

Police, Fire & Crime Panel Report

August 2020



Q1 Finance Update - Fire

Introduction

In February 2020 the PFCC agreed the revenue Budget for the Fire Service for 2020/21 which was based on the receipt of income totalling £35,261k. In addition to the Revenue Budget the PFCC also agreed a Capital Programme that was initially set at £2,352k for 2020/21.

This report is to provide the Panel with an update on progress in relation to the finances of the Fire Service based on the position to the end of June 2020. The report includes a forecast of the finances across the remainder of the financial year and considers any significant changes that have impacted during 2020/21 so far. The report also provides the Panel with an indication of some of the potential future challenges from a financial perspective that are likely to impact across the medium term and will therefore need to be taken into account during the 2021/22 budget and precept setting process.

Revenue Budget 2020/21

Significant progress has been made in stabilising the finances of the Fire Service over the last 18 months which resulted in returning the Medium Term Financial Plan (MTFP) to balance when the 2020/21 budget was agreed.

This more robust financial position will become vital over the coming years as the financial impacts that are likely from Covid-19 become more apparent.

In terms of the 2020/21 financial year the current forecast, as at the end of June 2020, is that the Fire Service will underspend slightly in 2020/21 as a whole, with an early forecast underspend of £105k set out in appendix A.

Impact of Covid-19 in 2020/21

Most of the variances highlighted within Appendix A, in terms of forecast overspends and underspends, are linked to Covid-19.

For example, the £356k forecast underspend on the Specifics Grant line is predominantly as a result of recognising £313k of additional Government Grant that, although not ringfenced to be spent on Covid-19 expenditure, was provided for this purpose.

The Fire Service has in total received 2 lots of additional funding in this respect. £108k that was received in 2019/20 and a further £615k that has been received in 2020/21. To date however only £313k of covid-19 related expenditure has been forecast for the year and therefore we have chosen to only recognise the same level of grant at this stage.

The Service therefore has capacity to absorb £302k of more than currently forecast expenditure before it will need to seek additional fund and/or need to absorb costs into its Core budget. If no further costs are incurred in year then this funding will be earmarked to help with the expected financial challenges that are likely to result in 2021/22.

The overall impact, in terms of additional expenditure to date and forecast, is shown in the table below:

| | | | £ | £ |
|----------------------------------|--|--|----------------|----------------|
| | | | YTD | Forecast |
| Staff Costs | | | 89,000 | 154,000 |
| Training Course Fees | | | 0 | 2,400 |
| Responsive Maintenance | | | 851 | 851 |
| Cleaning Materials | | | 39,430 | 52,930 |
| Specialist Equipment | | | 295 | 295 |
| Operational Equipment | | | 6,089 | 6,089 |
| Clothing, Uniform and Laundry | | | 80,523 | 90,033 |
| IT Hardware | | | 5,631 | 5,732 |
| IT Software | | | 364 | 364 |
| Total COVID19 Expenditure | | | 222,182 | 312,693 |

As referred to above these costs are leading to a number of the overspends recorded within Appendix A, such as against Wholetime Firefighters Pay budget, Premises, and Supplies and Services.

Other Areas of Note

In addition to the higher Wholetime Firefighter costs that are relating to Covid-19 the Fire Service is also incurring higher costs in this area as a result of currently being over establishment in this area. The Panel will recall that during 2020/21 that the Fire Service undertook the first external recruitment of Wholetime Firefighters in North Yorkshire since 2009/10 which has put the Service in a much stronger position to maintain firefighter numbers across the year, with the Service starting the 2020/21 year with 10 FTEs more than the budgeted number.

Additional Protection Funding

The PFCC has been allocated £370k since April 2020 with three separate allocations of funding expected to be received in 2020/21.

- £60k for a Building Risk Review Programme – which will deliver a review of all high-rise residential buildings over 18 metres by the end of December 2021.
- £256k for the Protection Uplift Programme – which support initial improvements in local protection capability
- £54k has been allocated to support delivery of the lessons and relevant recommendations of the Grenfell Tower Inquiry Phase 1 report. The supporting correspondence from the HO states this is to deliver genuine change in increasing resilience in managing a major fire with a focus on communications infrastructure and the use of smoke hoods in all services.

Neither this above funding nor the corresponding expenditure is yet reflected in the financial summary at Appendix A, however plans are currently being developed in the line with funding terms which have only recently been received.

Capital Programme 2020/21

Capital expenditure in the first quarter totals only £88k against a total programme of £2.5m. This is not however unexpected due to lockdown arrangements of some suppliers.

One of the largest areas of expenditure within the Capital programme – which is set out at Appendix B – in on vehicles and the Emergency One factory closed upon lockdown which is expected to have an impact on the build of the new Appliances which were expected in 2020/21. A revised build schedule in respect of Appliances is awaited however the current estimate suggests that only £500k of the £1,360k will be spent in 2020/21. Therefore, at this stage £860k is reported as being required to be carried forward in future years although this will be kept under review.

Conclusion

The Fire Service now has a firm grip on the finances of the organisation and in normal times could start to consider some of the areas of significant investment that are needed in the service, which the PFCC has indicated are required in relation to the Fire Estate, the Kit and Equipment and the Work Force in line with the Fire and Rescue Plan and the Ambition 2025 vision. However, the likely impact of covid-19 on the finances of the organisation will need to be clearly understood before this can realistically happen.

Future Impact of Covid-19 from a Financial Perspective

The biggest financial challenge, resulting from COVID-19, for the organisation is likely to materialise in 2021/22 with a likely recurring, but smaller impact in the years thereafter. The impact is expected to come from both a reduction in Council Tax payments and Business Rates.

In 2020/21 the budget is built on the receipt of £22.1m from the 8 local councils in North Yorkshire who collect the Fire Precept, as part of the council tax bill, and pay this over to the PFCC FRA in line with the legislation that dictates how this happens. The £22.1m equates to over 62% of the total income budget for 2020/21 and therefore is the most significant contributor to funding the services delivered by the Fire Service. The £22.1m is a product of the agreed level of Fire Precept – which is £72.69 for a Band D property - multiplied by the calculated level of Band D properties in North Yorkshire – which is 303,774.

The calculated level of Band D properties is made up from a number of assumptions including house building in year, households entitlement to council tax support, which leads to lower council tax bills, and collection rates (i.e. the ability of the councils to actually collect the amount of tax owed from all households).

While the actual amount paid to the PFCC FRA will be £22.1m in 2020/21, as per the budget set, it is likely that those factors referred to above will reduce the amount that the Councils collect on behalf of Fire. The result of this is that in setting the Precept for 2021/22 the Councils will

determine whether the amounts they paid to the PFCC FRA in 2020/21 equated to the amounts that they collected from council tax payers.

This assessment of the Council Tax Collection Fund happens each year – and in each of, at least, the last 13 years there has been a collective surplus on the fund – i.e. the councils have collected more than was included within the budget – this surplus is then paid to the PFCC FRA in the following year as per the legislation.

Similarly, if there was a collection fund deficit then the PFCC FRA would have to pay this deficit back to the councils in the following year. Given the current circumstances then it is very difficult to imagine a scenario where there isn't a significant deficit on the collection funds across the councils that will need to be re-paid by the PFCC FRA.

The rationale for Council Tax works in predominantly the same way for Business Rates. The Fire Service budget for 2020/21 expects to receive £3.1m from this source of income.

What is the likely Financial Impact

While it is clearly too early to be precise, and much can, and will, change over the coming months it is important to start to plan for the financial impact. Most of the national work would seem to indicate that collection rates are between 5% and 6% lower, across both Council Tax and Business Rates than would otherwise be expected, with further concerns that this might increase as current levels of support are reduced.

A 6% deficit across both Council Tax and Business Rates would equate to approximately £1.5m for the Fire Service.

The Government have recognised the challenge and have provided the flexibility to all billing and major precepting authorities (including police and fire authorities) to phase the deficit over a fixed period of three years.

- The phased amount will be the entire collection fund deficit for 2020-21 as estimated on the 15 January 2021 for council tax and in the 2021-22 NNDR1 for business rates.
- The deficit will be phased in three equal and fixed amounts across the financial years 2021-22, 2022-23 and 2023-24.
- The amounts to be paid off during 2021-22 will therefore be only 1/3rd of each authority's share of the estimated 2020-21 deficit.

We therefore are currently estimating a £500k charge in each of the next 3 years.

In addition to this impact it is also likely that the calculated number of Band D properties in 2021/22 will be lower than currently forecast, which was for an annual growth of 1% from the previous year's base. All of the same reasons that will impact in 2020/21 are likely to continue into, at least, 2021/22 in terms of assessing the calculated number of Band D properties in North Yorkshire.

A 3.0% reduction in the council tax and business rates base in 2021/22 (as opposed to a 1% increase) would result in a further reduction in income, versus our previous planning assumption, of an additional £1m. Leaving a potential £1.5m gap in the 2021/22 budget versus our balanced plans set out in February 2020.

Even allowing for some pick up in the overall economy thereafter and therefore a reduced need for Council Tax Support and a return of house building, it would not be unreasonable to expect that future Council Tax and Business Rates receipts, from a Fire perspective, being circa £1m per year lower than the current financial plans assume.

The financial plans will be kept under review and as more information is available will be updated – this will include scenario planning. At this stage however no changes have been made to the current plans.

The PFCC FRA has general reserves of £1m and earmarked reserves of £3.8m and therefore some limited capacity, if needed, to help support the organisation during these unprecedented times however this will only provide a short period of time to transition to a sustainable service delivery model based on the finances available.

NORTH YORKSHIRE POLICE, FIRE & CRIME COMMISSIONER (FIRE & RESCUE AUTHORITY)

REVENUE BUDGET 2020/2021 as at 30th June 2020

| | 2020/21 Approved Budget £'000 | Budget Year To Date £'000 | Actual Year To Date £'000 | Variance Year To Date £'000 | 2020/21 Forecast Outturn £'000 | 2020/21 Forecast Variance £'000 |
|--|--|------------------------------------|------------------------------------|--------------------------------------|---|--|
| Funding | | | | | | |
| Funding for Net Budget Requirement | (31,322) | (7,830) | (7,830) | 0 | (31,322) | 0 |
| Specific Grants | (1,682) | (421) | (648) | (227) | (2,038) | (356) |
| Pensions Mitigation Grant | (1,711) | (428) | (428) | 0 | (1,711) | 0 |
| General Income | (547) | (135) | (62) | 73 | (703) | (156) |
| Total Funding | (35,261) | (8,813) | (8,968) | (154) | (35,773) | (512) |
| Expenditure | | | | | | |
| Wholetime Firefighters | 16,721 | 4,970 | 5,106 | 136 | 16,997 | 275 |
| Retained Firefighters | 3,325 | 545 | 525 | (20) | 3,234 | (92) |
| Administrative, Technical & Clerical | 3,319 | 1,000 | 892 | (108) | 3,247 | (72) |
| Control Room Staff | 765 | 227 | 218 | (9) | 722 | (43) |
| Total Direct Staff Costs | 24,130 | 6,742 | 6,742 | (1) | 24,199 | 69 |
| Indirect Staff Costs | 429 | 11 | 16 | 5 | 432 | 3 |
| PFCC Staff Expenses | 74 | 18 | 18 | (0) | 74 | 0 |
| Wholetime Recruitment | 11 | 3 | 15 | 12 | 11 | 0 |
| Premises | 2,109 | 527 | 517 | (11) | 2,177 | 68 |
| Transport | 804 | 201 | 181 | (20) | 816 | 12 |
| Supplies and Services | 3,461 | 865 | 852 | (13) | 3,562 | 101 |
| Operating Leases | 75 | 19 | 27 | 8 | 75 | 0 |
| External Service Agreements | 196 | 49 | 38 | (11) | 193 | (3) |
| PFI | 1,485 | 371 | 379 | 7 | 1,485 | 0 |
| Total Indirect Staff and Non Staff Costs | 8,644 | 2,065 | 2,043 | (22) | 8,825 | 181 |
| Pensions | 912 | 192 | 195 | 3 | 927 | 15 |
| TOTAL EXPENDITURE BEFORE CAPITAL CHARGES | 33,686 | 8,999 | 8,979 | (20) | 33,951 | 265 |
| Provision For Debt Repayment | 991 | 248 | 248 | 0 | 991 | 0 |
| External Interest | 526 | 132 | 132 | (0) | 521 | (5) |
| Revenue Contribution to Capital | 340 | 0 | 0 | 0 | 438 | 98 |
| Total Capital Charges | 1,858 | 379 | 379 | (0) | 1,951 | 93 |
| Delegation to the Tactical Leadership Team | 0 | 0 | 0 | 0 | 50 | 50 |
| TOTAL EXPENDITURE | 35,544 | 9,378 | 9,358 | (20) | 35,952 | 408 |
| (Surplus)/Deficit before Reserve Transfers | 282 | 564 | 390 | (175) | 178 | (105) |
| Transfer from Revenue Budget Support Reserve | (244) | 0 | 0 | 0 | (244) | 0 |
| <u>Other Transfers to/(from) Earmarked Reserves:</u> | | | | | | |
| Asset Management System project | (38) | 0 | 0 | 0 | (38) | 0 |
| Final Forecast Over/(Under) Spend | 0 | 564 | 390 | (175) | (104) | (105) |

NORTH YORKSHIRE POLICE, FIRE & CRIME COMMISSIONER (FIRE & RESCUE AUTHORITY)

CAPITAL PROGRAMME 2020/2021 as at 30th June 2020

| | 2020/21 Approved Budget £'000 | Additional Slippage from 2019/20 £'000 | 2020/21 New approved items and changes to budgets £'000 | 2020/21 Slippage/Carry forward to future years £'000 | 2020/21 Revised Estimate £'000 | 2020/21 Year To Date Budget £'000 | 2020/21 Spend To Date Budget £'000 | 2020/21 Variance Year To Date £'000 | 2020/21 Forecast Outturn £'000 | 2020/21 Forecast Variance £'000 |
|---|--|---|---|--|---|--|---|--|---|--|
| Vehicles | | | | | | | | | | |
| Fire Appliances | 1,347 | 13 | 0 | (860) | 500 | 0 | 0 | 0 | 500 | 0 |
| Aerial Appliances | 0 | 4 | 0 | 0 | 4 | 1 | 1 | 0 | 4 | 0 |
| Vans & Support Vehicles | 52 | 0 | 0 | 0 | 52 | 0 | 0 | 0 | 52 | 0 |
| 4 x 4 Vehicles | 0 | 2 | 0 | 0 | 2 | 0 | 0 | 0 | 2 | 0 |
| Incident Command Unit | 200 | 0 | 0 | 0 | 200 | 0 | 0 | 0 | 200 | 0 |
| Response & Pool Cars | 193 | 0 | 0 | 0 | 193 | 0 | 0 | 0 | 193 | 0 |
| Sub Total Vehicles | 1,792 | 19 | 0 | (860) | 951 | 1 | 1 | 0 | 951 | 0 |
| Property: | | | | | | | | | | |
| Minor Works | 355 | 55 | 0 | 0 | 410 | 0 | 41 | 41 | 410 | 0 |
| Sub Total Property | 355 | 55 | 0 | 0 | 410 | 0 | 41 | 41 | 410 | 0 |
| Information Technology: | | | | | | | | | | |
| Mobilising, Telephony & Bearers | 124 | 0 | 0 | 0 | 124 | 0 | 0 | 0 | 124 | 0 |
| Major IT Schemes | 35 | 0 | 0 | 0 | 35 | 0 | 0 | 0 | 35 | 0 |
| Ancillary Hardware & Software | 47 | 0 | 24 | 0 | 71 | 47 | 46 | (1) | 71 | 0 |
| Sub Total Information Technology | 206 | 0 | 24 | 0 | 230 | 47 | 46 | (1) | 230 | 0 |
| Delegation to the Tactical Leadership Team | 0 | 0 | 50 | 0 | 0 | 0 | 0 | 0 | 50 | 0 |
| TOTAL CAPITAL EXPENDITURE | 2,352 | 74 | 74 | (860) | 1,590 | 48 | 88 | 40 | 1,640 | 0 |
| FUNDING | | | | | | | | | | |
| Revenue Contribution to Capital - Car Disposals | 244 | | | | 244 | | | | 244 | |
| Revenue Contribution to Capital - Other | 96 | | | | 194 | | | | 194 | |
| External Borrowing | 2,147 | | | | 1,287 | | | | 1,287 | |
| TOTAL FUNDING | 2,487 | 0 | 0 | 0 | 1,725 | 0 | 0 | 0 | 1,725 | |
| CAPITAL RESERVES CARRIED FORWARD | 135 | | | | 135 | | | | 85 | |