.8%	1.0%	1.9%	1.8%
Expenditure					
Wholetime Firefighters	13,050	13,295	13,430	13,705	13,985
Retained Firefighters	2,710	2,640	2,690	2,745	2,805
Administrative & Clerical	3,505	3,530	3,500	3,570	3,645
Control Room Staff	765	790	805	820	835
Direct Staff Costs	20,030	20,255	20,425	20,840	21,270
Indirect Staff Costs	490	430	435	445	455
Members/PFCC Staff Costs	80	75	75	75	75
Premises	2,110	2,115	1,965	1,855	1,895
Transport	915	720	735	750	765
Supplies and Services	2,915	3,070	3,215	3,215	3,095
Operating Leases	220	220	225	230	235
External Service Agreements	220	190	195	200	205
PFI (inc. capital element)	1,375	1,430	1,475	1,525	1,575
Total Indirect Staff and Non Staff Costs	8,325	8,250	8,320	8,295	8,300
PENSIONS	3,020	4,600	4,680	4,775	4,875
TOTAL EXPENDITURE BEFORE CAPITAL CHARGES	31,375	33,105	33,425	33,910	34,445
Provision for Debt Repayment	1,225	1,095	1,175	1,290	1,360
External Interest	675	615	660	715	785
Total Capital Charges	1,900	1,710	1,835	2,005	2,145
TOTAL EXPENDITURE BUDGETS	33,275	34,815	35,260	35,920	36,585
(Surplus)/Deficit before Reserves	1,210	905	1,020	1,040	1,080
Planned Transfers to/(from) Earmarked Reserves	(1,210)	(905)	(1,020)	0	0
(Surplus)/Deficit After Reserves	0	0	0	1,040	1,080
Employee Numbers (Budgeted)	FTEs	FTEs	FTEs	FTEs	FTEs
Wholetime Firefighters	300	304	302	302	302
Retained Duty System Firefighters	342	342	342	342	342
Support Staff	96	95	95	95	95
Control Staff	17	17	17	17	17
Assumptions					
Staff Pay Increases	2.0%	2.0%	2.0%	2.0%	2.0%
Non Pay Inflation	2.0%	2.0%	2.0%	2.0%	2.0%
Precept Increases	2.99%	2.99%	2.99%	2.99%	2.99%

				APPENDIX 2	
<u>DRAFT FIRE CAPITAL PROGRAMME 2018/19 TO 2022/23</u>					
	Estimated	Estimated	Estimated	Estimated	Estimated
	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Vehicle	1,680	1,153	1,120	1,612	1,227
Property	641	420	350	350	350
ICT	473	1,252	254	304	748
TOTAL	2,794	2,824	1,724	2,266	2,326
FUNDING	£000	£000	£000	£000	£000
Capital Contributions	35	-	-	-	-
Capital Receipts	124	464	134	134	134
Leasing	-	502	-	-	502
Internal Borrowing	2,635	-	-	-	-
External Borrowing	-	1,858	1,590	2,133	1,690
TOTAL FUNDING	2,794	2,824	1,724	2,266	2,326

APPENDIX 3

	Balance	Reclass-	Transfers	Transfers	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance	Transfers	Balance
	at 31 March	ifications	In	Out	at 31 March	In	Out	at 31 March	In	Out	at 31 March	In/Out	at 31 March
	2018	2018/19	2018/19	2018/19	2019	2019/20	2019/20	2020	2020/21	2020/21	2021	2021/22	2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay & Price Reserve	2,635	-2,225			410			410	0	0	410	0	410
Pensions Reserve	1,100	545			1,645			1,645	0	0	1,645	0	1,645
Earmarked Revenue Grants Reserve	130	-75		-55					0	0	0	0	0
New Developments (Revenue Initiatives)	105	330			435		-320	115	0	0	115	0	115
Medium Term Funding shortfall Reserve	0	3,135		-1,210	1,925		-905	1,020	0	-1,020	0	0	0
Insurance Reserve	0	80			80			80	0	0	80	0	80
Total Earmarked Reserves	3,970	1,790	0	-1,265	4,495	0	-1,225	3,270	0	-1,020	2,250	0	2,250
General Reserves	2,675	-1,790	475		1,360	0	0	1,360	0	0	1,360	0	1,360
% of Net Budget Requirement	8.6%				4.3%			4.2%			4.2%		4.0%
Total Usable Reserves	6,645	0	475	-1,265	5,855	0	-1,225	4,630	0	-1,020	3,610	0	3,610
Capital Receipts Reserve	1,165	0	0	-475	690	0	0	0	0	0	0	0	0

Precept Consultation Results 2019/20

Approach

The Police, Fire and Crime Commissioner's precept consultation aimed to understand how much the North Yorkshire public would be prepared to pay via their council tax for policing and separately for the fire and rescue service next year (2019/20).

A representative telephone survey was undertaken with 1000 North Yorkshire residents, screened to ensure respondents were council tax payers, aged over 18. Quotas were set by gender, age and district to reflect the demography of North Yorkshire. The telephone interviews were undertaken by an independent market research company. In addition, an online, self-completion survey was publicised on the Police, Fire and Crime Commissioner's website and promoted via social media and leaflets distributed to libraries and other public buildings. Residents could respond via post, phone, email or the online survey resulting in a further 1741 responses. Combined, the total number of participants was 2741. The consultation period ran from 8th December 2018 to 20th January 2019.

All districts were well represented:

Area	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby	York	Total
Responses	175	398	543	284	324	305	249	463	2741
% of Total	6%	15%	20%	10%	12%	11%	9%	17%	100%

Results

The results of the consultation have been analysed by methodology type (representative telephone survey vs open online survey) and are very similar.

Those who support a freeze for the fire and rescue precept are extremely likely (91%) to suggest a freeze for policing. There is a strong correlation between the amount people are prepared to pay and household income with lower income households most likely to opt for a freeze in both precepts and higher income households prepared to pay in excess of the caps.

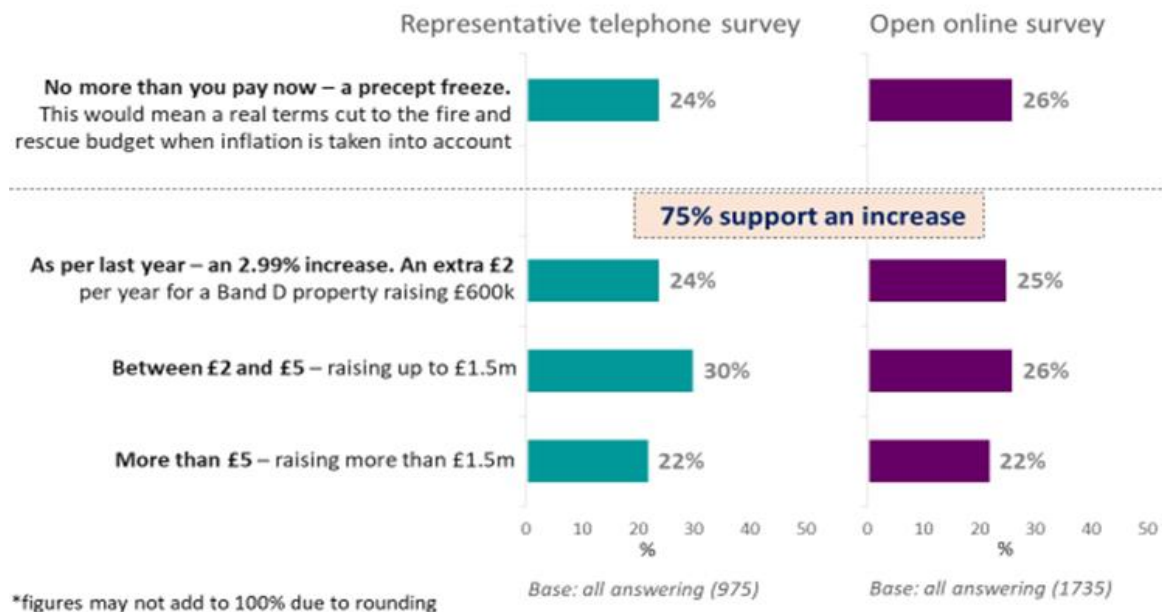
Fire and Rescue

The options presented to participants, based on a Band D property, were:

- **No more than you pay now – a precept freeze.** This would mean a real terms cut to the fire and rescue budget when inflation is taken into account
- **As per last year - a 2.99% increase.** An extra £2 per year for a Band D property raising £600k
- **Between £2 and £5** – raising up to £1.5m
- **More than £5** – raising more than £1.5m

A clear majority (75%) of respondents support an increase of at least the 2.99%/£2 cap in their council tax for the fire and rescue service. Of note is the significant proportion of residents who would pay in excess of the cap (52% telephone survey and 48% online).

Q How much more would you be prepared to pay per year through your council tax for fire and rescue?



NORTH YORKSHIRE FIRE AND RESCUE AUTHORITY

Report of the s151 Officer

27 June 2018

Future Budget and Efficiency Plan

1.0 Purpose of the report

- 1.1 To remind the Authority of the current budget and Medium Term Financial Plan (MTFP) position following the Authority meeting on 16 February 2018.
- 1.2 To update the Authority on a number of significant changes to the forecast budget and MTFP position
- 1.3 To present additional items for consideration as part of an interim update on the MTFP and to consider subsequent options.

2.0 Background

- 2.1 The Authority agreed the 2018/19 Budget and the Medium Term Financial Plan which took the Authority up to and including 2022/23 at its meeting on 16 February 2018. The MTFP identified a shortfall of £2,810k on a recurring basis over the period. The Plan set out to use reserves for 2018/19 to 2020/21 in order to bridge the funding shortfall during that period.
- 2.2 The report also identified the need to find recurring savings of £2,810k starting in 2020/21 thereby allowing the Authority sufficient time to make good plans which were capable of delivering this savings requirement.
- 2.3 A number of high level savings opportunities were identified in this report including a moratorium on the Capital Programme and an aspirational saving against non-uniform staff. A saving which should accrue as part of the HQ relocation has already been built into the MTFP but further savings opportunities require further work in order to identify the necessary actions to deliver proposals which can be considered by the future decision makers for the Service.
- 2.4 The current approved MTFP is set out in **Appendix 1**. However, the Table below illustrates the position at a more summary level and also draws out the in-year recurring shortfall which, to some extent, can be obscured in the level of detail in **Appendix 1**.

	Baseline	Incremental Position				
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Net Spending	31,180.1	+718.5	+808.2	+871.5	+1,108.7	
Funding	(29,970.1)	(722.5)	(384.2)	(531.5)	(568.7)	
Recurring Shortfall	1,210	-4	+424	+340	+540	2,510

2.5 This Table identifies that the Authority is facing a total recurring shortfall of £2,510k which starts to the tune of £1,210k in the current financial year. This gap is currently funded through the use of one-off Revenue Reserves.

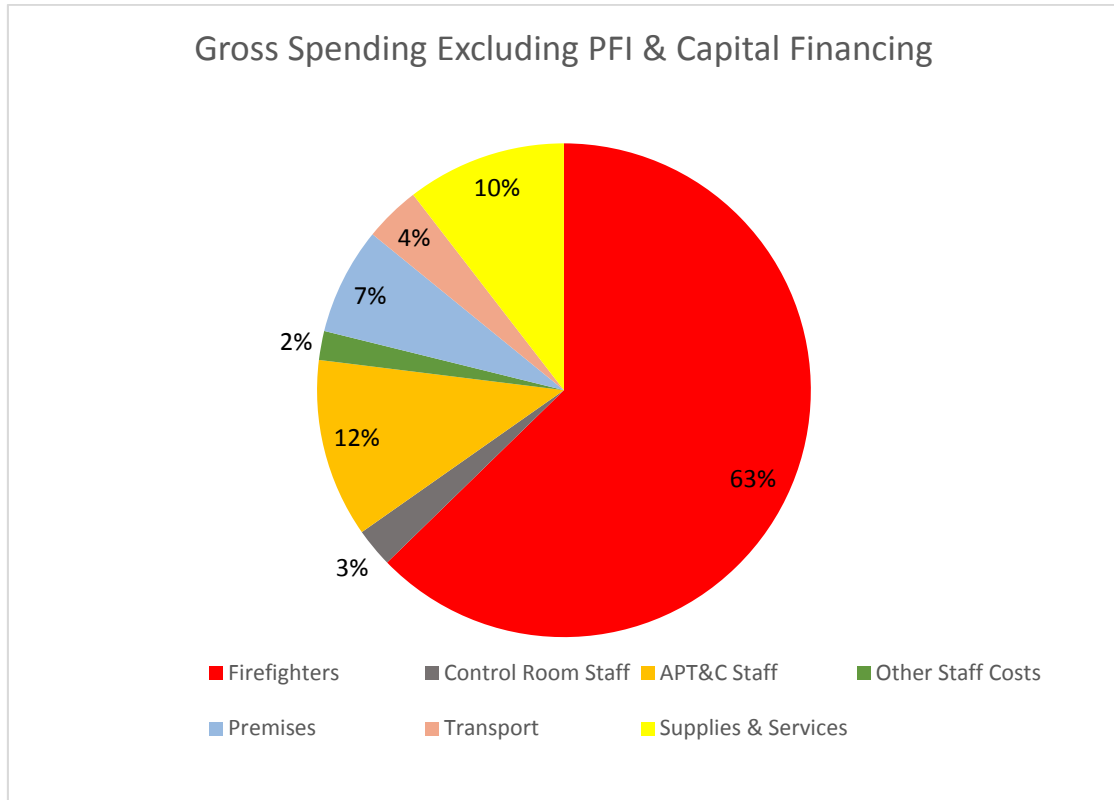
2.6 This report sets out some key lines of enquiry to pursue in order to address this recurring shortfall alongside a review of some of the base assumptions included within the current MTFP.

3.0 Suggested Approach

3.1 Clearly the Authority needs to prioritise delivery of efficiencies over and above reductions in front line service delivery. This pursuit of efficiency is part of an ongoing process and the Service can point to significant efficiency savings which have been delivered in order to balance the budget and / or fund required growth in the Service at a time of financial contraction. Examples of this are included in the table below.

	£000
<u>Back Office</u>	135
Administration Review	229
Annual reviews 2011/12 - 2013/14	
<u>Management</u>	191
Senior Management	85
Middle Management	
<u>Other Efficiency</u>	150
Community Safety	
Annual non staff base budget review undertaken *	
<u>Frontline - Risk / Resource Based</u>	936
Crewing 2014/15 - 2016/17	233
Fire Cover Review (-£752k 2017/18, then +£519k 2018/19)	
* Some recycling of savings has been necessary to fund unavoidable growth items for both staff and non staff budgets	

- 3.2 It is therefore important to understand the above as part of the context for what can be delivered moving forward. Inevitably, it becomes increasingly harder to deliver efficiency over a period of time as the easier opportunities tend to be seized first.
- 3.3 It is therefore proposed that a tiered approach is taken to revising the MTFP and generating opportunities to bridge the savings gap. The current breakdown of how the gross budget is spent, excluding uncontrollable capital financing and PFI costs, is set out in the pie chart below. This demonstrates that, whilst delivery of efficiencies which do not impact upon the frontline are most desirable, the scale of spend on firefighting staff is such that it becomes almost impossible to not impact upon this area.



- 3.4 The tiered approach that is suggested therefore comprises of the following elements, recognising the desirability of minimising the impact on frontline service delivery.

	Scale of Savings	Sensitivity
Review assumptions		
Collaboration		
Back-office and management		
Surplus capacity in frontline		
Frontline service reductions		

- 3.5 The following sections of this report therefore follow each of these areas in turn.

4.0 Review of Budget Assumptions

- 4.1 The current MTFP assumes a 1.5% increase in **Council Tax Base** for York and North Yorkshire over the period 2019/20 to 2022/23. This was also the target in 2017/18 but, as reported to the Authority in February 2018, delivery was below 1.1%. A level of 1.5% is regarded as unduly optimistic and a lower level of 1.2% is recommended for the next iteration of the budget / MTFP. Whilst this is a significant reduction compared to the current assumption, it is still marginally over delivery in previous years and will need review and may need to be scaled down further. The impact of this reduction amounts to circa £70k per annum in each of the years where this reduction is made.

- 4.2 Budgets for the financial years 2017/18 to 2019/20 assume **pay awards for Grey Book staff** of 1% and that any increase above this will be matched by increases in external finance in 2018/19 and 2019/20. Thereafter in 2020/21 and 2022/23, an increase of 2% is assumed.

The pay increase with effect from 1st July 2017 has yet to be settled and negotiations continue between the Employers side of the National Joint Council and the Representative Bodies. Grey Book staff were paid 1% on account in 2017/18. Whilst the amount and timing of a final settlement is currently unknown it was considered necessary to provide within the 2017/18 accounts for a further 1% increase being the probable minimum settlement that will eventually be agreed.

The impact of these assumptions is included in the Table below. In total, the incremental impact of a 2% increase in all years within the current MTFP is £636,000. To date, no confirmation of any increase in funding has been received to date from Government and therefore funding from the earmarked pay and price reserve is likely to be required which has been accounted for in respect of 2017/18 and 2018/19 budgets.

- 4.3 **Business rates** in respect of the Authority properties have increased by £38,000 in 2018/19, on an ongoing basis, following the national rates revaluation exercise undertaken by the Valuation Office Agency (VOA) in 2017. At revaluation, which ordinarily occurs every 5 years, the VOA adjusts the rateable value of business properties to reflect changes in the property market.

- 4.4 Despite a recent move to using of a risk criteria for assessing repairs of **hydrants**, a review of average expenditure over the last three years, suggests that it an additional estimated £30,000 is required in 2018/19, on an ongoing basis.

- 4.5 In addition, there are two areas where we are already clear that there are likely to be one off costs that need to be picked up. These account for inspection costs relating to TRVs and one off costs in the move to relocate headquarters. The former is estimated at circa £30k and the former is, as yet, unclear. These are not seen as fundamental issues as they are one off and can be accommodated within the years budget or will need to impact upon reserves at the end of the year.

- 4.6 A summary of the impact of all of these estimates is set out below –

	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	Ongoing £000
Council Tax Base		63	131	204	281	281
Grey Book pay award	395	598	610	622	636	636
Rates	38	0	0	0	0	38
Hydrants	30	0	0	0	0	30
TRV Inspection	30	0	0	0	0	0
HQ Relocation Costs	0	?	?	0	0	0
Total	493	661	741	826	917	985

- 4.7 As can be seen from the above, there is a likely further on-going financial pressure of approaching £1m per annum. Pay can be contained within the Reserve in the current year but unless there is some additional external funding (considered unlikely) this will have to be funded from additional savings.

5.0 Collaboration

- 5.1 Much work has been done on the collaboration agenda and this is likely to increase, regardless of the future governance of the service. As described earlier in this report, the move to co-locate headquarters with North Yorkshire Police has already been factored into the budget, as have a number of other areas. It should also be noted that efficiencies are, and will be, delivered through collaboration but may not necessarily produce cashable savings to the Revenue Budget – such examples include co-location of Police and Fire in some stations where Police are making a financial contribution to “making good” the fabric of building.
- 5.2 A business case was considered by the Collaboration Committee regarding transport and logistics integration. A further opportunity to save £25k was identified in that business case and is therefore worthy of pursuit.
- 5.3 Subject to external factors regarding future governance of the Service, more in depth work is required to explore specific opportunities on a case by case basis. This approach should clearly focus on opportunities with blue light services but not exclusively so as other partners may also present significant savings opportunities.

6.0 Back Office and Management

- 6.1 Savings have already been identified in **Senior Management**. There is an item elsewhere on the Authority meeting agenda which identifies that an annual saving of circa £100k can be delivered by making changes to the Senior Management Structure. This proposal is for an interim arrangement but can be secured on a permanent basis although future arrangements may look to further increase this savings opportunity.
- 6.2 The previous Budget report in February 2018 identified that a 5% saving on non-uniform staff may be possible, equating to an annual saving of circa £175k. A saving of this magnitude may well prove to be possible in the medium term but, at this stage, no specific opportunities have been identified. This is in recognition of the need to engage back-office staff in the identification of further savings and to work with Senior Management, Members and the Office of the Police and Crime Commissioner in the event that changes in Governance are implemented. As identified in **Section 5** above, it is expected that this is an area where the greatest opportunity is delivered through collaboration rather than through savings within the Fire Service alone. It must be borne in mind that the support

services need to be effective in order to support frontline service and support much of the change ahead.

- 6.3 A possible savings suggestion consisting of a **moratorium on new build** was suggested. This was identified as possible saving in excess of £800k per annum by reducing the 5 year Capital Programme from 2018/19 to 2022/23. The report in February did, however, also propose that some projects progressed and it is therefore necessary to provide clarity about the Fire Authority's position. A revised Capital Programme is therefore attached at **Appendix 2** which provides a position where a moratorium can be achieved up to 2021/22 which will result in delaying the projects at Ripon, Northallerton and Scarborough as suggested in the February report. The impact of this change on the revenue budget for 2019/20 to 2021/22 is an estimated saving of £420k per annum. Members are asked to approve the revised draft Capital Programme as set out at **Appendix 2**.
- 6.4 The Authority has constantly reviewed and removed non-essential contracts over the last five years with the aim of only renewing contracts where there is a legal or health and safety requirement or they support critical business activities. However, a further exercise is to be undertaken to identify areas for savings relating to **Procurement**. Having reviewed new renewal dates and values, there are a number of existing contracts which would benefit from a market test and will be progressed with Procurement Partners to best identify savings opportunities. Some sensitivity analysis suggest a starting target of 5% savings (equivalent to £175k per annum in a full year) over the medium term with a strategy of targeting high value contracts in areas where the market appears most competitive seems like an appropriate approach to take. It should be noted, however, at this stage that this is subject to further detail and any target should be treated with a degree of caution at this stage.
- 6.5 Budget Monitoring Reports have updated Members with areas of both under and over spend. It can be seen through these reports that there have been some areas of recurring underspend (for example training) and it is therefore proposed that a more in-depth exercise is undertaken to try and identify potential areas where more targeted budget reduction can be implemented as part of a **Management Challenge**. Sessions are planned with all budget managers in the very near future with a view to identifying potential. At this stage, a savings estimate of circa £200k is suggested as appropriate.

7.0 Surplus Capacity in Frontline

- 7.1 At the February 2018 meeting the Authority agreed to bring forward the review of the Integrated Risk Management Plan (IRMP) by 1 year with a view to implement from April 2020. An update is provided elsewhere on this agenda and the report there identifies a number of significant areas which may provide contributions to the on-going savings requirement.
- 7.2 The aim in this area is to identify where there are opportunities to make better efficiency through the use of existing resources whilst not impacting upon service outcomes. As has previously been discussed with the Authority, the art in delivery of the IRMP will be the extent to which savings opportunities can be married up with staff retirements.
- 7.3 No financial values have been attributed to specific IRMP options. As set out in the IRMP update report, there is further work to be done based upon data and this work will be pursued. Given the magnitude of savings requirement it is inevitable that savings opportunities will need to be secured from the IRMP. However, it is also worth noting that the IRMP update report also highlights areas of difficulty over the medium to long-term in

respect of RDS appliance availability. This may require some of the efficiency savings potentially available from IRMP changes, to be re-invested in meeting these challenges

8.0 Frontline Service Reductions

- 8.1 There are no proposals for frontline service reductions within this report. This cannot be precluded in the future, however, should it not be possible to deliver the overall savings quantum within the MTFP. Savings in this category are, of course, regarded as last resort and it would clearly be preferable for earlier categories of savings to deliver the overall savings requirement.

9.0 Other Possible Savings Opportunities

- 9.1 The Authority has previously enquired about the prospect of some **precept flexibility** along similar lines to those permitted to Police and Crime Commissioners and some District Councils. The ability to raise £1 extra for a Band D property would raise approximately £450k extra for each and every year. A verbal update will be provided to the Authority on the current position with regard to correspondence with Government on this issue. At this stage, this approach can only be regarded as speculative and no planning assumption can be built in to the budget / MTFP.
- 9.2 The current MTFP assumes that reserves are to be used as a significant part of this and the next two financial years. This provides the Authority with valuable time to ensure that issues such as the IRMP can be worked up effectively but it may be possible to **use reserves to suppress capital financing** costs. For example, application of £1m of reserves to suppress capital debt can yield £100k of reduced capital financing costs (revenue spend). This would equate to a simple 10% return on investment. This area will require further review and will largely depend upon the pace of which savings can be generated thereby reducing dependency upon Reserves.
- 9.3 The latest projection on Revenue Reserves is set out below and it can be seen that Reserves are forecast to fall below the £3m target level by 31 March 2021.

	£000
Projected Balance March 2018	6,650
Use in 2018/19:	
Budgeted	(1,210)
+1% Grey Book pay award in 2017/18 and 2018/19	(395)
	<hr/> 5,045
Use in 2019/20	(1,206)
	<hr/> 3,839
Use in 2020/21	(925)
Minimum Revenue Reserve level	<hr/> 2,914

10.0 Conclusion

- 10.1 There remains a significant task in order to identify the necessary savings over the life of the MTFP. This report includes a number of discrete areas that it is proposed are pursued with immediate effect. Further work is required to improve the accuracy of the estimates and also to identify the year in which the savings can be delivered.
- 10.2 The Table below, however, provides Members with a summary of the latest estimated savings requirement over the life of the MTFP.

	£000
Savings Requirement – Feb 2018	2,810
<u>LESS:</u> Rural Services Grant now included	(300)
Revised Savings Requirement – Feb 2018	2,510
<u>LESS: Savings Opportunities</u>	
Collaboration	(25)
Senior Management	(100)
Capital Programme	(420)
Procurement	(175)
Management Challenge	(200)
	1,590
<u>ADD</u> Revised Assumptions	985
	2,575

- 10.3 The above shows that the financial position is broadly similar to that forecast in February 2018 albeit after a range of further significant savings are pursued. This further demonstrates that there is a need to begin preparing further savings opportunities in advance of the February 2019 Budget report and the IRMP will be pivotal. As part of this further work it should be possible to understand the profiling of the possible savings and the subsequent impact upon Reserves.
- 10.4 The Government announcement on transferring governance of the Service from the Fire Authority to the Office of the Police and Crime Commissioner will clearly have significant impact upon future production of the MTFP. However, it is suggested that the substance of

the plan will remain largely as set out in this report and governance matters should not therefore require any different consideration of this report.

11.0 Recommendations

11.1 Members of the Authority are requested to:

- a) Note this report and the outline approach to identifying the estimate savings gap
- b) Authorise officers to work up firmer proposals which can be included within the 2019/20 budget and updated MTFP in February 2019
- c) Approve the revised Capital Plan as set out in **Appendix 2** and to realise the subsequent annual revenue savings estimated at £420k in full year.

GARY FIELDING

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Background Documents:

Appendix 1

APPENDIX A ESTIMATES 2018/19 - 2022/23

	2017/2018 £'000	%	2018/2019 £'000s	%	2019/2020 £'000	%	2020/2021 £'000	%	2021/2022 £'000	%	2022/2023 £'000	%
Wholetime Firefighters	12,292.1	-1.2	13,048.6	6.2	13,162.8	0.9	13,389.9	1.7	13,657.0	2.0	13,930.1	2.0
Retained Firefighters	2,713.3	0.8	2,710.6	-0.1	2,737.7	1.0	2,792.5	2.0	2,848.3	2.0	2,905.3	2.0
APTC	3,256.4	6.8	3,503.8	7.6	3,457.7	-1.3	3,518.1	1.7	3,588.5	2.0	3,660.3	2.0
Control Room Staff	648.5	-1.8	762.8	17.6	772.5	1.3	786.3	1.8	802.0	2.0	818.1	2.0
Direct Staff Costs	18,910.3	0.4	20,025.8	5.9	20,130.7	0.5	20,486.8	1.8	20,895.8	2.0	21,313.8	2.0
Indirect Staff Costs	393.8	24.9	489.2	24.2	499.0	2.0	509.0	2.0	519.1	2.0	529.5	2.0
Members	80.6	3.1	81.1	0.7	82.1	1.2	83.8	2.1	85.5	2.0	87.2	2.0
Premises	2,081.4	5.4	2,107.7	1.3	2,149.9	2.0	2,052.9	-4.5	1,953.9	-4.8	2,012.5	3.0
Transport	731.5	1.3	914.1	25.0	804.0	-12.0	820.0	2.0	836.4	2.0	861.5	3.0
Supplies & Services	2,658.8	9.5	2,914.1	9.6	2,808.0	-3.6	2,864.1	2.0	2,921.4	2.0	2,979.8	2.0
Operating Leases	224.0	-1.7	218.6	-2.4	218.6	0.0	218.6	0.0	218.6	0.0	218.6	0.0
External Agreements	221.9	-8.5	217.7	-1.9	222.0	2.0	226.5	2.0	231.0	2.0	237.9	3.0
PFI	786.5	9.2	718.0	-8.7	732.3	2.0	747.0	2.0	761.9	2.0	784.8	3.0
SERVICE EXPENDITURE	26,088.8	2.1	27,686.3	6.1	27,646.5	-0.1	28,008.6	1.3	28,423.7	1.5	29,025.7	2.1
PENSIONS	2,781.8	-5.4	3,019.9	8.6	3,011.2	-0.3	3,113.4	3.4	3,175.7	2.0	3,239.2	2.0
DEBT REPAYMENT	28,870.6	1.3	30,706.2	6.4	30,657.7	-0.2	31,122.0	1.5	31,599.4	1.5	32,264.9	2.1
EXTERNAL INTEREST	1,408.0	-5.1	1,480.1	5.1	1,616.6	9.2	1,703.4	5.4	1,947.2	14.3	2,237.2	14.9
	1,075.0	-4.9	1,074.3	-0.1	1,122.9	4.5	1,229.3	9.5	1,379.6	12.2	1,533.4	11.1
EXPENDITURE	31,353.6	0.80	33,260.6	6.1	33,397.2	0.4	34,054.7	2.0	34,926.2	2.6	36,035.5	3.2

APPENDIX A ESTIMATES 2018/19 - 2022/23

	2017/2018 £'000	%	2018/2019 £'000s	%	2019/2020 £'000	%	2020/2021 £'000	%	2021/2022 £'000	%	2022/2023 £'000	%
EXPENDITURE B/FWD	31,353.6	0.80	33,260.6	6.1	33,397.2	0.4	34,054.7	2.0	34,926.2	2.6	36,035.5	3.2
Contribution to Reserves	0.0		0.0		0.0		0.0		0.0		0.0	
Total	31,353.6	-1.3	33,260.6	6.1	33,397.2	0.4	34,054.7	2.0	34,221.2	0.5	33,765.5	-1.3
Less Income												
General Income	348.8	-7.4	479.7	37.5	489.3	2.0	499.1	2.0	509.1	2.0	519.2	2.0
PFI Grant	649.0	0.0	648.9	0.0	649.0	0.0	649.0	0.0	649.0	0.0	649.0	0.0
S31 Grants NNDR/RF	212.1	19.7	348.4	64.3	150.0	-56.9	0.0	0.0	0.0	0.0	0.0	0.0
Other Grants	248.4	-8.7	603.5	143.0	210.3	-65.1	199.8	-5.0	189.8	-5.0	180.3	-5.0
Net Expenditure	29,895.3	-1.3	31,180.1	4.3	31,898.6	2.3	32,706.8	2.5	32,873.3	0.5	32,416.9	-1.4
Revenue Support Grant	3,579.0	-26.9	2,897.1	-19.1	2,499.0	-13.7	0.0	0.0	0.0	0.0	0.0	0.0
Retained Business Rates	2,905.0	-1.4	3,048.2	4.9	3,190.0	4.7	6,813.6	113.6	6,949.9	2.0	7,088.9	2.0
Baseline Top Up	2,604.2	2.0	2,902.3	11.4	2,950.0	1.6	1,566.0	-46.9	1,179.0	-24.7	796.0	0.0
Total Baseline Funding	5,509.2	0.1	5,950.5	8.0	6,140.0	3.2	8,379.6	36.5	8,128.9	-3.0	7,884.9	-3.0
Total Settlement Funding	9,088.2	-12.6	8,847.6	-2.6	8,639.0	-2.4	8,379.6	-3.0	8,128.9	-3.0	7,884.9	-3.0
Rural Services Grant	413.0	-19.3	413.0		413.0		300.0		300.0		300.0	
Transitional Grant	93.8	25.9	0.0		0.0		0.0		0.0		0.0	
Collection Fund Surplus/Deficit	301.4		149.5		150.0		150.0		150.0		150.0	
Contribution from Reserves	254.6		1,210.0		1,206.0		925.0		0.0		0.0	
Additional Savings	0.0		0.0		0.0		-705.0		-1,565.0		-540.0	
COUNCIL TAX REQUIREMENT	19,744.3	3.9	20,560.0	4.1	21,490.6	4.5	22,247.2	3.5	23,029.4	3.5	23,842.1	3.5
TAX BASE	293,858.1	1.88	297,089.5	1.1	301,545.8	1.5	306,069.0	1.5	310,660.1	1.5	315,320.0	1.5
Basic Amount of Tax (Band D)	67.19	1.99	69.20	2.999	71.27	2.98	72.69	1.99	74.13	1.99	75.61	2.00

NORTH YORKSHIRE FIRE AND RESCUE AUTHORITY**CAPITAL PROGRAMME 2018/19 - 2022/23**

	Estimated 2018/19 £000	Estimated 2019/20 £000	Estimated 2020/21 £000	Estimated 2021/22 £000	Estimated 2022/23 £000
Property	900.5	1,369.6	853.9	4,149.0	3,656.5
Vehicle	2,641.5	1,334.7	1,926.2	1,085.7	1,125.7
ICT	1,616.5	234.0	339.0	444.0	1,336.0
TOTAL	5,158.5	2,938.3	3,119.1	5,678.7	6,118.3

FUNDING	£000	£000	£000	£000	£000
Capital Contributions	-	-	-	-	-
Capital Receipts	1,163.8	-	-	-	-
Internal Borrowing	630.0	-	-	-	-
External Borrowing	3,364.7	2,938.3	3,119.1	5,678.7	6,118.3
<u>TOTAL FUNDING</u>	5,158.5	2,938.3	3,119.1	5,678.7	6,118.3

PROPERTY CAPITAL PROGRAMME 2018/19 - 2022/23

	Estimated 2018/19 £	Estimated 2019/20 £	Estimated 2020/21 £	Estimated 2021/22 £	Estimated 2022/23 £
Planned Capital Maintenance	170,000	420,000	350,000	350,000	350,000
<u>Major Schemes</u>					
Malton - Retaining Wall	134,162				
Northallerton	517,288			1,520,796	2,274,067
Ripon	19,000		503,869	2,278,192	1,032,476
Scarborough		949,580			
Workshops and Stores	60,000				
Malton FS					
TOTAL	900,450	1,369,580	853,869	4,148,988	3,656,543

VEHICLES CAPITAL PROGRAMME 2018/19 - 2022/23

	Estimated 2018/19 £	Estimated 2019/20 £	Estimated 2020/21 £	Estimated 2021/22 £	Estimated 2022/23 £
Rescue Pumps	1,280,500	1,085,740	1,085,740	1,085,740	1,085,740
Aerial Appliances	1,167,000				
Off Road					40,000
Welfare Vehicle					
Water Tankers			300,000		
ICU			100,000		
Vans (Stn, support etc)		79,000	40,500		
4x4 Vehicle (LR or equivalent)	30,000	170,000			
Specials review (HRUs)			400,000		
Globetrotter	150,000				
Trailers	13,975				
TOTAL	2,641,475	1,334,740	1,926,240	1,085,740	1,125,740

IT CAPITAL PROGRAMME 2018/19 - 2022/23

	Estimated 2018/19 £	Estimated 2019/20 £	Estimated 2020/21 £	Estimated 2021/22 £	Estimated 2022/23 £
<u>Mobilising, Telephony and Bearers:</u>					
Network Replacement and Upgrade Programme	20,000	20,000	20,000	20,000	20,000
Firewall Implementation and Replacement	12,000	12,000	12,000	12,000	12,000
IP Telephony replacement					
CHIRP: Server Backbone Replacement	30,000				
Fireground Radio Replacement		100,000			
	62,000	132,000	32,000	32,000	32,000
<u>Major IT Systems and Schemes:</u>					
Fleetplan/Tranman Upgrade	25,000				
Asset Database (Technical Services & Operations)	60,000				
Email Upgrade / Secure PSN Email			20,000		
CHIRP: Server Backbone Replacement	93,000				
CHIRP: SAN Replacement	220,000				
CHIRP: Virtual Server Environment Replacement	180,000				
CHIRP: Blade Server Replacement	200,000				
CHIRP: Documentation and Training	65,000				
CHIRP: Project Management	125,530				
CHIRP: Dedicated Line	50,000				
CHIRP: Migration	75,000				
CHIRP: Licensing	50,000				
CHIRP: Remote Connectivity	30,000				
CFRMIS Replacement			120,000		
Intranet GIS			75,000		
VPN Replacement (NetScalers)			30,000		
FireWatch Replacement				175,000	
Central Gazetteer				50,000	
Information Management System (Sharepoint & RMS) Upgrade	75,000				
Command and Control Replacement				125,000	1,200,000
	1,248,530	0	245,000	350,000	1,200,000
<u>Ancillary Hardware and software:</u>					
Incident Command Training ICT Replacement		40,000			42,000
PC replacement / expansion programme	80,000	50,000	50,000	50,000	50,000
Server replacement / expansion programme	100,000	12,000	12,000	12,000	12,000
MDT Replacement	126,000				
	306,000	102,000	62,000	62,000	104,000
TOTAL	1,616,530	234,000	339,000	444,000	1,336,000