

Police, Fire & Crime Panel Report

October 2021



Finance Update for 2021/22 as at end of August 2021 – Fire

(Appended to this report, at Appendix C, is also a copy of the 2020/21 Outturn report for the Panel's information)

Introduction

In February 2021 the former PFCC agreed the revenue Budget for the Fire Service for 2021/22 which was based on the receipt of income totalling £35,936k. In addition to the Revenue Budget the former PFCC also agreed a Capital Programme that was initially set at £4,776k for 2021/22.

This report is to provide the Panel with an update on the finances to the end of August 2021, an early forecast of the finances for the remainder of 2021/22 and a number of areas of pressure and risk from a financial perspective that will need to be considered for budget and precept planning for 2022/23.

Revenue Budget 2021/22

Significant progress has been made in stabilising the finances of the Fire Service in the first 2 years since the change in Governance however the impact of the pandemic has created some new financial challenges that will need to be addressed over the coming years.

In terms of the 2021/22 budget, the impact of the financial settlement, the agreed precept increase of 1.99%, an agreed savings plan of £500k, and changes in pay assumptions – to a pay freeze in 2021/22 - resulted in the 2021/22 budget still requiring the use of reserves totalling £342k to balance the budget.

In terms of the 2021/22 financial year, the current forecast, as at the end of August 2021, is that the Fire Service will breakeven in 2021/22 as a whole and as set out in appendix A. This projection factors in the use of Earmarked Reserves of £638k that were not initially factored into the 2021/22 budget but are being used for the reason that they were established.

Income

The former PFCC set the budget based on receiving income and funding of £35,936k during 2021/22 from the areas summarised in the table below, the in-year changes, the actual levels of income forecast to be received, and variances are shown below:

	2021/22 Approved Budget £'000	Budget Year To Date £'000	Actual Year To Date £'000	Variance Year To Date £'000	2021/22 Forecast Outturn £'000	2021/22 Forecast Variance £'000
Funding						
Funding for Net Budget Requirement	(29,949)	(12,479)	(12,479)	(0)	(29,949)	(0)
Specific Grants	(3,657)	(1,524)	(1,643)	(119)	(3,706)	(49)
Pensions Mitigation Grant	(1,711)	(713)	(713)	0	(1,711)	0
General Income	(620)	(268)	(293)	(26)	(626)	(6)
Total Funding	(35,936)	(14,983)	(15,127)	(145)	(35,990)	(54)

Only minor variances to income are forecast at this stage of the financial year versus budget and an overall small over recovery of £54k forecast.

Pay Budgets

Just over 68% of the overall revenue budget is allocated to be spent on Pay and associated costs such as Pensions, National Insurance, etc.

The 2021/22 pay budgets had assumed that in line with Government indications there would be a pay freeze during 2021/22. This has however not materialised and a 1.5% pay increase has been agreed and will be implemented from the 1st July 2021.

The impact of this are additional costs of £212k across the Wholetime, On-call and Control Room Pay budgets within 2021/22 and a recurring cost of circa £280k.

Within the separate area of the pay budgets there are a number of areas worthy of mention:

Wholetime Firefighters:

This is forecast to overspend by £454k by the end of the year resulting primarily from:

- Pay Award - £174k
- Additional Roles funded by the additional Protection Grant - £157k
- Currently being over establishment from the new recruits - £111k

On-call Firefighters:

This is forecast to underspend by £265k by the end of the year resulting from:

- Pay Award - £30k
- Vacancies (net of cover) – (£147k)
- Turnout/Attendance and other Fees – (£148k)

Forecast variances across Control and other Staff roles are relatively small at this stage. Although a 1.5% pay award has been factored into the forecasts – adding a further £80k pressure.

Is it important to reflect that the full-year impact of this pay award is estimated to be £350k and will be added to the MTFP as part of the budget setting process. This will increase the imbalance on the 2022/23 budget, before any other considerations are taken into account, to £740k. We have previously planned to fund the forecast £390k deficit from reserves to balance the 2022/23 budget. If this additional pressure is not funded through additional funding via the Spending Review then it will need to be balanced by either additional savings and/or increases in precept, if there is any additional capacity.

Non-Pay Budgets

The **forecast overspend of £71k on Indirect Staff Costs** is predominantly as a result of additional training costs of which £63k is being funded by the additional Protection Grant.

The **Premises budget is forecast to underspend by £123k** this has resulted from further rates refunds/reviews that we were made aware of after the 2021/22 budget was set.

The **Transport budget is forecast to underspend by £22k** predominantly as a result of lower costs of insurance from the new tender process and continued lower mileage claims from the continued agile working. These saving are however being offset by higher vehicle parts.

The **Supplies and Services budget is forecast to overspend by £295k** with the most significant areas of note being the higher insurance premiums required in relation to Employer Liability insurance - £153k. In addition to this, £97k of costs are forecast that are being funded from grant funding that has already been received and therefore to be released from reserves, or that will be received in year.

Financial Impact of Covid-19 in 2021/22

Some COVID related expenditure continues to be incurred in 2021/22 which is also being funded by specific grant received in prior years. It is currently forecast to incur net costs in year of £87k directly related to the pandemic. This includes savings in travel and subsistence costs expected as agile working is to continue on a permanent basis following the lifting of government restrictions.

Capital Charges

A delay to four fire appliances and an Aerial Ladder Platform coming into operational use during 2020/21 has resulted in a one-off saving in the provision for debt repayment charge of £147k in 2021/22. As a result of this, and some other underspends we have provided for additional contributions to the earmarked Capital Reserve of £367k to help support additional costs in this area or reduce the need for future borrowing.

Capital Programme 2021/22

The current position of the 2021/22 Capital Programme is set out in Appendix B which reports a revised programme of £4,579k which is a reduction of £197k from the budget approved in February 2021.

Changes made since February include the addition of the £293k of further schemes that were slipped from 2020/21 as referred to in the 2020/21 Outturn Report, and a delegation of £50k to the Tactical Leadership Team for in year small scale capital investments.

This increase has been reduced by £540k of slippage that was budgeted within the Fleet programme but is not expected to be delivered until 2022/23 at the earliest.

Capital expenditure in the first 5 months totals only £609k against a revised programme of £4,579k. This is not however unexpected as many of the purchases are within the Fleet programme with significant levels of expenditure being incurred on a small number of items.

This will however need to be an area that is kept under review during the year.

Current forecasts indicate that there will be circa £446k in the Earmarked Capital Reserve at the end of the current financial year should all of the 2021/22 programme be delivered, however work to develop the site in Ripon has yet to be factored into these plans.

Conclusion

In overall terms the first 5 months of the financial year reflects a positive overall financial picture. The unexpected 1.5% pay award made during 2021/22, while funded from reserves in 2021/22, will create an additional pressure on the 2022/23 plans. If this isn't reflected in the Spending Review, with additional funding, then these pressures will need to be considered within the budget setting and precept discussions later in the year. All areas will continue to be closely monitored and factored into the Medium Term Financial Plans when budget setting for 2022/23 begins later in the year.

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

REVENUE BUDGET 2021/2022 as at 31st August 2021

	2021/22 Approved Budget £'000	Budget Year To Date £'000	Actual Year To Date £'000	Variance Year To Date £'000	2021/22 Forecast Outturn £'000	2021/22 Forecast Variance £'000
Funding						
Funding for Net Budget Requirement	(29,949)	(12,479)	(12,479)	(0)	(29,949)	(0)
Specific Grants	(3,657)	(1,524)	(1,643)	(119)	(3,706)	(49)
Pensions Mitigation Grant	(1,711)	(713)	(713)	0	(1,711)	0
General Income	(620)	(268)	(293)	(26)	(626)	(6)
Total Funding	(35,936)	(14,983)	(15,127)	(145)	(35,990)	(54)
Expenditure						
Wholetime Firefighters	17,139	7,748	7,886	139	17,593	454
On Call Firefighters	3,342	1,114	968	(146)	3,078	(265)
Support Staff	3,423	1,548	1,478	(70)	3,480	57
Control Room Staff	789	357	354	(3)	780	(9)
Total Direct Staff Costs	24,693	10,766	10,686	(80)	24,931	237
Indirect Staff Costs	453	189	124	(64)	523	71
PFCC Staff Expenses	76	32	32	0	76	0
Wholetime Recruitment	0	0	0	0	0	0
Premises	2,090	870	835	(35)	1,966	(123)
Transport	794	336	332	(5)	784	(22)
Supplies and Services	3,362	1,396	1,534	138	3,646	295
Operating Leases	51	22	34	12	47	(4)
External Service Agreements	212	88	93	4	220	7
PFI	1,480	624	579	(65)	1,473	(8)
Total Indirect Staff and Non Staff Costs	8,518	3,556	3,563	(14)	8,735	217
Pensions	819	341	325	(16)	819	0
TOTAL EXPENDITURE BEFORE CAPITAL CHARGE	34,031	14,663	14,574	(110)	34,485	454
Provision For Debt Repayment	1,132	472	411	(61)	986	(147)
External Interest	530	238	239	1	528	(3)
Revenue Contribution to Capital	585	585	952	367	952	367
Total Capital Charges	2,248	1,295	1,601	306	2,466	218
Delegation to the Tactical Leadership Team	0	0	0	0	22	22
TOTAL EXPENDITURE	36,279	15,958	16,175	196	36,972	693
(Surplus)/Deficit before Reserve Transfers	342	975	1,047	51	981	638
Transfer from Revenue Budget Support Reserve	(342)	(77)	0	0	(343)	0
<u>Other Transfers to/(from) Earmarked Reserves:</u>						
ESMCP					(84)	(84)
Protection Grants					(150)	(150)
COVID19					(87)	(87)
Pensions					(20)	(20)
Pay & Price					(262)	(262)
Recruitment					(36)	(36)
Final Forecast Over/(Under) Spend	0	898	1,047	51	0	0

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

CAPITAL PROGRAMME 2021/2022 as at 31st August 2021

	2021/22 Approved Budget £'000	Additional Slippage from 2020/21 £'000	2021/22 New approved items and changes to budgets £'000	2021/22 Slippage/Carry forward to future years £'000	2021/22 Revised Estimate £'000	2021/22 Budget Year To Date £'000	2021/22 Spend Year To Date £'000	2021/22 Variance Year To Date £'000	2021/22 Forecast Outturn £'000	2021/22 Forecast Variance £'000
Vehicles										
Fire Appliances	2,309	0	0	0	2,309	368	391	(23)	2,326	17
Vans & Support Vehicles	400	52	0	(160)	292	17	17	0	292	0
4 x 4 Vehicles	180	75	0	(180)	75	0	0	0	75	0
Incident Command Unit	200	0	0	(200)	0	0	0	0	0	0
Response & Pool Cars	151	85	0	0	236	0	0	0	236	0
Sub Total Vehicles	3,240	212	0	(540)	2,912	385	408	(23)	2,929	17
Property:										
Minor Works	433	81	0	0	514	0	122	122	514	0
Major Schemes	610	0	0	0	610	0	0	0	610	0
Sub Total Property	1,043	81	0	0	1,124	0	122	122	1,124	0
Information Technology:										
Mobilising, Telephony & Bearers	193	0	0	0	193	14	14	(0)	193	0
Major IT Schemes	50	0	0	0	50	0	0	0	50	0
Ancillary Hardware & Software	134	0	0	0	134	49	65	15	134	0
Sub Total Information Technology	377	0	0	0	377	63	79	15	377	0
PPE - Rescue Jackets	116	0	0	0	116	0	0	0	116	0
Delegation to the Tactical Leadership Team	0	0	50	0	50	0	0	0	33	(17)
TOTAL CAPITAL EXPENDITURE	4,776	293	50	(540)	4,579	448	609	114	4,579	0



Executive Board

June 2021

Draft 2020/21 Finance Outturn - Fire

Introduction

In February 2020 the former 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 former PFCC also agreed a Capital Programme that was initially set at £2,352k for 2020/21.

This report is to provide the Board with an update on the Outturn against the budget and also considers any significant changes that have impacted during 2020/21.

Revenue Budget 2020/21

Significant progress has been made in stabilising the finances of the Fire Service over the last couple of years 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 continue to be 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 final Outturn for the Fire Service is an underspend of £1,298k, this is **after** planned/necessary transfers to reserves of £1,756k.

Further details on where the underspends occurred are included with Appendix A to this report with those of significant note referred to in the sections below:

Income

The former PCC set the budget based on receiving income and funding of £35,261k during 2020/21 from the areas summarised in the table below, the in-year changes, the actual levels of income received, and variances are shown below:

	2020/21 Approved Budget £'000	2020/21 Provisional Outturn £'000	2020/21 Provisional Variance £'000
Funding			
Funding for Net Budget Requirement	(31,322)	(31,320)	2
Specific Grants	(1,682)	(3,867)	(2,185)
Pensions Mitigation Grant	(1,711)	(1,770)	(59)
General Income	(547)	(731)	(184)
Total Funding	(35,261)	(37,688)	(2,426)

In terms of overall income the PCC received £37,688k during 2020/21 which was £2,426k (or 6.9%) higher than originally budgeted. It was also almost £3m (or 8.6%) more than 2019/20.

It is therefore really important to understand where this funding has come from.

Specific Grants

The vast majority, £2,244k, of additional income was provided in the form of additional Specific Grants. These Grants are termed Specific as they're awarded for Specific purposes with Specific criteria, and sometimes terms and conditions, attached to the award. The main elements of which were as follows:

- COVID Grant - £804k
- Emergency Service Mobile Communication Programme Grants - £789k
- Protection Grant -£410k
- Collection Fund losses Grant - £160k
- Pensions Remedy Grant - £59k

All of the £2,244k is expected to be one-off funding, most of the funding, £1,488k, has been earmarked for future use, in line with the Grant terms, and most of the money spent in year from this additional income was predominantly to cover in year costs relating to COVID.

It is important therefore to reflect that while this additional income has created a significant underspend in year it is all needed for future specific investment and therefore not available to help the day-to-day financial challenges that the Service has and will have in the coming years.

The over recovery of General Income of £184k was predominantly from 2 areas, the Service received £120k more than budget for Officers on secondment, this income offsets with the unbudgeted salary costs included within staff expenditure. The second area of additional income was that the Service received £40,000 to reimburse legal costs incurred in successful Fire Safety prosecution cases in previous years.

Pay Budgets

The overall management of pay budgets and forecasting have improved significantly over the last couple of years with **an overall pay budget of £24,130k overspend by only £46k**. Of this small overspend £120k related to additional secondments for which additional income was received as referred to earlier in this report.

The On Call staff budget underspent primarily due to vacancies and lower than planned expenditure on training salaries due to the impact of the pandemic on training activity.

Non-Pay Budgets

The **Premises budget underspend was £410k** due to an unexpected rates refund totalling £475k due to a national review of the rateable value of Fire Stations. The refund was backdated spanning a number of years with a recurring impact on the future Medium Term Financial Plan of £150k.

The **Transport budget underspend was £111k** predominantly as a result of less expenditure on Fire Hydrant repairs than budget of £93k. There is recognised variability on this budget from year to year due to the timing of works carried out through to the receipt of invoices. For this reason, the volatility of expenditure is managed through an earmarked reserve as required.

The **Supplies and Services budget underspend was £213k** with the most significant areas of note being IT budgets underspent by £100k as the charges in relation to the Control collaboration agreement with Cornwall Fire & Rescue Service were lower than anticipated, alongside lower charges in relation to Airwave and also Microsoft Licences.

In addition to this the cost of new Corporate Workwear contract was £40k lower than budgeted for in 2020/21 primarily due to the supplier not being able to provide the full new issue by 31st March, however the actual cost of supplies was slightly lower than anticipated too.

Financial Impact of Covid-19 in 2020/21

The Authority has received grant from the Government to fund COVID related expenditure of £804k since March 2020. Net expenditure of £402k is included within the 2020/21 Outturn. Made up of the following:

- Staff - £275k
- Non Staff - £237k
- Offset by Savings in Travel & Subsistence due to lockdown restrictions - £110k

Of the £402k grant remaining, £132k has been earmarked for future COVID expenditure of which £55k is currently forecast in 2021/22. The remaining £270k has then been transferred to the New Developments reserve.

Transfers to/from Reserves

In total just over £3m has been added to Reserves during 2020/21, these are set out in the table below:

	Opening 2020/21	Transfers		Closing 2020/21
		In	Out	
<u>Earmarked Reserves:</u>	£000	£000	£000	£000
Pensions	1,711	149		1,860
Pay & Price	721	36		757
New Developments	345	1,276	-496	1,125
Insurance	80			80
Recruitment	211		-36	175
Hydrants	388		-188	200
Collection Fund	202	161	-202	161
COVID19	0	132		132
General Contingency Reserves	3,659	1,754	-922	4,490
Revenue Budget Support Reserve	244	849	-244	849
Reserves Factored into MTFP	244	849	-244	849
Capital	0	546	-146	400
ESMCP	0	789		789
Protection Uplift Grant	0	348		348
Specific Reserves	0	1,683	-146	1,537
Total Earmarked Reserves	3,903	4,286	-1,312	6,876
General Fund Balance	995	80		1,075
Total Usable Reserves	4,898	4,366	-1,312	7,951

The £3,053k total increase in Reserves has impacted as follows:

- £1,537k has been added to Specific Reserves that will need to be spent on Specific Areas
- A further £605k was set aside as part of the 2021/22 budget setting process and is needed to balance the Medium Term Financial Plan across the next 4 years (based on assumptions in February 2021)
- £831k has been set aside in Contingency Reserves to help manage known risks, such as additional costs re COVID and Injury Pensions, while also setting aside funding to help the Service develop the change required and implement/support the significant change that is currently underway in relation to the Risk and Resource Model, as well as the wider ambitions of the service.
- £80k has also been added to General Reserves to provide some flexibility and also ensure that this Reserve does not dip below 3% of the overall Net Budget Requirement.

This is clearly a significant increase in reserves, but it is important to keep in mind that much of this has been funded via one off additional funding (the £2.2m referred to earlier) with much of it set aside to pay for future specific costs, while additional increases have been possible because of the one-off back dated rebate of Rates (£475k).

Capital Programme 2020/21

The Capital Plan approved in February 2020 was £2,352k, this then increased by £223k, to £2,575k as a result of slippage from the previous financial year of £74k and in-year additions to the plan of £149k, however this was quickly revised in-year as it became apparent that the pandemic would impact on the ability to deliver on many aspects of the plan during 2020/21.

The revised plan took into account the requirement to carry forward £1,658k of approved spend into 2021/22 due to plan slippage as set out below:

<u>Budget Slippage</u>	<u>£000</u>	<u>Comments</u>
Appliances - delays due to COVID	1,065	
Incident Command Unit - delays whilst considering procurement approach	200	
Vans & Support vehicles	52] Delays in receipt of final specification and ordering
4 x 4 Vehicles	75	
Cars	85	
Planned Maintenance - delays due to COVID third lockdown	81	
IT - Emergency Services Network - National project delayed	50	
IT - Fire/NYP telephony project - in design stage as at 31st March 2021	<u>50</u>	
Total	1,658	

This then left a revised plan to spend £917k during 2020/21. The actual spend against this budget was £844k, as set out in Appendix B, resulting in an underspend of £73k against the revised budget.

Conclusion

The Fire Service continues to have 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. These relate to the Fire Estate, the Kit and Equipment used in the service and the Work Force, in line with the Ambition 2025 vision. However, the likely impact of covid-19 on the finances of the organisation and the recent pay offer for 2021/22 will need to be clearly understood before this can realistically happen.

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

REVENUE BUDGET 2020/2021 - PROVISIONAL OUTTURN

	2020/21 Approved Budget £'000	2020/21 Provisional Outturn £'000	2020/21 Provisional Variance £'000
Funding			
Funding for Net Budget Requirement	(31,322)	(31,320)	2
Specific Grants	(1,682)	(3,867)	(2,185)
Pensions Mitigation Grant	(1,711)	(1,770)	(59)
General Income	(547)	(731)	(184)
Total Funding	(35,261)	(37,688)	(2,426)
Expenditure			
Wholetime Firefighters	16,721	16,979	258
Retained Firefighters	3,325	3,091	(234)
Administrative, Technical & Clerical	3,319	3,337	18
Control Room Staff	765	769	4
Total Direct Staff Costs	24,130	24,176	46
Indirect Staff Costs	429	409	(19)
PFCC Staff Expenses	74	71	(3)
Wholetime Recruitment	11	111	100
Premises	2,109	1,700	(410)
Transport	804	693	(111)
Supplies and Services	3,461	3,247	(213)
Operating Leases	75	83	8
External Service Agreements	196	177	(18)
PFI	1,461	1,418	(44)
Total Indirect Staff and Non Staff Costs	8,620	7,910	(710)
Pensions	912	879	(33)
TOTAL EXPENDITURE BEFORE CAPITAL CHARGES	33,662	32,965	(697)
Provision For Debt Repayment	991	993	1
External Interest	550	531	(19)
Revenue Contribution to Capital	340	146	(194)
Total Capital Charges	1,882	1,670	(212)
Delegation to the Tactical Leadership Team	0	0	0
TOTAL EXPENDITURE	35,544	34,635	(909)
<u>Planned Transfers to/(from) Reserves:</u>			
Revenue Budget Support	(244)	(244)	0
New Developments	(38)	171	209
COVID	0	132	132
Collection Fund Losses	0	160	160
Capital Reserve	0	400	400
HO Protection Funding Grants	0	347	347
ESMCP Grants	0	789	789
(Surplus)/Deficit before Year End Reserve Transfers	0	(1,298)	(1,298)
<u>Year End Transfers to/(from) Reserves:</u>			
New Developments	0	1,069	1,069
Pensions	0	149	149
General Fund	0	80	80
Final Forecast Over/(Under)spend	0	0	0

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

CAPITAL PROGRAMME 2020/2021 - PROVISIONAL OUTTURN

	2020/21	Additional	2020/21 New	2020/21	2020/21	2020/21	2020/21
	Approved	Slippage	approved items	Slippage/Carry	Revised	Provisional	Provisional
	Budget	from 2019/20	and changes to	forward to	Estimate	Outturn	Variance
	£'000	£'000	budgets	future years	£'000	£'000	£'000
Vehicles							
Fire Appliances	1,347	13	0	(1,065)	296	262	(33)
Aerial Appliances	0	4	0	0	4	3	(1)
Vans & Support Vehicles	52	0	0	(52)	0	0	0
4 x 4 Vehicles	0	2	75	(75)	2	0	(2)
Tactical Response Vehicles	0	0	0	0	0	14	14
Incident Command Unit	200	0	0	(200)	0	0	0
Response & Pool Cars	193	0	0	(85)	108	131	23
Sub Total Vehicles	1,792	19	75	(1,477)	409	410	1
Property:							
Minor Works	355	55	0	(81)	328	329	0
Sub Total Property	355	55	0	(81)	328	329	0
Information Technology:							
Mobilising, Telephony & Bearers	124	0	0	(100)	24	21	(3)
Major IT Schemes	35	0	0	0	35	12	(23)
Ancillary Hardware & Software	47	0	24	0	71	72	1
Sub Total Information Technology	206	0	24	(100)	130	105	(24)
Delegation to the Tactical Leadership Team	0	0	50	0	50	0	(50)
TOTAL CAPITAL EXPENDITURE	2,352	74	149	(1,658)	917	844	(73)