



## **NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL**

**2 February 2023**

### **REPORT BY THE POLICE, FIRE AND CRIME COMMISSIONER (PFCC) AND THE CHIEF FINANCE OFFICER**

#### **PFCC PROPOSED FIRE PRECEPT 2023/24**

##### **Purpose of the Report**

1. To propose the 2023/24 Council Tax Precept for Northamptonshire Commissioner Fire and Rescue Authority (NCFRA).
2. To provide information in respect of the revenue budget, capital programme, reserves and medium-term financial plan (MTFP) to provide context for the precept proposal.

##### **Recommendation**

3. The Police, Fire and Crime Panel is **RECOMMENDED** to endorse:

**The proposal to increase the 2023/24 Fire Precept by £5 per annum for a Band D Council Tax to £73.20 (from £68.20 in 2022/23). This equates to an increase of 10 pence per week.**

4. Note the information presented in this report, including:
  - a. The statement of the Section 151, Chief Finance Officer as required by Section 25 of the Local Government Act 2003 regarding the robustness of the Budget, the medium-term financial plan (MTFP) and the adequacy of financial reserves (Appendix C).
  - b. A £5 precept increase gives a total 2023/24 net budget requirement of **£29.558m**, including:

- The intention of the PFCC to set the Council Tax Precept Requirement for Northamptonshire Commissioner, Fire and Rescue Authority for 2023/24 of **£18.764m**.
- The current and future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational mitigations and additional considerations identified.
- That any changes required, either by Government grant alterations notified through the final settlement, amended council tax base and surplus/deficit notifications received from the collecting authorities, after the precept has been set, may be balanced by efficiency savings or through a transfer to or from reserves.
- That when received, any variations from business rates notified by the unitary authorities will be balanced by the smoothing reserve.
- The current MTFP and the anticipated savings required.
- The capital programme and reserves strategy.

### **Executive Summary**

5. This report details the fifth precept proposal for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) which was established on the 1 January 2019.
6. The report and proposal, is the culmination of several months' work by the Office of the Police, Fire and Crime Commissioner (OPFCC), the Joint Finance Team and Fire colleagues. It also includes information provided by the two unitary authorities and takes account of public and stakeholder consultation and key government expectations.
7. Following the announcement of the provisional settlement, the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) has considered the local government provisional settlement which set out government expectations, current and future funding levels, the pre- budget engagement and the outcome of the public consultation together with the Autumn Statement 2022.
8. The PFCC and the S151 Officer are very appreciative of the updates provided by colleagues in the unitary authorities in respect of the impact on the taxbase and the council tax collection fund receipts for 2023/24 and future years. Furthermore, the PFCC is appreciative of the hard work by unitary staff in achieving a positive level of collection rates.
9. The proposals are set in a context of high inflation levels and the Autumn 2022 statement. Furthermore, the budget recognises the uncertainty that agreement on the national 2022 pay award for firefighters has not yet been reached.

10. Despite these challenges, the budget is balanced for 2023/24 with a funded capital programme and currently an adequate levels of reserves in place.
11. The budget includes the investments made in the service since the governance transfer of increased firefighters and investment in essential fire equipment and appliances, together with additional investments which include:
  - Transferring Fire onto joint shared support and finance systems with the Police and realising the vision set out in the governance transfer business case;
  - Four additional Home Safety Officers; and
  - A Deputy Chief Fire Officer.
12. Whilst the 2023/24 budget is balanced, given the national cost of living challenges and inflation at levels significantly higher than previously assumed, balancing the budget across the medium term will be more challenging. Prudent assumptions of future income streams have been used which identify the need for future efficiencies.
13. The previous Chief Fire Officer reviewed the findings of the Grenfell inquiry and investment requirements and priorities will continue to be considered as part of the capital programme and essential investment requirements.
14. The S151 officer has reviewed the adequacy and level of reserves following the work undertaken since the governance transfer and has concluded that at the current time, reserves are currently at an adequate level to manage risk. If future inflation levels and/or costs are higher than forecast and reserves are required then there will be a need to rebuild them moving forwards.
15. To enable future transformation it is prudent to set aside funding in reserves to facilitate this. Therefore, in 2023/24, the sum of £750k in reserves is ring fenced to support the Chief Fire Officer in this work.
16. Given the legacy requirements, the capital programme investment requirements are significant. With the current cost of borrowing, a further £300k to support the capital programme has been set aside in capital reserves which will support funding the investment in the shorter life assets in the capital programme and minimise the impact of capital financing costs on the revenue budget.
17. In considering the Fire budget and proposed precept for 2023/24, the PFCC considered the national context and NCFRA's lower precept, core spending power and reserves position relative to other Fire and Rescue Authorities.

18. Furthermore, the PFCC has conducted, and been informed by, a consultation of 1,734 residents of Northamptonshire, of whom 1,578 responded on Fire. The results of the surveys are summarised in this report and will be available on the PFCC website in due course.
19. Additionally, the budget and precept recognise the importance of collaborative working with Police and the OPFCC, therefore enabling services support areas are now embedded across Fire and Policing under the leadership and direction of the Joint Assistant Chief Officer for Enabling Services.
20. The PFCC requires both services to actively seek opportunities to work together to deliver more efficient and effective public services and in 2023/24 it is intended that opportunities bring together further support services teams will be explored and progressed.
21. The fire budget and precept also takes forward the statutory duty for emergency services to collaborate which means the services should be actively seeking opportunities to work together to deliver more efficient and effective public services. As such, both Fire and Police Budget agreements for 2023/24 will again demonstrate the PFCC commitment to collaboration, including greater integration between police and fire and rescue to enable reinvestment in frontline services. It is the PFCC's expectation that, over time, the following areas will be delivered:
  - Shared Services
  - Shared estates strategy
  - Shared prevention approaches
  - Operational interoperability
  - Control rooms
22. With only a one year settlement and minimal indication of future funding for Fire and Rescue Authorities, the MTFP has been prepared on prudent funding assumptions and shows that even with a £5 precept increase there are financial challenges ahead in future years. The Chief Fire Officer will continue to work with the PFCC on plans to meet these shortfalls.
23. After careful consideration of the factors included within this report, the PFCC is very much aware of the financial impact on households in the current time. However, he is extremely grateful for the support Northamptonshire residents have demonstrated for these proposals.

**As such, given the current and future financial challenges and uncertainties, this requires the PFCC to propose a Fire precept increase of £5 (10 pence per week) for a Band D property.**

**This will enable Fire to have a sustainable base budget, maintain an adequate level of reserves and will go some way to maintain and safeguard Fire and Rescue Services in Northamptonshire.**

## **National Context**

24. Fire governance transferred to the Northamptonshire PFCC on the 1 January 2019. The PFCC is currently one of four in the country and until 31 March 2023 remains the only governance transfer from a county council. In April 2023 it is anticipated that Cumbria will become a PFCC governed Fire Authority and the second County Council transfer.
25. The Fire Governance Business Case was predicated on a three year financial stability plan to establish a sustainable revenue budget, develop an affordable capital programme and build reserves to an adequate and resilient level. Whilst COVID-19 impacted adversely on the financial environment facing the new Authority, these plans have been achieved.
26. The significant uncertainty facing Fire and Rescue Authorities (FRAs) is the national 2022 firefighter pay award. The final national employers offer of 5% was rejected and members are currently being balloted regarding potential strike action. At the time of writing the report the outcome is unknown. Whilst the funding settlement provided, and this budget assumes a funded employers 5% offer, the outcome remains uncertain.
27. The £5 precept flexibility included in the 2023/24 provisional settlement reflects the intense lobbying by Northamptonshire MPs, the PFCC and other Fire Authorities to secure permanent base funding.
28. Although the higher than anticipated settlement is welcome for 2023/24, the costs are also higher than previously anticipated. Therefore, as evidenced in the MTFP, there is still a need for some efficiencies over the medium term.

## **Provisional Local Government Finance Settlement**

29. The provisional Local Government Finance Settlement was announced by the re-appointed Secretary of State for Levelling Up, Housing and Communities, Michael Gove MP in a written ministerial statement on 19 December 2022. The announcement set out provisional allocations for 2023/24.
30. The provisional settlement publication marked the start of a four-week consultation which closed on 16 January 2022. At the time of writing, the date of the final settlement is unknown.
31. In early December, civil servants from the Department of Levelling Up Housing and Communities (DLUHC) shared a “policy statement” which contained some indications of the provisional local government funding settlement, but not enough information was included to provide us with a provisional settlement figure.

32. The national Technical Team undertook an analysis of the day's main announcements and updated them to reflect the £5 precept flexibility which was not reflected in the provisional settlement figures. The following headlines were available for Fire:
- *Confirmation that Core Spending Power increases by an average of 9.47% (£140m) for standalone Fire Authorities if full council tax flexibility is taken.*
  - *Precept – £5 for Fire and Rescue Authorities in 2023/24 with an indication of 2.99% in 2024/25 in line with local authorities.*
  - *Core spending power includes an estimated taxbase for each authority and was calculated prior to the announcement of the £5 for Band D equivalents.*
  - *Services grant was reduced to £13.5m (from £23.5m in 2022/23) for standalone FRAs. The 2022/23 settlement advised this was a one off grant, therefore, albeit reduced, the continuation of some of this grant is welcome.*
  - *The Fire pensions grant is not included in the Provisional settlement – allocations are expected to be unchanged from previous years at £1.186m.*
  - *It is expected that separate protection grant will be available in 2023/24 as with previous years. However, the allocations to FRAs have not yet been advised. In 2022/23 NCFRA received £116k.*
33. The draft council tax referendum principles 2023/24 were issued alongside the settlement and provided a £5 one-off precept flexibility for all standalone Fire authorities. This includes Northamptonshire.
34. Northamptonshire have responded to the provisional settlement consultation, welcoming the settlement, supporting local flexibility and requesting consideration of a capital grant, longer term financial settlements, consideration of the population demographic profile affecting FRAs and recognition of future inflation in future settlements.
35. A summary of the provisional settlement for Fire in the table demonstrates that funding (before Collection Fund) has increased £2.042m (7.8%) from 2022/23.
36. Following the draft budgets, Collection Fund allocations have now been received from the Billing Authorities. Whilst only one year, surpluses have been forecast by both authorities and have further increased total funding to £2.466m (9.5%).
37. The 2023/24 budget will be over £7m more than the budget transferred as part of the governance arrangements. This equates to a revenue budget increase of over 30% since

2018/19. Whilst future savings are still required, the NCFRA revenue budget and the service are on a much more resilient footing.

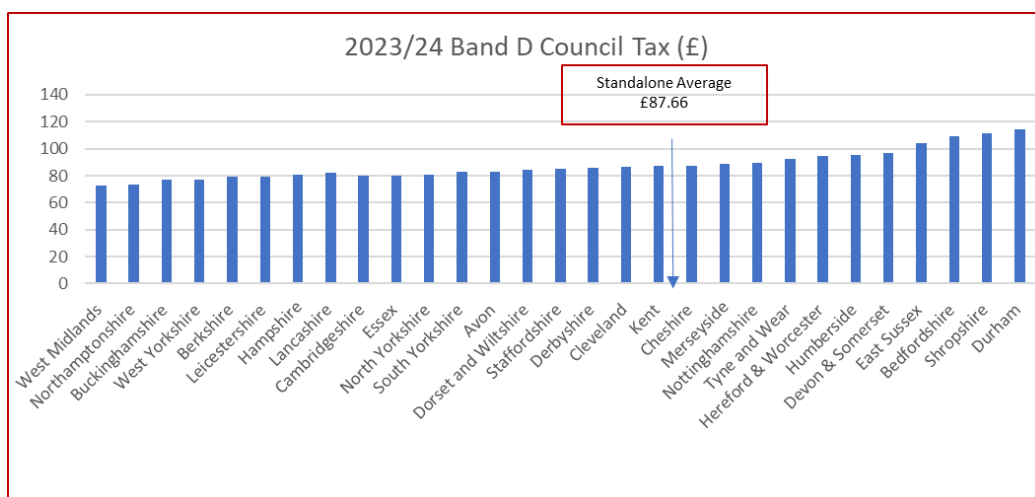
2022/23 £m		2023/24 £m
2.347	Revenue Support Grant	2.587
2.814	Top Up Grant	2.563
0.372	Special Grant	0.210
0.444	S31 Grant	0.954
2.867	Business Rates	3.039
<b>8.844</b>		<b>9.353</b>
17.231	Council Tax	18.764
<b>26.075</b>	<b>Total Funding before Collection Fund</b>	<b>28.117</b>
(0.169)	Council Tax Surplus (Deficit)	0.255
<b>25.906</b>	<b>Total Funding after Collection Fund</b>	<b>28.372</b>
1.186	Pensions Grant	1.186
<b>27.092</b>	<b>Total</b>	<b>29.558</b>

NB: Estimated Business Rates – At the time of writing, statutory deadlines are not yet due.

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

### Comparative Council Tax Levels

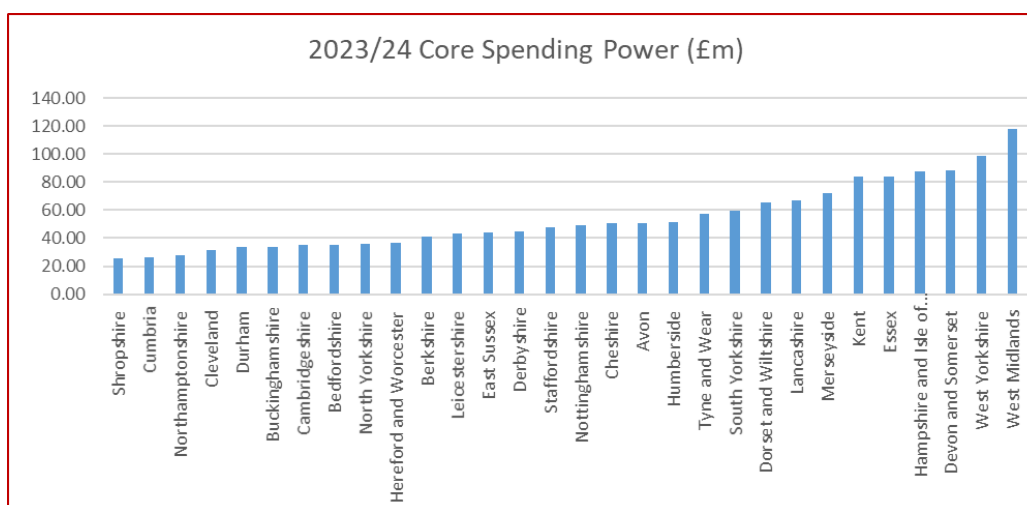
39. If all FRAs take up the precept flexibility, Band D Council Tax levels for Fire and Rescue Authorities will range between £73.04 in the West Midlands and £114.69 in Durham, with an average of £87.66 per standalone Band D property (as compared to £82.66 in 2022/23).



40. At £73.20 Northamptonshire will still be the second lowest Fire preceptor in 2023/24 and will be 17% below the average precept in England and Wales. This is a small improvement on the 2022/23 position where Northamptonshire was 21% below the average precept.

## Comparative Core Spending Power

41. Core Spending Power (CSP) is set out in the provisional settlement and includes central settlements as well as business rates and assumed council tax receipts at DLUHC estimated levels.
42. Historically Northamptonshire have had the second lowest core spending power nationally. However, based on the CSP tables for 2023/24 (prior to a £5 increase), Cumbria when they transfer will now have the second lowest CSP although their Band D precept is envisaged to be above average.

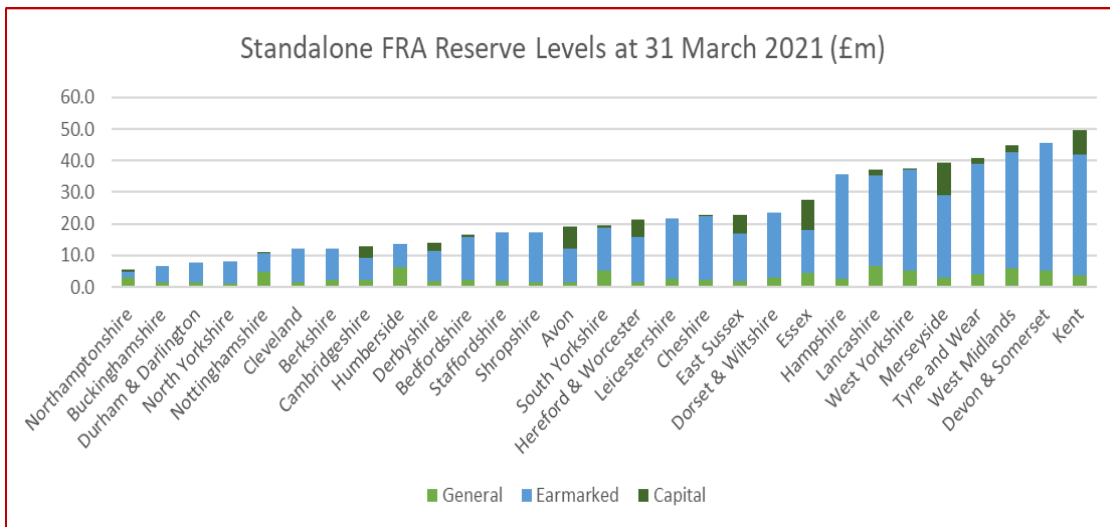


43. The provisional CSP tables do not include the £5 precept flexibility for authorities. Furthermore, CSP includes estimated, rather than the actual taxbases for authorities and does not include collection fund surplus or deficits nor pension grant.

## Comparative Level of Reserves

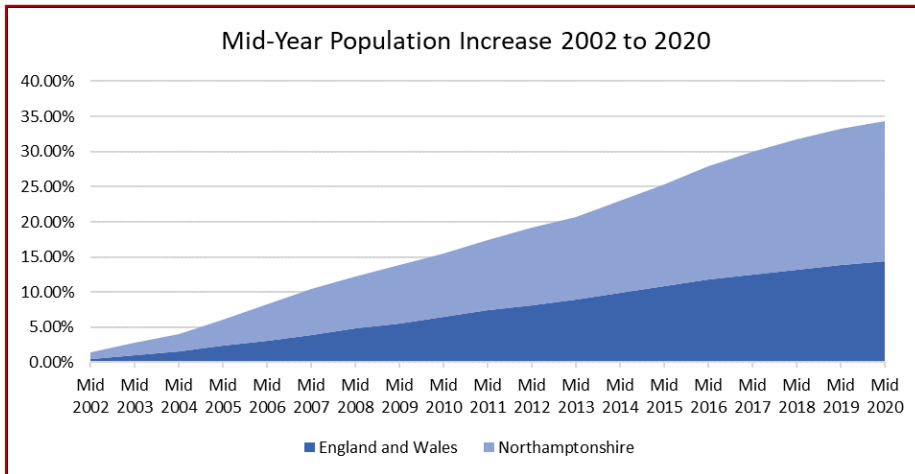
44. The Home Office analysis of the reserve levels for Fire and Rescue Authorities as at 31/3/21 (based on the audited accounts for 2020/21) is set out below and highlights that total revenue and capital reserves ranged from £5.4m in Northamptonshire to £49.8m in Kent.
45. Whilst Northamptonshire remains the lowest nationally, the gap between Northamptonshire and the second lowest authority has reduced since March 2020. Northamptonshire increased its reserves further during 2021/22, and built them to a currently sufficient level in line with the three year plan as set out at the time of the governance transfer.
46. The analysis further highlighted that resource reserves as a % of CSP ranged from 21% in Northamptonshire to 78% in Tyne and Wear as follows:





### Funding Formula and Population

47. Fire funding for revenue support and service grants is provided to the Home Office from DLUHC and is allocated via a national formula as part of the local authority funding settlements.
48. The current formula was updated in 2013/14 and is based on population and subject to a series of adjustments to allocate funding by both risk of incidents and the costs associated with providing fire service cover. Fire revenue support and services grants are allocated under this formula which accounts for just under 10% of total Fire funding in Northamptonshire .
49. A Fair Funding review has been discussed by the Ministry, Housing, Communities and Local Government (MHCLG) and more recently DLUHC for some years, however, in the DLUHC Policy statement issued prior to the provisional local settlement, the government advised that *“The review of Relative Needs and Resources (Fair Funding Review) and a reset of Business Rates growth would not be implemented in 2023/24 or 2024/25.”*
50. The 2021 national census highlighted that in the past ten years:
  - The national population has increased by 6.5%. In Northamptonshire it has increased by 13.5% over the same period. Furthermore,
  - Since 2011 the population aged 65+ has increased by 20.1% nationally. In Northamptonshire it has increased by 30.3% over the same period.
51. The chart demonstrates how Northamptonshire’s population has increased at a faster rate of 10% since 2002 when compared to the national rate of 2.4%



- 52. Northamptonshire has outstripped national population changes for some decades, as outlined in the Joint Strategic Needs Assessment (JSNA) Demography Insight Pack 2019, Northamptonshire’s population has increased by 29.9% over the 30 years, compared with 17.7% across England. It also estimates this will increase by a further 14% by 2041.
- 53. This means that around 10% of Northamptonshire Fire’s funding is allocated on the basis of a funding formula which has not been updated for many years and therefore, does not reflect current demands or risk and does not reflect the significant growth in the county. The National Fire Chiefs Council in their response to the 2022/23 Settlement advised:

*“One of the most significant demands on the public sector is an aging population; for FRAs this is highlighted by the stark differences in fire-related deaths for different ages.”*

*“The Government’s intent for more people in care to be able to live in their own homes and live as independently as possible. This admirable intent will require more home safety visits and increases the number of dwellings occupied by people who are less likely to be able to put out a fire and increases the risk for FRAs. Further prevention and protection work will be required, and this must be recognised in future funding.”*

- 54. Therefore, with a higher increase in population in Northamptonshire compared to national levels, and in particular the aging population, the current formula does not reflect these challenges faced in the county. The PFCC and the Chief Fire Officer will continue to seek a fairer national settlement for Northamptonshire Fire & Rescue.

**Council Taxbase and Council Tax Precept Income**

- 55. The Council Tax and the level of precept is a fundamental part of the local government finance settlement.

56. Income generated from precept depends on both the level of the Band D precept and the taxbase – the latter being the number of properties required to pay council Tax.
57. In Fire, the precept and the surplus on the collection fund accounts for around 64% of funding, therefore any variations can have a significant impact.
58. Both unitary councils have advised the PFCC of their proposed taxbases for 2023/24.
59. A comparison of the 2022/23 and 2023/24 figures reflects an average 1.46% taxbase increase (compared to 1.30% in 2022/23) as follows:

Authority	2022/23 (number)	2023/24 (number)	Change	2023/24
			(number)	%
North	113,047.00	114,279.00	1,232.00	1.09%
West	139,604.04	142,060.80	2,456.76	1.76%
<b>Taxbase (Band D)</b>	<b>252,651.04</b>	<b>256,339.80</b>	<b>3,688.76</b>	<b>1.46%</b>

60. As in previous years, the taxbase estimated by DLUHC in the CSP provisional settlement at 1.34% is significantly higher than that used by the Home Office of 1.01% for the Policing settlement.
61. Whilst it is interesting to note the variation between the two estimates; the actual taxbase increase notified by the unitary authorities is the figure used and for 2023/24 the local estimates are higher than both government department estimates.
62. Moving forwards, the MTFP assumes average but prudent increases in the taxbase and the S151 officers will continue to link in with West Northamptonshire and North Northamptonshire S151 colleagues to ensure future forecasts align.
63. The total precept funding is a combination of the taxbase increase and the precept increase as follows:

2022/23 £	Variation	2023/24 £
	<b>Taxbase Changes</b>	
72,996	- North	84,022
131,697	- West	167,551
<b>204,693</b>		<b>251,573</b>
	<b>Precept Increase</b>	
565,235	- North	571,395
698,020	- West	710,304
<b>1,263,255</b>		<b>1,281,699</b>
<b>1,467,948</b>	<b>Total Precept Change</b>	<b>1,533,272</b>

64. The 2023/24 proposed precept increase of £5, together with the increased taxbase will generate an additional £1.533m on the base budget.

### **Council Tax Collection Fund**

65. Each year the billing authorities estimate how much of the total potential Council Tax income liability of taxpayers they will collect. They advise precepting authorities of any projected surplus or deficit on the “Collection Fund” in January of each year.
66. The PFCC is very appreciative of the hard work undertaken by the North and West Northamptonshire unitary authorities in ensuring high collection rates and in providing the information to enable their inclusion in his budget and precept considerations.
67. In previous years, despite high collection rates within Northamptonshire, COVID-19 impacted on these levels which resulted in deficits in both 2021/22 and 2022/23. Some government support was provided which included grants and enabling the deficit to be spread across three financial years. These measures helped to mitigate the impact.
68. The unitary authorities have advised the PFCC of their collection fund positions for 2023/24 for Fire which have resulted in surpluses from both authorities.

<b>2022/23</b>		<b>2023/24</b>
<b>£</b>		<b>£</b>
(125,898)	North	82,297.00
(42,762)	West	173,040.79
<b>(168,660)</b>	<b>Collection Fund (Deficit)/Surplus</b>	<b>255,337.79</b>

69. Due to statutory timescales, notification of the final collection fund surplus figures is received after the draft budgets are finalised. As this surplus results in a one-year benefit, it will be transferred to reserves to replenish some of the one-off use of reserves planned as part of the agreed balanced budget.
70. The S151 Officer will work closely with the Unitary authorities throughout the year to monitor and understand any impact on the collection fund deficit position for 2024/25 and future years.

### **Public Consultation on the Level of the Precept**

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

72. The PFCC is very mindful of the impact that inflation and the cost of living is having on the residents of Northamptonshire. As such, for 2023/24, and ahead of his precept consultation in December, the PFCC and officers undertook pre-budget engagement to inform his considerations. Of note are the following:
- i. The PFCC, Chief Fire Officer and Chief Constable attended a meeting with Northamptonshire MPs and briefed them on the current financial position for Police and Fire and outlined the current financial context for both services.
  - ii. The PFCC and the Chief Finance Officer attended local meetings with representative groups to have conversations around the current financial position and hear their thoughts on the levels of precept, budget challenges and services. The PFCC found these conversations and discussions invaluable and the office will now attend many of these meetings regularly.
  - iii. A meeting with local representatives was held in November, with attendance by the PFCC, Chief Fire Officer, Chief Constable and Chief Finance Officer. Discussions included an update on the financial context, key priorities, efficiencies progressed and examples of the inflation pressures for both organisations.
73. For this year's precept, over the period 14 December 2022 to 17 January 2023, the PFCC undertook as wide a range of consultation as possible to obtain the views of Northamptonshire residents.
74. The survey was sent out to a wide range of contacts and using many different approaches. Appendix A sets out the consultation on the precept further.
75. This wide reach is set within the challenges of the limited timescale of the government funding settlement, the current cost of living climate and the fact that it was held over the festive season.
76. The online survey was targeted specifically in relation to the precept and communicated to as many stakeholders as possible to enable any resident to share their views on the level of the precept.
77. Interim reviews were taken on the survey to assess the reach and where appropriate, additional communications were made to key areas of the county to ensure those who wished to contribute to the survey were able to do so.

78. Furthermore, two in-person budget and precept meetings were held in January with key stakeholders, with one taking place after the provisional settlement when more information was available. The meetings took place as follows:

- A Councillor Budget and Precept meeting was held on the 11 January 2023, 229 local Councillors and Parish Clerks were invited. 23 Councillors attended and received a briefing on the budget and precept considerations for both Fire and Policing. All councillors attending were also invited to undertake the summarised online survey. The PFCC has considered their comments and is grateful to those who attended the meeting and found their engagement extremely useful.
- The PFCC held a Police, Fire and Crime Panel workshop on the 17 January 2023 regarding the budget and precept considerations for 2023/24, which was attended by eleven representatives. The annual workshops commenced in January 2021 and the PFCC has again found this approach and member input invaluable. The PFCC is grateful to all panel members who attended, and subject to the views of the Panel will continue to offer the budget workshop as an annual event.

79. The PFCC would like to give particular appreciation to the commitment and engagement of the Chair and members of the Police, Fire and Crime Panel, local councillors, MPs, forum members and teams within the unitary authorities as he recognises they have been contacted multiple times during the survey period and asked to disseminate the survey amongst their local residents and contacts.

80. The online survey received 1,734 responses and 1,578 responded for Fire. This is classed as a statistically relevant sample size for the County based on a 95% level of confidence.

81. The PFCC has considered the results of the online survey which were:

- **Around 64.8% of residents were prepared to pay £5 or more if they were able to for Fire services;**
- Around 31.6% were not prepared to pay any more than they do now;
- 3.6% said they did not know.

82. Respondents were also given the opportunity to comment on how good a job the Police and the Fire and Rescue Service did. For Fire, 1,563 residents replied.

- **Around 65.3% of residents thought Fire were doing a good or excellent role.**
- 13.3% of residents thought they were doing a fair job.
- Around 2% of residents thought they were doing a poor or very poor or a very poor job.
- Around 19.4% did not know.

83. The PFCC will consider the narrative comments in the report which will be published on the PFCC website in due course.

### **The Financial Challenge – Future Risks, Challenges and Uncertainties**

84. The impact of a different inflation assumptions to that estimated in the MTFP are as follows:

- Every 1% in Band D Council Tax equates to (a 73 pence increase ) circa £188k per annum
- Every £1 in Band D Council Tax equates to £256k per annum
- Every 1% in Pay equates to circa £200k in a full year
- Every 1% non-pay inflation equates to £90k per annum

85. Prudent forecasts have been included where information has not yet been finalised. Any variations between the provisional and final local government settlements, business rates, council tax or the collection fund will be balanced with reserves.

86. Each year since the governance transfer, a better understanding has been developed in respect of the operational and budgetary pressures facing NCFRA. A lot of these pressures required investment to ensure resources, premises and equipment are at an appropriate level.

87. These challenges, where known, have now been built into the revenue budget and capital programmes to enable Fire to have a base budget which reflects their business requirements and takes account of current and future demands and opportunities.

88. Pressures have been significant and the budget includes the following risks, together with some mitigations:

- Inflation uncertainty:
- The uncertainty of the Firefighters pay award for 2022.
- The uncertainty of 2023 pay awards.
- Future non-pay inflationary challenges.

Mindful of this, the PFCC has set aside an inflation contingency for the Chief Fire Officer of 1% (£140k) and holds a further £120k to meet other inflationary pressures.

- In 2023/24 Fire will be moving on to the Joint Finance, Payroll and HR systems and the first year costs of these arrangements reflect the costs of moving from existing to new systems. The budget includes one off support from reserves to mitigate these one off costs.
- Strategies for: estates, fleet, digital and operational equipment are in place which inform the capital programme and revenue budgets. The Estates Strategy is currently being reviewed to develop a new masterplan and once updated will inform future capital programme and MTFP updates.

- Condition surveys for the Fire estate have informed the production of maintenance and repair programmes for all Fire sites and these works are now underway.
- Ensuring all relevant factors are considered when making decisions and supporting procurement processes to ensure that they are informed and evidenced based.
- Existing Joint Support services with Police and managed by a Joint Assistant Chief officer have continued to be embedded within the service to ensure that the Authority has the right range and resilience of skills and expertise to build capacity and support transformative as well as business as usual activities.

89. Any potential for industrial action requires contingency arrangements which have previously been managed within year or from reserves. That position remains and any alternative options are being costed and funding will be set aside from within the General reserve.

#### **Other Financial Risks and Uncertainties - Pensions**

90. The Government introduced reforms to public service pensions in 2015 which resulted in most public sector workers being moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members gave rise to unlawful discrimination on the basis of age. In July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

91. It is expected that the on-going cost of higher pension benefits will arise from two main areas:

- Costs arising from the above case, and;
- The as yet unknown results of the next actuarial valuations for unfunded schemes such as those for Firefighters and Police which will be built into the scheme valuation process and reflected in the 2026/27 employer and employee contribution rates. For staff in the local government pension scheme this is already included within those rates.

These issues could lead to employer contribution rates increasing by 10.0% from 2026/27. At current levels, firefighters pensions cost approximately £3.6m per annum and such an increase to the pension rates could equate to an additional £1m per annum.

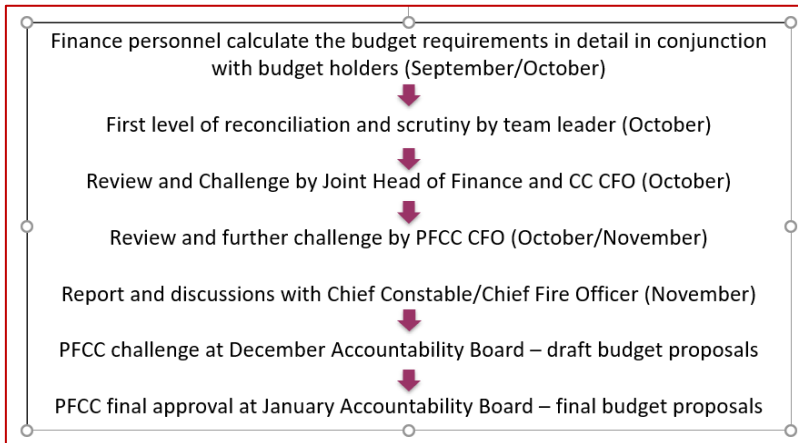
92. The government has provided additional grant funding for pension increases in the past for both Fire and Police but there is a risk that authorities may need to meet some or all of this increase. Therefore, it is highlighted as a potential risk and modelled in both the Police and Fire MTFPs.



93. Whilst assumptions vary between a 0% and 30% impact, a potential impact of a 10% increase is modelled as a scenario into the MTFP with an assumption that 75% of that cost would be funded by Home Office grant.
94. Whilst this was not addressed in the SR2021 or the Autumn Statement 2022; in January 2022, James Cartlidge MP, Parliamentary Under Secretary for State (Ministry of Justice) stated that cost of remedy for the above when legislation is in place would fall on the Exchequer (source: Hansard). Whilst this indication is welcome, no details are currently available and this would only contribute to part of the additional costs. However, the Home Office are cognisant to this issue and are already in discussions with the Treasury.
95. Based on latest information, the potential pressures have been delayed for a further two years into 2026/27 from those assumed at the time of the 2022/23 budget.
96. The PFCC will continue to make representation and seek updates and assurances from the Home Office as appropriate.

#### **2023/24 – Base Budget preparation, approach and scrutiny**

97. The budget is the third budget prepared under the recently established joint finance team and has brought an approach which has provided consistency across Fire and Police. This has enabled comparability of assumptions and principles, together with best practice, resilience and a more efficient approach applied to budgeting for all services.
98. The budget has been prepared on a zero-base where possible, in full consultation with budget holders, aligned to the Police, Fire and Crime Plan and tested against the MTFP.
99. The zero-based approach ensures that efficiencies are taken from this process where possible that only approved increases, inflation and unavoidable pressures are built in. Detailed workings are prepared and the format of the budget models are consistent and contain checks and balances to ensure the correct information is fed through. This approach also enables resilience within the finance team.
100. Following the preparation of the budget strategy and approach in September, briefing sessions took place with all budget holders and the strategy was shared with the Joint Independent Audit Committee (JIAC) for further scrutiny and review.
101. The table sets out the preparation and scrutiny elements which culminated in the December Accountability Board where the Chief Fire Officer presented his initial budget proposals which were scrutinised and challenged by the PFCC.



102. These elements have resulted in the PFCC setting the following budget for NCFRA as follows:

2022/23	Budget Heading	2023/24
£'000		£'000
15,309	Fire Fighters	17,052
3,799	Staff	2,900
858	Other Employee Expenses & contingencies	1,077
5,158	Other costs	5,490
(714)	Income	(1,016)
2,796	Governance/Support services	3,484
<b>27,206</b>	<b>OPERATIONAL BUDGET</b>	<b>28,987</b>
570	Capital Financing Costs	444
120	Inflation contingency managed by PFCC	120
30	Transfer to Reserves	525
(484)	Transfer from Reserves	(518)
<b>236</b>	<b>OTHER (Budgets managed by the OPFCC)</b>	<b>571</b>
(350)	Efficiencies already identified	0
<b>27,092</b>	<b>TOTAL</b>	<b>29,558</b>

103. A detailed breakdown is set out in Appendix B. Key Headlines are as follows:

- The firefighter budget reflects the planned retirement and recruitment profile.
- Increasing the operational firefighters' overtime and bank costs to reflect the current rank and operational delivery model in place. The Chief Fire Officer will review these arrangements during 2023/24.
- A Deputy Chief Fire officer Post has been included within the establishment.
- Staff posts include roles such as Home Safety Advisers, Prevention, Protection, Control and some support staff. Four additional Home Safety Officers are built into the budget.
- The reduction in staffing budget reflects the move of support services to enabling services

- Other employee costs includes the additional 1% pay contingency, staff training, occupational health
- Other non-pay budgets are based on a zero-based budget review which reflect inflationary increases and include estates, ICT, fleet, equipment and clothing.
- Interest income has been increased to reflect current interest rates.
- Governance and support reflect the final part years costs of support services provided by West Northamptonshire which are being transferred in house during 2023/24.
- Joint support service arrangements for the Assistant Chief Officer, HR, finance, estates, fleet and digital arrangements and are now delivered by Police-employed staff and includes shared services costs between Fire and Police of £2.64m. Some of this relates to staffing transferred from Fire to Police under TUPE and some have been the result of previous LGSS charge reductions.
- The OPFCC charge for governance and strategic support has reduced from £209k to £200k and the Fire element of the Joint Communications Team with the PFCC has reduced from £170k to £168k.
- Reserves transfers reflect agreed one off drawdowns and contributions to capital, operational equipment and smoothing reserves.

### **Harmonisation and Efficiencies**

104. Both Fire and Police Budget agreements for 2023/24 will continue to demonstrate the PFCC commitment to collaboration, particularly highlighted in greater integration between police and fire and rescue to enable reinvestment in frontline services. A Joint Estates Strategy across Police and Fire, will drive efficiencies for both services by sharing buildings where it makes sense to do so.
105. The shared support teams are already identifying efficiencies from areas such as robust procurement and economies of scale. With Fire onboarding in 2023/34 onto shared Finance, HR and payroll systems, it is envisaged that further efficiencies will be realised as joint processes and systems embed further.
106. A further opportunity will arise to reduce external and internal audit costs by auditing shared systems by the same auditors.
107. Led by the estates team, rates reviews of all Fire and police properties has resulted in reductions. Furthermore, a joint sustainability strategy is being prepared to develop this area further.

108. A shared post leads on ensuring that police and fire requirements are considered and recognised in new developments and S106 considerations.

### Medium Term Financial Plan (MTFP)

109. The current MTFP covers a five-year period.

110. A lot of the challenges associated with the revenue budget and capital programme have now been identified and addressed which is less subject to reactive and historic challenges. However, the impact of high inflation during 2022/23 has affected the costs in the Medium Term Financial Plan for which prudent forecasts of future funding are not anticipated to meet those increases.

111. Whilst the MTFP does include 1% efficiency savings per annum over years 2024/25 and 2025/26, these will not be sufficient to meet the shortfalls identified. Efficiencies will continue to be sought from sharing buildings, driving efficiencies from robust and shared procurement practices and sharing of staff and services where it makes sense to do so. The Chief Fire Officer will also consider this as part of his operational review.

112. Of particular note is that by 2027/28, the cost of funding the capital programme, will equate to just over £900k per annum. These costs have been reduced from previous estimates by prudent use of grants and reserves and revenue contributions to minimise borrowing costs. Some disposals are forecast within the programme and the S151 officer will continue to work closely with the Joint Finance Team to ensure the programme is funded appropriately.

113. Despite future shortfalls forecast in the MTFP, in the unlikely event that further efficiencies could not be found, the budget can be balanced in the short term by the use of reserves. This exceeds the current external audit value for money assessment which considers the ability of an organisation to balance its budget over a three-year period. However, the use of reserves is not a permanent solution, and the PFCC and Chief Fire Officer will continue to seek efficiencies to ensure the budgets are balanced.

114. The MTFP based on key assumptions detailed below, is attached at Appendix B and summarised as follows:

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£m		£m	£m	£m	£m	£m
27.442	Expenditure	29.558	31.261	32.383	33.425	34.524
-	Efficiencies to be identified	-	(0.293)	(0.603)	(0.603)	(0.603)
<b>27.442</b>		<b>29.558</b>	<b>30.968</b>	<b>31.780</b>	<b>32.822</b>	<b>33.921</b>
27.092	Funding	29.558	30.241	31.069	31.927	32.816
<b>0 (Shortfall)</b>		<b>0</b>	<b>(0.727)</b>	<b>(0.711)</b>	<b>(0.895)</b>	<b>(1.105)</b>

115. It is assumed that no additional unfunded priorities or responsibilities will be given to the PFCC and Chief Fire Officer.

116. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:

- Precept will increase by £5 in 2023/24; an increase of 2.99% in 2024/25 and thereafter a 1.99% increase. (source: National professional assumptions and DLUHC guidance).
- Prudent funding assumptions have been made in respect of government funding, business rates, taxbase levels, and council tax deficits (source: professional assumptions).
- Prudent Pay increase estimates are assumed at an average of 2%, supported by appropriate inflation contingencies (source: National professional assumptions).
- Investment requirements can be prioritised and met from within the revenue budget or capital programme.
- Further borrowing beyond the capital programme is not required.

117. As set out earlier in the report, the MTFP also models a potential impact of increased pension contributions and if some grant funding were provided.

### Capital programme

118. The capital programme is now an integral part of Fire’s operational and financial plans and organisational awareness and governance arrangements are continuing to develop to ensure that appropriate scrutiny and challenge of investment proposals takes place and that the affordability and deliverability of them is fully considered.

119. The approved capital programme is as follows:

Programme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Estates	0.7	0.3	0.2	0.2	0.2
Fleet and Equipment	1.1	0.2	0.6	0.4	0.4
ICT	0.8	1.0	1.3	0.4	0.4
<b>Total</b>	<b>2.6</b>	<b>1.5</b>	<b>2.1</b>	<b>1.0</b>	<b>1.0</b>

120. Estates costs in 2023/24 include essential condition survey refurbishments and ensuring appropriate welfare facilities in Fire buildings. The PFCC is currently reviewing the Estates strategy and an updated masterplan is being produced. Once finalised, this will be considered by the Chief Fire Officer and Chief Constable and Police and Fire capital programmes updated.

121. Since the governance transfer, good progress has been made on the legacy capital programme requirements and has seen us replace fire tenders, purchase a new aerial appliance and replace some essential operational equipment and ICT systems. This work continues.

122. Mindful of the costs of the programme on the revenue budget, the PFCC secured £0.5m grant from the Home Office to support the capital programme costs. The S151 Officer will continue to seek all available funding and advise the PFCC as to the most effective way to fund capital expenditure and minimise cost on the revenue budget moving forwards. This includes considering the appropriate use of earmarked reserves and unapplied grants.
123. Costs are often occurred ahead of any efficiencies or disposals, therefore, the PFCC will continue to push to ensure that any disposals included in the plans are made in a timely and efficient manner to ensure the full benefits can be realised.
124. The Commissioner is required to approve a “Treasury Management Strategy” each year, setting out the detail of his policy and approach to managing investments, borrowing and cash management.
125. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Prudential Code to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
126. The Treasury Management Strategy will be considered by the PFCC in February 2023 alongside an updated capital strategy. Where possible it will be available on the OPFCC website by April 2023 as it is usual practice for the Joint Independent Audit Committee (JIAC) to consider this key document at their March meeting prior to being placed on the website.

### **Use of Reserves**

127. In considering the budget, the MTFP and level of precept options, it is important to look closely at the size, level and type of reserves to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risks identified within the budget. Whilst ensuring that reserves are adequate, there is also a need to ensure they are not excessive.
128. NCFRA transferred on the 1 January 2019 with no reserves and set in place a three year financial stability plan to build reserves and made good progress in doing so. By 2022/23 they had exceeded the minimum level of general reserves as set out in the financial plans forecast at the time of the governance transfer.
129. General reserves are above the minimum level and are stabilised at a level of £2m or 5% (whichever is the higher). This level reflects both the current uncertain environment, the historic volatility of the Fire revenue budget and the minimal levels of earmarked reserves held to meet other purposes. As a result, general reserves are not excessive but are currently adequate and the authority is better placed to meet any challenges.

130. It is the intention of the PFCC to establish earmarked reserves where the opportunity arises, such as in year underspends. Such opportunities will be used to augment the funding smoothing reserve, meet potential risks or support transformative or innovative activities.
131. The reserves strategy attached at Appendix D sets out the types and planned use of reserves across the MTFP. Of note is the use of S106, capital receipts and transformation reserves, which, alongside revenue contributions will be applied against capital expenditure to minimise and mitigate future borrowing costs where possible.

### **General reserve**

132. Following the additional allocation from the Home Office, the S151 Officer has advised that it would be prudent to maintain general reserves at a sustainable level of £2.0m or 5% (whichever is the higher). As of 31 March 2023, the balance on the general reserve is forecast to be £1.85m which equates to over 6% of the current revenue budget.
133. Additionally, it is prudent to have in place earmarked reserves to better smooth the impact of replacement of essential operational equipment, to mitigate year on year funding variations and take forward transformation priorities.

### **Earmarked reserves**

134. NCFRA plan to hold a number of earmarked reserves which are set out in detail within the reserves strategy.
135. As at 31 March 2023, the balance on the earmarked capital reserves amount to £1.4m and revenue reserves at £1.3m.
136. Whilst reserve levels are better than forecast, they would need to meet any forecast overspend on the 2022/23 budget. Furthermore, there is uncertainty over the cost of the pay awards for 2022 and 2023, and the cost of any potential industrial action which would be funded from reserves if requested national funding is not forthcoming. Therefore, over time, reserves will continue to be built within the reserves strategy.
137. NCFRA has made good progress in establishing reserves and, following the contribution from the Home Office, it is the view of the S151 officer that whilst general reserves are now at an adequate level, it is prudent to increase earmarked reserves where appropriate. This will assist in smoothing potential funding impacts and to support the funding of equipment and transformation activities.
138. Furthermore, as general reserves have been stabilised and resilience has now been improved, it is essential that they are used in exceptional circumstances and if used, are rebuilt to the sustainable level in a timely manner.

## **Robustness of the Budget – Statement of the S151 Chief Finance Officer**

139. Section 25 of the Local Government Act 2003, places a duty on the S151 to make a report to the authority on:
- The robustness of the estimates included within the budget
  - The adequacy of the reserves and balances
140. The PFCC must have regard to this when considering the budget and the report must be shared with the Police, Fire and Crime Panel.
141. In her considerations, the S151 Officer is mindful of other associated statutory safeguards designed to support the authority:
- Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the Chief Financial Officer has personal responsibility for such administration.
  - Sections 32, 43 & 93 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget
  - The Prudential Code introduced as part of the Local Government Act 2003 which sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates
  - The external auditor's duty to assess the adequacy of the authority's proper arrangements to secure economy, efficiency and effectiveness ('value for money')
142. To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the S151 Officer to report in consultation with the Monitoring Officer if there is or is likely to be unlawful expenditure or an unbalanced budget.
143. This report has set out the detailed budget setting process that has taken place and the work undertaken to ensure the budget is as realistic, deliverable and achievable as possible.
144. The Fire Joint Head of Finance has worked closely with the Fire Executive team, budget holders and the finance team to deliver the draft budget and savings plan, ensuring that effective scrutiny and challenge has taken place throughout. The S151 officer has worked closely with the Joint Head of Finance and Chief Fire Officer throughout. The PFCC has undertaken scrutiny and strategic review of the proposals on two occasions and has been updated regularly throughout the budget cycle as appropriate.



145. The estimates and assumptions are based on the best information available at the time of formulating the budget in line with the fundamental accounting concepts and are reasonable and prudent.
146. The Section 25 Statement of the S151 Chief Finance Officer for Northamptonshire Fire and Rescue Authority is included at Appendix C.

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**EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

The budget and proposed precept provide the resources for the delivery of Fire and the priorities set out in the Police, Fire and Crime Plan.

**HUMAN RESOURCES IMPLICATIONS**

Additionally, the survey is comprised of a representative sample of Northamptonshire residents.

**ENVIRONMENTAL IMPLICATIONS**

Environmental implications are considered as part of Fire delivery.

**RISK MANAGEMENT IMPLICATIONS**

Risks and mitigations have been highlighted in the report.

**LEGAL IMPLICATIONS**

The PFCC is required to notify a precept to the billing authorities by the 1<sup>st</sup> March each year. In doing so, he must set a realistic revenue budget, informed by the report of the Chief Finance Officer

**List of Appendices**

Appendix A - Consultation on the Precept

Appendix B - Budget and MTFP

Appendix C - Section 25 Statement of the Chief Finance officer

Appendix D - Reserves strategy - NCFRA

**Persons to Contact**

Mrs H King,

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

Northamptonshire Commissioner Fire and Rescue Authority

Office of the Police, Fire and Crime Commissioner

## **Appendix A**

### **Consultation on the Precept**

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

The survey was open between 14 December 2022 -17 January 2023 to meet the local and statutory timescales where the PFCC is aiming to publish his proposed Police and Fire Precept proposals by Wednesday January 25.

The online survey received 1,734 responses (although respondents did not respond to every question) and the full report will be published on the PFCC website by the end of February 2023.

### **Challenges**

To achieve an informed consultation based on the proposed settlements, we have no alternative but to consult over the Christmas period because of the timetable that is determined by the Government's release of the financial settlement, and the deadline for setting our budget. As we always do, we began our consultation as soon as the information on the financial settlement and the Government's proposed council tax levels, was available.

This year, we carried out pre-budget engagement with some representative groups who are generally under-represented in consultation responses and whose views were very important to capture.

The Section 151 Officer and the Police, Fire and Crime Commissioner met with the Women's Forum, the Young Persons' Forum, and the Diverse Communities Forum before the details of our financial settlement were available, to fit in with the rhythm of established Forum meetings. They were able to have a detailed conversation with Forum members to set the context for both Police and Fire budgets and talk through various funding scenarios so that Forum members could form an opinion and be ambassadors for their group.

The Section 151 Officer and the Police, Fire and Crime Commissioner carried out pre-budget engagement at the local councillor and representatives meeting in November 2022 where they had a detailed conversation to set the context for both Police and Fire budgets and talk through various funding scenarios. This enabled them to hear directly from members on their thoughts and views and gave early notification that a survey would shortly be released so they could formally reflect their views. At the December meeting, the PFCC took the opportunity to continue the dialogue and promoted the survey links.

We gathered contact information and encouraged individuals and groups to fill in and cascade the survey when it was launched.

We carried out daily monitoring of responses to the survey to ensure that we were capturing a demographically representative sample and moved quickly to target areas or groups that were not engaging.

Until January 1, we used stakeholder engagement, the mainstream media, and organic social media to reach people. This gave us a pool of responses to further analyse and identify areas with fewer responses. These areas and groups were then targeted through paid for advertising on social media and further engagement with stakeholders or representatives of those groups.

We carried out pre-budget engagement with the county's MPs so that they could understand the financial position and advocate for Northamptonshire Police and Northamptonshire Fire and Rescue Service both at Westminster and in their constituencies.

Both West and North Northamptonshire Council also consulted on their council tax at the same time as the Commissioner is consulting on his precept. Both Councils and the OPFCC actively shared and promoted each other's surveys to their contacts.

We are actively engaging with our colleagues in the unitary authorities to see how we can work together to further maximise the opportunity for residents to have their say and increase the numbers who respond still further.

#### **How the consultation was carried out:**

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

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

- Mainstream media
- Partners and stakeholders
- Digital and social
- Paid for social media advertising

Working through our stakeholders – local councillors at all levels, and partners in other groups and sectors – was invaluable in extending the reach of our consultation.

We emailed all councillors direct and asked them to cascade the survey; we held two question and answer sessions on the budget, led by the PFCC, to which all councillors were invited; North

Northamptonshire Council included a link about the survey in the Leader's newsletter, and sent it to every member of their Consultation Register Residents' Panel; West Northamptonshire Council.

Audience	Reach
<p><b>Stakeholders</b></p> <ul style="list-style-type: none"> <li>• Neighbourhood Alert</li> <li>• Parish Councils and Town Councils</li> <li>• Councillors in North Northamptonshire and West Northamptonshire</li> <li>• Police, Fire and Crime Panel members</li> <li>• MPs</li> <li>• Chief Executives and Leaders of Local Authorities</li> <li>• Neighbourhood Watch Management Committee</li> <li>• Community Safety Managers for Northamptonshire North and Northamptonshire West</li> <li>• Diversity Forums of West Northamptonshire Council</li> <li>• Northamptonshire Police Community Engagement team</li> <li>• Independent Advisory Group members</li> <li>• Independent Custody Visitors</li> <li>• Businesses via the Chamber of Commerce, Northampton BID and the Northamptonshire Business Forums</li> <li>• Secondary Schools and colleges</li> <li>• Joint Action Groups</li> <li>• Northamptonshire Association of Local Councils</li> <li>• Various voluntary and third sector organisations</li> <li>• Rural interest groups</li> <li>• The Police Liaison Representatives on every parish and town council</li> <li>• Northamptonshire Fire and Rescue team forwarded to their partnership networks – including cadets</li> <li>• All local criminal justice boards</li> <li>• Northampton Town Football Club</li> </ul>	<p>The survey was sent to more than 25,000 stakeholders, with a request that they further cascade</p> <p>The Commissioner wrote personally to Panel members, MPs, and Leaders of local authorities to ask for their support in sharing and encouraging response to the consultation</p> <p>Where variations in locality responses were identified, an additional request was made of the Chair who promoted and circulated the survey further.</p>
<p><b>Internal</b></p>	<p>The survey potentially reached 3,279 employees (2,778 police</p>

<ul style="list-style-type: none"> <li>• News item on Forcenet – The Northamptonshire Police intranet viewed by all officers and staff – repeated twice during survey period</li> <li>• All staff email to OPFCC</li> <li>• News item on Northamptonshire Fire and Rescue Service intranet for Firefighters and staff – repeated twice during the survey period</li> <li>• Daily Orders – link to item on Forcenet directing staff to survey</li> <li>• Chief Officer Vlogs in both Northamptonshire Police and Northamptonshire Fire and Rescue Service – repeated twice during the survey period</li> <li>• Message and link displayed on December payslip and portal for Northamptonshire Police officers and staff and Northamptonshire Fire and Rescue Service Firefighters and staff</li> <li>• Splash screen survey message on every computer across both organisations</li> <li>• Repeated messaging during bi-weekly NFRS Pacesetter meetings for senior firefighters with requests to cascade</li> </ul>	<p>officers, staff, and volunteers, and 501 firefighters and NFRS staff members), with a request that they further cascade</p>
<p><b>Key Internal Stakeholders</b></p> <ul style="list-style-type: none"> <li>• Northamptonshire Police Chief Officers</li> <li>• Northamptonshire Fire and Rescue Service (NFRS) Senior Fire Officers</li> <li>• Directors in the Office of the Police, Fire and Crime Commissioner (OPFCC)</li> <li>• OPFCC Customer Service team</li> <li>• Police Federation</li> <li>• Unison</li> <li>• Police Superintendents’ Association</li> <li>• Fire Brigades Union</li> <li>• Voice</li> </ul>	<p>Email request to cascade to their members/contacts</p>
<p><b>Mainstream media</b></p> <ul style="list-style-type: none"> <li>• A news release was issued to all local and regional media across Northamptonshire</li> </ul>	<p>The news release went to over 60 newsrooms (print and broadcast including the Northants Telegraph and BBC</p>

<ul style="list-style-type: none"><li>• News release was sent to hyper local publications</li><li>• The survey was trailed in the December edition of the PFCC newsletter Corby targeted news release to all local outlets covering the area</li></ul>	<p>Radio Northampton), plus individual reporters and other local news sites.</p> <p>Coverage on Northampton Chronicle, Northamptonshire Telegraph and Daventry Express</p>
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<b>Digital and Social</b>	20,331 impressions
<ul style="list-style-type: none"> <li>• Twitter OPFCC account (native)</li> </ul>	267 engagements
<ul style="list-style-type: none"> <li>• Twitter OPFCC account (paid, £66.95)</li> </ul>	29,928 impressions 832 engagements
<ul style="list-style-type: none"> <li>• Twitter NFRS account</li> </ul>	4,214 impressions 55 engagements
<ul style="list-style-type: none"> <li>• Facebook OPFCC account native</li> </ul>	2,280 impressions 115 engagements
<ul style="list-style-type: none"> <li>• Meta adverts including Facebook (paid, £114.07)</li> </ul>	27,394 impressions 4,838 engagements
<ul style="list-style-type: none"> <li>• Google ads including YouTube (paid, £97.44)</li> </ul>	17,960 impressions 54 link clicks 1.9% CTR
<ul style="list-style-type: none"> <li>• OPFCC Website views - 4 different pages / news stories</li> </ul>	
<ul style="list-style-type: none"> <li>• LinkedIn – OPFCC and NFRS</li> </ul>	14,927 views 269 impressions 8 engagements
<ul style="list-style-type: none"> <li>• Neighbourhood Alert Northamptonshire Police</li> </ul>	Sent to 25,172

<ul style="list-style-type: none"> <li>• Neighbourhood Alert for OPFCC</li> </ul>	<p>12,335 read</p> <p>565 visits to survey link</p> <p>Read by 16,326</p> <p>614 visits to survey link</p>
<p><b>Targeted briefings and Forums</b></p> <p>November 2022 – Councillor pre-budget engagement by PFCC and S151 Officer</p> <p>January 2022 Councillor Budget and Precept Briefing by PFCC, Assistant Chief Fire Officer, Chief Constable, and S151 Officer</p> <p>Youth Forum</p> <p>Diverse Communities Forum</p> <p>Women’s Forum</p> <p>MP briefing held at Westminster in November</p> <p>Annual Police, Fire and Crime Panel Budget and Precept Workshop</p>	<p>274 Parish Council Clerks contacted to disseminate to all Parish Councils</p> <p>229 were invited</p> <p>33 requested contact details</p> <p>29 attended</p> <p>All members invited</p>

## Appendix B

### NCFRA 2023/24 Budget and Medium Term Financial Plan (MTFP)

		£5 Precept				
		2023/24	2024/25	2025/26	2026/27	2027/28
2022/23		£'000	£'000	£'000	£'000	£'000
15,309	Fire Fighters	17,052	18,015	18,504	19,020	19,520
3,799	Staff	2,900	2,981	3,093	3,208	3,328
91	Other Pension Costs	94	98	101	104	107
767	Other Employee Expenses & contingencies	983	1,015	1,026	1,038	1,049
1,664	Estates	1,559	1,398	1,427	1,526	1,680
1,516	ICT	1,699	1,816	1,971	2,009	2,027
515	Vehicles	536	547	558	598	791
766	Equipment and Clothing	899	917	936	954	974
697	Other Non-Pay	797	893	903	912	922
(714)	Income	(1,016)	(971)	(926)	(879)	(898)
2,796	Governance/Support services	3,484	3,544	3,673	3,804	3,879
<b>27,206</b>	<b>OPERATIONAL BUDGET</b>	<b>28,987</b>	<b>30,253</b>	<b>31,266</b>	<b>32,294</b>	<b>33,379</b>
178	Capital Financing - MRP	384	484	496	501	506
92	Capital Financing - Interest	60	86	93	98	103
300	Capital Financing - RCCO	-	300	300	300	300
120	Inflation contingency	120	124	128	132	136
30	Transfer to Reserves	525	100	100	100	100
(484)	Transfer from Reserves	(518)	(86)	-	-	-
<b>236</b>	<b>OTHER (Budgets managed by the OPFCC)</b>	<b>571</b>	<b>1,008</b>	<b>1,117</b>	<b>1,131</b>	<b>1,145</b>
-	New Investment Proposals	-	-	-	-	-
-	Efficiencies to be identified	-	(293)	(603)	(603)	(603)
(350)	Efficiencies already identified	-	-	-	-	-
<b>27,092</b>	<b>TOTAL</b>	<b>29,558</b>	<b>30,968</b>	<b>31,780</b>	<b>32,822</b>	<b>33,921</b>
<b>Funding</b>						
(2,814)	Top Up Grant	(2,563)	(2,563)	(2,563)	(2,563)	(2,563)
(1,186)	Pension Grant	(1,186)	(1,186)	(1,186)	(1,186)	(1,186)
(2,347)	Revenue Support Grant	(2,587)	(2,613)	(2,639)	(2,665)	(2,692)
(2,587)	Business Rates	(3,039)	(3,100)	(3,162)	(3,225)	(3,290)
(280)	Local Business Rates	-	-	-	-	-
(444)	S31 Grant - Compensation	(954)	(954)	(954)	(954)	(954)
(372)	Services Grant	(210)	(210)	(210)	(210)	(210)
(17,231)	Precept	(18,764)	(19,615)	(20,355)	(21,124)	(21,921)
169	Collection Fund (Surplus)/ Deficit	(255)	-	-	-	-
<b>(27,092)</b>	<b>TOTAL FUNDING</b>	<b>(29,558)</b>	<b>(30,241)</b>	<b>(31,069)</b>	<b>(31,927)</b>	<b>(32,816)</b>
-	<b>FUNDING (SURPLUS) / DEFICIT</b>	<b>(0)</b>	<b>727</b>	<b>711</b>	<b>895</b>	<b>1,105</b>
<b>Impact of Potential Future Increase In Employers Pension Contributions</b>						
-	ERs Pension increase cost	-	-	-	355	366
-	ERs Pension increase funded at 75%	-	-	-	(266)	(275)
-	<b>FUNDING (SURPLUS) / DEFICIT excl. Pension ERs Funding</b>	<b>(0)</b>	<b>727</b>	<b>711</b>	<b>984</b>	<b>1,196</b>
<b>Precept</b>						
£68.20	Band D Council Tax	£73.20	£75.39	£76.89	£78.42	£79.98
252,651.04	Total	256,339.80	260,184.90	264,738.14	269,371.05	274,085.05
<b>Assumptions:</b>						
0.00%	Other Grants	0.00%	0.00%	0.00%	0.00%	0.00%
1.00%	Revenue Support Grant	5.00%	1.00%	1.00%	1.00%	1.00%
0.00%	Business Rates	10.10%	2.00%	2.00%	2.00%	2.00%
7.91%	Precept (%)	7.33%	2.99%	1.99%	1.99%	1.99%
£5.00	Precept (£)	£5.00	£2.19	£1.50	£1.53	£1.56
1.30%	Tax Base Change - Increase/(Decrease)	1.46%	1.50%	1.75%	1.75%	1.75%
2.00%	Pay Awards	2.00%	2.00%	2.00%	2.00%	2.00%
0.00%	Inflation Contingency	1.00%	1.00%	1.00%	1.00%	1.00%

Note: Totals may not sum due to roundings

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

*“Working closely with the Joint Finance Team for Fire and Police I have been supportive of how they have further refined and developed the Fire budget model from 2023/24. I am grateful for their hard work, scrutiny and challenge throughout this process and I am assured by how they have continued to take forward and make improvements to it every year following the governance transfer.*

*The Chief Fire Officer and his Executive team have been fully involved in the budget discussions and have worked hard to propose a balanced budget for 2023/24 to the PFCC. I am grateful to him and his team for their engagement and commitment in this process.*

*I have been fully briefed on the progress of the budget by the Joint Head of Finance prior to and throughout the budget process and development of the capital programme, ensuring I have been party to all key assumptions and decisions. Prudent estimates and assumptions included have been based on professional estimates, peer knowledge and advice and using where appropriate assumptions included in the business case. Where possible, I have aligned these with national Fire, Police, local authority and technical colleagues.*

*At both meetings of the Accountability Board with the PFCC, the Joint Head of Finance and the Fire Chief Officer team on the 13 December 2022 and the 10 January 2023, I attended as the S151 Officer to provide assurance that these factors have been considered. At those meetings and since that date, dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed. That engagement continues throughout the year.*

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

*It is my recommendation that financially it is essential to take forward the £5 precept flexibility afforded to Northamptonshire for 2023/24. This will be built into the base budget and help provide a resilient position for the medium term. Whilst Northamptonshire Fire will still be funded relatively lower than its national peers, its revenue budget for 2023/24 will be around £7m (30% higher) than that transferred at the time of the governance change, and is supported by a currently adequate level of reserves and a funded capital programme.*

*However, the new Chief Fire Officer intends to review his operational requirements and it is possible that essential and transformative investment will be required. These will be built into plans and*

*strategies as the work progresses. Furthermore, there are still efficiency savings needed to ensure the budget is balanced and any investment requirements will need to be considered within the overall Fire funding envelope moving forwards. The volatility experienced in the first four years on the Fire revenue and capital budgets is reducing each year as plans and strategies are developed by the service. It is essential that significant operational changes and investment proposals are fully costed and considered prior to implementation to consider affordability and the wider impact of any decisions and I will continue to work with the Chief Fire Officer and Joint Head of Finance to ensure this is undertaken.*

*Although the capital programme is approved and funded, with some transformation included, given the legacy investments within it, it is still a significant value, especially with regard to short life assets. Therefore there is an impact of both deliverability and financial cost on the revenue budget. Whilst the costs are included within the MTFP, any changes in specifications or slippage in timescales can have an impact and could affect the deliverability of other priorities within the programme.*

*Consequently, it is essential that disposals and activities are undertaken in a timely manner to enable benefits and savings to be realised. I am assured by the arrangements put in place that the programme is regularly reviewed. Under the oversight of the Assistant Joint Chief Officer for Enabling Services, proposed expenditure is taken forward on the basis of evidence based business cases and that delivery timescales are realistic, in full recognition of other competing priorities. The capital programme is based on approved investments and best professional assumptions of realistic delivery timescales. When the Estates Masterplan is completed, the capital programme will be updated and the cost implications considered as part of the MTFP.*

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

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

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

*Given the need to ensure and build stability and resilience, some zero based operational pressures have been built into the budget model, however any growth or changes will need to be*

*accommodated from within the cash limited budget set for the year. The Chief Fire Officer has proposed a balanced budget which includes some agreed efficiencies, and I am assured by the commitment to the joint services work which will continue to assist in identifying future savings;*

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

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

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

*The MTFP does require efficiencies to be made to ensure the budget can be balanced across the medium term. I am assured that the Chief Fire Officer and Joint Head of Finance will work closely to identify efficiencies and effective ways of working which will address these challenges over the medium term. I will support the PFCC in ensuring the Chief Fire Officer and Joint Head of Finance provide regular updates to the Accountability Board.*

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

*The precept flexibility if taken will enable a balanced budget to be achieved for 2023/24 which would not be possible at a 2.99% increase. The landscape after 2023/24 is less certain and it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFP.*

***I conclude, therefore, that the budget for 2023/24:***

1. *Has been prepared on a robust basis, and*
2. *In 2023/24, the budget is balanced with agreed efficiencies which have been identified by the Chief Fire Officer and built into the budget, and*
3. *General reserves are currently adequate and sufficient to meet essential risks and challenges. However, there are financial uncertainties in relation to potential industrial action and inflation which may require the use of some of these. If so, general and earmarked reserves will continue to be built where it is appropriate and prudent to do so.*
4. *The Fire revenue budget and reserves are now more resilient and it is important that the budget is managed within the funding envelope each year and earmarked reserves are used where appropriate to support unforeseen issues or additional investment, not to balance the annual budget.*
5. *The future financial landscape is uncertain and whilst the MTFP is balanced for three years, it does require the identified efficiencies to be taken forward. The MTFP will continue to be kept under regular review as the efficiency savings plan progresses.”*

**Helen King**

**Section 1 51 and Chief Finance Officer**

**Northamptonshire Commissioner Fire and Rescue Authority**



## Appendix D

### NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY RESERVES STRATEGY – UPDATED JANUARY 2023

#### 1. Reserves strategy

- 1.1. Reserves are a key part of medium-term financial planning – other components include revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. Decisions on these are inter-linked. Consequently, some organisations will need to maintain reserves at higher levels than others.
- 1.2 All publicly funded organisations should have a reserves strategy to demonstrate transparency and accountability, to comply with best practice financial management and to justify the levels of reserves held.
- 1.3 The PFCC maintains reserves to provide a measure of protection against risk. Without this protection, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels).
- 1.4 The term "reserves" has a variety of technical and everyday meanings, depending on the context in which it is used. For the purposes of this strategy, it is taken to mean funds set-aside at the PFCC's discretion for general or specific future purposes.
- 1.5 Reserves are required to protect and enhance the financial viability and in particular:
  - To maintain a degree of in-year financial flexibility.
  - To enable the PFCC to deal with unforeseen circumstances and incidents.
  - To set aside monies to fund major developments in future years.
  - To enable the PFCC to invest to transform and achieve improved service effectiveness and efficiency.
  - To set aside sums for known and potential liabilities.
  - To provide an operational contingency at service level.



- 1.6 Reserves should not be held to fund ongoing revenue expenditure as this is unsustainable in the long term; however, they may be important in smoothing a major financial imbalance (revenue or capital) over a longer timescale. CIPFA guidance LAAP 99 published July 2014 states:

*“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term”*

- 1.7 The Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) was established on the 1 January 2019 with no transfer of reserves agreed as part of the business case. As such, a three year financial stability period was set to establish a more stable budget position, supported by a sufficient level of reserves.
- 1.8 Tight financial planning, together with assistance from the Home Office has enabled a sufficient reserves position to be sufficient currently. However, work during the 2023/24 budget and Medium-Term Financial Plan has identified that the financial risks from inflation and other pressures are forecast to be higher than funding available to the service. Despite annual efficiency targets, funding deficits are identified in future years.
- 1.9 The reserves strategy assumes that the Medium Term Financial Plan [MTFP] will be broadly balanced across the five year planning period as they will not be used to maintain ongoing revenue expenditure.
- 1.10 However, this is recognised as a risk as when taking into account the projected shortfalls on the MTFP where savings will need to be achieved to facilitate balancing the Plan.
- 1.11 If savings cannot bridge the full gap, based on current estimates, as a worst case scenario, revenue reserves can balance the gap over the five year MTFP but this would use almost all available reserves and would impact funding available for investment.
- 1.12 Due to the lack of investment by Northamptonshire County Council over many years , NCFRA have a significant Capital programme requirement. This is continually reviewed to ensure it is both operationally deliverable and affordable. The PFCC made successful representation to the Home Office and obtained £0.5m funding to support historic capital programme investment
- 1.13 Reserves should reflect the agreed financial strategy and should represent the quantified impact of risks and opportunities over the planning period, weighted for their probability.

## 2. National Guidance and Compliance with Home Office Guidance

2.1 The 2014, CIPFA guidance included the establishment and maintenance of local authority reserves and balances, setting out the key factors that should be taken into account locally in making an assessment of the appropriate level of reserves and balances to be held. This is applicable to Police and Fire corporation soles.

2.2 On 31 March 2018, the Minister for Policing and the Fire Service published new guidance on the information that each PFCC must publish in terms of Police Reserves. This guidance has been adopted for NCFRA to ensure consistency across PFCC governed Fire and Police services in Northamptonshire. The NCFRA reserves strategy is published annually on the PFCC website.

2.3 One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
- Funding for specific projects and programmes beyond the current planning period.
- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.

2.4 This information is summarised across the Home Office headings as at 31/3/2023, together with the proposed use of the reserves held at that date as follows:

Reserve	Actual Balance as at 31/3/2023	Planned Movements on Projects and Programmes over the next 3 years (23/24-25/26)	Total Revenue and Capital Reserves as at 31 March 2026	Planned movements and Funding for Specific projects and Programmes 2025/26-2027/28	Held as a general Reserve, Contingency or Resource to meet other expenditure or pressures
	£m	£m	£m	£m	£m
<b>General</b>	<b>1.850</b>	<b>0.150</b>	<b>2.000</b>	<b>0.000</b>	<b>2.000</b>
<b>Earmarked Revenue:</b>					
Insurance	0.250		0.250	0.000	0.250
Operational Equipment	0.060		0.060	0.000	0.060
Carry Forwards	0.045	(0.045)	0.000	0.000	0.000
Smoothing	0.265	(0.065)	0.200	0.200	0.400
Transformation	0.682	0.068	0.750		0.750
<b>Total Earmarked</b>	<b>1.302</b>	<b>(0.042)</b>	<b>1.260</b>	<b>0.200</b>	<b>1.460</b>
<b>Total Revenue</b>	<b>3.152</b>	<b>0.108</b>	<b>3.260</b>	<b>0.200</b>	<b>3.460</b>
<b>Capital:</b>					
Capital Receipts	0.186	1.464	1.650	(0.265)	1.385
Capital and ESN Reserve	0.355	0.275	0.630	(0.575)	0.055
S106 Developer Contributions	0.068	0.003	0.071	0.150	0.221
Capital Grants Unapplied	0.823	(0.405)	0.418	0.000	0.418
<b>Total Capital</b>	<b>1.432</b>	<b>1.337</b>	<b>2.769</b>	<b>(0.690)</b>	<b>2.079</b>
<b>Total Reserves</b>	<b>4.584</b>	<b>1.445</b>	<b>6.029</b>	<b>(0.490)</b>	<b>5.539</b>

- 2.5 Once the Chief Fire Officer has completed his consideration of the operational requirements of the service, plans will be put in place to drawdown from the transformation reserve, which was set aside of this purpose.
- 2.6 Given the sufficient but low level of revenue reserves held by NCFRA, the above table reflects the strategy intention to maintain Fire revenue reserves at a relatively stable level. However, it is acknowledged that this will be reduced once the Chief Fire Officer's plans take shape.
- 2.7 Capital reserves will be used to ensure that the capital programme is funded in the most appropriate and prudent manner.

### **3. General reserve**

- 3.1 In order to assess the adequacy of the unallocated general reserve when setting the budget, the PFCC, on the advice of the chief finance officer, should take account of the strategic, operational and financial risks facing the authority. This assessment of risk should include external risks, as well as internal risks, for example the ability to deliver planned efficiency savings.
- 3.2 Whilst there is no prescribed level of reserves that PFCCs should hold; it is influenced by individual discretion, local circumstances, advice from external auditors, risk management arrangements and risk appetite. CIPFA guidance in LAAP Bulletin 99 (2014) specifically cautions against prescriptive national guidance for a minimum or maximum level of reserves and states:

*“The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority”*

- 3.3 However, the minimum level of reserves may be set for the authority by the Ministers in England and Wales where an authority does not act prudently, disregards the advice of its chief finance officer or is heading for financial difficulties. LAAP Bulletin 99 (2014) specifies that minimum level of reserves can be imposed on specific circumstances:

*“Minimum level of reserves will only be imposed where an authority is not following best financial practice”*

- 3.4 CIPFA indicate a general reserve level is typically between 2% and 3% of net budget requirement.

3.5 In Policing, average general reserves are around 5%. However, in Fire, there are even higher levels of general and earmarked reserves held. Recent Home Office publications still reflect that despite progress in building reserves, NCFRA still have the lowest level of reserves per core spending power across all Fire and Rescue Authorities in England and Wales.

3.6 In December 2022, prior to the provisional Local Government Settlement, the Department of Levelling Up, Housing and Communities (DLUHC) issued a policy statement. The statement included specific mention of the level of reserves built up during the pandemic and which applies to Fire and Police as follows:

*“The government notes the significant increase in some local authority reserves over the 2 years of the pandemic. We encourage local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures., taking account, of course, of the need to maintain appropriate levels of reserves to support councils’ financial sustainability and future investment. In order to support council members and local electorates to understand the reserves that their local authorities are holding and what they are used for, we will also explore releasing a user-friendly publication of the reserves data currently collected in the Local Authority Revenue Expenditure and Financing Outturn Statistics. We will consult with trusted partners, including the Local Government Association, about doing this”.*

3.7 The PFCC has considered his reserves strategy and wishes to hold a sufficient but not excessive level of reserves. In determining this position, Appendix A outlines how NCFRA complies with the 7 key CIPFA principles which can be used to assess the adequacy of reserves.

3.8 NCFRA have also considered the following factors:

- NCFRA are required to meet the first 1% of any special grant requirement.
- NCFRA was established without the transfer of any reserves.
- As a corporation sole of only four years standing, NCFRA are still embedding internal controls.
- Revenue and capital requirements for the service are still experiencing some volatility.
- Local funding accounts for some 75% of NCFRA’s funding streams, which can be affected by local taxpayers and business’ ability to pay and can subject to volatility.
- The Firefighter Pay Award for 2022 has not yet been agreed and the Fire Brigades Union are currently balloting members on industrial action. It is essential that the reserves provide for potential industrial action.

3.9 Given the above, it remains prudent to hold reserves at a reasonable level to provide a realistic and comfortable buffer to meet any eventualities, and to mitigate against any unplanned in-year changes being required. It is, therefore, imperative that the General

Reserve is held at a sufficient level to mitigate such financial risks alongside any earmarked reserves.

- 3.10 The Chief Finance Officer advises that it would be prudent to maintain a sustainable and resilient level of general reserves at £2.0m or 5% (whichever is the higher).

The general reserve also holds the financial risk of any potential industrial action requirements and would be the reserve used in such eventualities.

- 3.11 It is prudent to have in place separate earmarked reserves to mitigate year on year funding variations and take forward transformation priorities.

- 3.12 General reserves are currently stabilised and in each year of the MTFP, the planned level of reserves are above 5% in each year as follows:

Year	£m	%
2023/24	<b>1.850</b>	6.3%
2024/25	<b>1.850</b>	6.1%
2025/26	<b>1.950</b>	6.3%
2026/27	<b>2.000</b>	6.3%
2027/28	<b>2.000</b>	6.1%

- 3.13 These levels will be reviewed on a regular basis and opportunities to set aside earmarked reserves to support targeted expenditure and investment, taken where appropriate.

- 3.14 NCFRA do not currently have a cost of potential industrial action reserve. At the time of the strategy, the costs of the potential industrial action are still being calculated. When finalised, if national funding is not available, an amount will be ring-fenced from in the general reserve to meet such costs and the reserve rebuilt over the medium term.

#### **4. Earmarked reserves**

- 4.1 In addition to the general reserve, the PFCC holds several reserves which are earmarked for specific purposes.

- 4.2 The forecast position for each earmarked reserve as at 31/3/2023, together with an outline of its specific purpose is attached at Appendix B.

- 4.3 At the 31/3/2023, it is estimated that the PFCC will hold £2.734m in Earmarked reserves which are as follows:

**Insurance £0.250m** – this reserve needs to be established to hold funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice. This advice has identified a reserve requirement of £0.250m and is reviewed regularly.

**Operational Equipment £0.060m** – given the age and condition of equipment transferred as part of the governance transfer, an annual operational equipment reserve contribution was established to smooth the impact and mitigate the costs of essential operational equipment replacement.

**Carry Forwards £0.045m** – this relates to underspends from the 2021/22 financial year for which funding has been set aside to meet one off expenditure in 2022/23 and 2023/24.

**Smoothing Reserve £0.265m** - the impact of the COVID pandemic on future council tax and business rates receipts has highlighted the importance of a reserve to mitigate such eventualities. As the budget is set and precept proposed before all funding information is available, any variations to the budgeted figures are managed through this reserve. It is also used to meet one off requirements during the year.

**Transformation Reserve £0.682m** – This reserve has been set aside to support one off operational priorities and requirements identified by the Chief Fire Officer after his operational review.

**Capital Reserves and Unapplied Capital Grants £1.432m** – these relate to S106 Developer contributions which will be used in accordance with the conditions of the award, capital receipts, an ESN/Capital Reserve and Capital Grants, all of which will be applied to the capital programme in the most appropriate manner to minimise the cost of borrowing on the revenue budget.

4.4 The actual balance and forecast balance on the reserves, taking into account a prudent estimate of timings for proposals which are currently being developed is detailed within Appendix C.

## 5. Provisions

5.1 The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). Basically, a provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits.

5.2 Northamptonshire establish provisions as appropriate and review as part of the closedown process each year. There are currently no material provisions established.

## **6. Procedures for management and control**

- 6.1 Any drawdown from reserves is subject to the approval of the PFCC, on advice from the PFCC's Chief Finance Officer ( OPFCC CFO); or under the delegated authority of the OPFCC CFO.
- 6.2 The Local Government Act 2003 requires the S151 officer to report annually on the adequacy of the reserves and this is undertaken within the statement on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. This statement is included within the proposed precept intentions for 2023/24.
- 6.3 The Strategy will be reviewed at least annually by the OPFCC CFO as part of the budget and precept process and where there are material changes, the Reserve Strategy will also be updated following the closure of accounts.

**Northamptonshire Compliance with the 7 Key CIPFA Principles to assess the adequacy of reserves**

<b>Budget Assumptions (CIPFA Principles)</b>	<b>2023/24 Situation in Northamptonshire</b>
<b>The treatment of inflation and interest rates</b>	<p>NCFRA makes full and appropriate provision for pay and price increases, informed by benchmarking with peers. It is recognised that any 1% variation on pay inflation equates to circa £200K in a full year.</p> <p>There are also pay and inflation contingencies held in the Fire budgets to mitigate such eventualities.</p> <p>An informed assessment is made in the Treasury Management Strategy of interest rate movements.</p> <p>All income and expenditure in the budget is prepared and published at outturn prices.</p>
<b>Estimates of the level and timing of capital receipts</b>	<p>NCFRA has reviewed its estates strategy as a fundamental part of the capital programme and has made assumptions of future capital receipts.</p> <p>The capital programme considerations require significant investment and until this has been concluded, only essential capital investment has been approved. The achievement of capital receipts in line with the proposed timings is essential to ensuring that prioritised capital investments can be progressed.</p>
<b>The treatment of demand led pressures</b>	<p>NCFRA is required to operate and manage within its annual budget allocation.</p> <p>All budgets except firefighters are devolved and managed by trained budget holders.</p> <p>On an exceptional basis, agreement of the PFCC is given to utilise carry forwards to meet one off demand led pressures.</p>



	<p>Demand led pressures are scrutinised and built into the budget on zero based budget principles. An agreed budget for Fire is set by the PFCC.</p> <p>The PFCC is keen to ensure that NCFRA continue to identify efficiencies where it makes sense to do so, and a 1% efficiency target is set as part of the budget and MTFP and detailed within the annual strategic outcomes agreed with the Chief Fire Officer.</p> <p>Depending on funding availability, the PFCC has and will continue to support investment in areas that reduce demand, or which increase efficiency/capacity to deal with demand.</p> <p>General reserves are used as a last resort to manage and fund demand led pressures.</p>
<p><b>The treatment of Planned Efficiency Savings/Productivity Gains</b></p>	<p>NCFRA met all financial savings and challenges required by NCC in previous years.</p> <p>In the years post transfer, NCFRA has underspent each year and used the opportunity to increase reserves as a result. The 2022/23 financial year is more challenging, but it is forecast the budget will be balanced with a minimal use of reserves.</p> <p>There is a savings plan aligned to the MTFP and any identified savings and efficiencies from service or governance transfers will be monitored and reviewed regularly by the service and are only included as achieved in budgets when confirmed and verified.</p>
<p><b>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments.</b></p>	<p>The financial consequences of partnership collaboration working, outsourcing arrangements or capital investment will be reported to the PFCC as part of the medium term planning process. Where relevant, any additional costs are incorporated into the annual revenue budget and/or capital programme.</p> <p>There is a risk that partners will withdraw funding as their own budgets are squeezed, or that the continued viability of private sector commercial partners will be exposed to risk in the face of an economic recession.</p>

<p><b>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</b></p>	<p>NCFRA have built up appropriate reserves from a zero base to build a stable range earmarked reserves and provisions to meet specific expenditure items. Their use and balances are detailed in the attached appendix.</p> <p>NCFRA maintain an insurance provision, the adequacy of which is reviewed and monitored in detail by the legal services insurance advisors.</p> <p>NCFRA continue to build a General reserve to cover any major unforeseen circumstances, supported by earmarked reserves where appropriate to meet targeted investment in a planned manner which does not disproportionately impact on the revenue budget each year.</p> <p>Given the COVID pandemic, the PFCC has established a funding reserve to mitigate the impact of reduced council and business rate receipts on the revenue budget.</p>
<p><b>The general financial climate to which the Authority is subject</b></p>	<p>It is anticipated that the financial climate will be challenging, and the medium-term financial plan will reflect the “best estimate” of future inflation rates and increases in government grants and contributions.</p>

## RESERVES OF THE NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

2023/24 to 2027/28

	Rationale	How and when used	Level	Management and control	Risk If Reserve Not Held	Review
<b>GENERAL RESERVE</b>	<p>To maintain a degree of in-year financial flexibility;</p> <p>To enable NCFRA to deal with unforeseen circumstances and incidents;</p> <p>To manage and meet financial risks of any industrial action requirements,</p> <p>To set aside sums for known and potential liabilities;</p> <p>To provide an operational contingency at service level.</p>	<p>To meet exceptional spending needs or overspends which are unable to be otherwise financed at the year end.</p> <p>To smooth the profile of revenue over a medium term financial period</p> <p>To allow higher spending without raising council tax on a one-off basis</p>	<p>To maintain a sustainable level of £2.0m of 5% (whichever is the higher)</p>	<p>PFCC, on advice from PFCC CFO</p>	<p>The general reserve is held at a level which reflects risk, uncertainties and volatility.</p> <p>If no reserve is held there may be insufficient resources available for major catastrophe, which could jeopardise financial status and reputation of NCFRA.</p> <p>The PFCC would have recourse to discretionary special grant if costs exceed 1% of budget or CLG Bellwin scheme for natural disasters</p>	<p>Annual</p>

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Management and control</b>	<b>Risk If Reserve Not Held</b>	<b>Review</b>
<b>EARMARKED - INSURANCE</b>	To cover the potential and contingent liabilities of uninsured risks as assessed annually by our insurers based on claims outstanding.	Balance will increase or reduce annually dependent on the NCFRA outstanding claims record.  Established in 2018/19 following advice from legal service advisors.  Level of reserve reviewed annually with the legal services advisers.	Will vary according to annual risk assessment	PFCC, on advice from PFCC CFO	The reserve is held to cover potential uninsured risks.  If no reserve is held the NCFRA is potentially open to significant excess and claims payments in year beyond available revenue budgets which would fall on the general reserve.  Assessment by insurers needs to be realistic not unduly pessimistic.	Annual
<b>EARMARKED – OPERATIONAL EQUIPMENT</b>	To smooth the impact on the revenue budget of lower value, high volume essential operational equipment in conjunction with the operational equipment budget already included within the overall revenue budget.	Balance will increase or reduce annually dependent on the workforce planning requirements.	Will vary according to annual risk assessment	PFCC, on advice from PFCC CFO	The reserve is held to smooth the impact of operational equipment replacements rather than have significant variations in the budget.  If no reserve is held NCFRA are required to meet the timing and phasing of replacing all essential equipment from the annual revenue budget.	Annual

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Management and control</b>	<b>Risk If Reserve Not Held</b>	<b>Review</b>
<b>EARMARKED – CARRY FORWARDS</b>	For an underspend in one financial year to be set aside and ring fenced to meet any one off unbudgeted costs or new initiatives in a future year.	Balance will increase or reduce annually dependent on the workforce planning requirements.	Will vary according to year end outturn and usage.	PFCC, on advice from PFCC CFO	Establishing a reserve enables an incentive and opportunity to utilise year end underspends in a manner which will provide additionality or benefit for the service in future years, rather than finding resources from in-year or reserves.	Annual
<b>EARMARKED – SMOOTHING</b>	To smooth the impact of fluctuations in the funding receipts from council tax and business rates as Business Rate levels are determined after the budget has been set.  Also to smooth the impact of budget fluctuations.	Balance will increase or decrease annually, dependent on council tax and business rate receipts.	Will vary according to annual risk assessment.	PFCC, on advice from PFCC CFO	The reserve is held to receive any funding received in excess of the budget set and to utilise to ensure any variations are smoothed where appropriate. Also used to smooth budget fluctuations.  If no reserve is held, NCFRA are required to balance the budget through savings, contingencies and reserves.  This reserve enables short term fluctuations to be managed more smoothly.	Annual

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Management and control</b>	<b>Risk If Reserve Not Held</b>	<b>Review</b>
<b>EARMARKED TRANSFORMATION RESERVE</b>	To build and maintain a reserve sufficient to support invest to save initiatives and provide initial funding to set up transformational activities.	To undertake initiatives and transformation without needing to use the annual operational budget.	Will vary according to activities.	PFCC, on advice from PFCC CFO	<p>The reserve is held to support the cost of transformation and investment without utilising the general reserve.</p> <p>If no reserve is held, PFCC could find it difficult to invest in transformational activities or savings would have to be made from operational budgets before any initiatives could be undertaken.</p>	Annual
<b>EARMARKED - CAPITAL RECEIPTS</b>	From sales of equipment above the capital de-minimis level and used to support the capital programme funding requirements.	Used to support funding the capital programme to minimise the cost of external borrowing on NCFRA and the taxpayer.	Will vary according to activities.	PFCC, on advice from PFCC CFO	<p>The reserve is held when equipment over a certain value is sold.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	Annual

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Management and control</b>	<b>Risk If Reserve Not Held</b>	<b>Review</b>
<b>EARMARKED – ESN AND CAPITAL RESERVE</b>	To meet the costs of ESN and other capital requirements to support the funding of the capital programme.	Used to support funding the capital programme to minimise the cost of external borrowing on NCFRA and the taxpayer.	Will vary according to activities.	PFCC, on advice from PFCC CFO	<p>The reserve is held from specific ESN funding or revenue underspends in previous years set aside to meet the revenue costs of capital expenditure.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	Annual
<b>EARMARKED – CAPITAL S106 RESERVE</b>	To meet the additional infrastructure and other requirements of new developments.	To implement new infrastructure required as a result of developments without needing to use the annual operational budget.	Will vary according to activities.	PFCC, on advice from PFCC CFO	<p>The reserve is held for funds allocated to NCFRA from developers towards the cost of NCFRA infrastructure developments.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	Annual

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Management and control</b>	<b>Risk If Reserve Not Held</b>	<b>Review</b>
<b>EARMARKED - CAPITAL GRANTS UNAPPLIED</b>	Unapplied grants brought forward from the Governance Transfer with Northamptonshire County Council and additional one off grant received from the Home Office.	Used to support funding in accordance with the grant requirements to minimise the cost of external borrowing on NCFRA and the taxpayer if purchased from capital.	Will vary according to activities.	PFCC, on advice from PFCC CFO	<p>The reserve is held for grants awarded for a specific capital purpose.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	Annual



**Summary of Reserves 2022/23 to 2027/2028**

	Actual Balance at 31 March 2022 £m	Forecast Balance at 31 March 2023 £m	Forecast Balance at 31 March 2024 £m	Forecast Balance at 31 March 2025 £m	Forecast Balance at 31 March 2026 £m	Forecast Balance at 31 March 2027 £m	Forecast Balance at 31 March 2028 £m
<u>Held to meet budgetary risks</u>							
Insurance	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Operational Equipment	0.030	0.060	0.060	0.060	0.060	0.060	0.060
	<b>0.280</b>	<b>0.310</b>	<b>0.310</b>	<b>0.310</b>	<b>0.310</b>	<b>0.310</b>	<b>0.310</b>
<u>Held to support the medium term budget</u>							
Carry Forwards	0.151	0.045	0.000	0.000	0.000	0.000	0.000
Smoothing Reserve	0.924	0.265	0.236	0.150	0.200	0.300	0.400
	<b>1.075</b>	<b>0.310</b>	<b>0.236</b>	<b>0.150</b>	<b>0.200</b>	<b>0.300</b>	<b>0.400</b>
<u>Held to facilitate change programmes</u>							
Transformation Reserve	0.682	0.682	0.750	0.750	0.750	0.750	0.750
	<b>0.682</b>	<b>0.682</b>	<b>0.750</b>	<b>0.750</b>	<b>0.750</b>	<b>0.750</b>	<b>0.750</b>
<u>Committed to future capital programmes</u>							
Capital Receipts	0.000	0.186	2.904	1.931	1.650	1.511	1.385
Capital and ESN Reserve	0.355	0.355	0.055	0.355	0.630	0.349	0.055
S106 Developer Contributions	0.273	0.068	0.161	0.121	0.071	0.271	0.221
Capital Grants Unapplied	1.045	0.823	0.543	0.418	0.418	0.418	0.418
	<b>1.673</b>	<b>1.432</b>	<b>3.663</b>	<b>2.825</b>	<b>2.769</b>	<b>2.549</b>	<b>2.079</b>
<b>Total Earmarked Reserves</b>	<b>3.710</b>	<b>2.734</b>	<b>4.959</b>	<b>4.035</b>	<b>4.029</b>	<b>3.909</b>	<b>3.539</b>
<b>General Fund</b>	<b>2.000</b>	<b>1.850</b>	<b>1.850</b>	<b>1.950</b>	<b>2.000</b>	<b>2.000</b>	<b>2.000</b>
<b>Total Reserves</b>	<b>5.710</b>	<b>4.584</b>	<b>6.809</b>	<b>5.985</b>	<b>6.029</b>	<b>5.909</b>	<b>5.539</b>