

Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner (PFCC) for North Yorkshire

25th February 2020

Status: For Decision

Medium Term Financial Plan (MTFP) 2020/21 to 2023/24 and Capital Plans 2020/21 to 2023/24 - North Yorkshire Fire.

1. Executive Summary

1.1 Purpose of the Report

- 1.2 The Home Secretary announced on the 13th June 2018 that the elected Police and Crime Commissioner for North Yorkshire, would take on the governance of North Yorkshire Fire and Rescue Service. The legislation to enable this came into effect passed on the 15th November 2018.
- 1.3 The PFCC inherited a Medium Term Financial Plan (MTFP) from the former Fire Authority that had an underlying £1.2m annual imbalance, and organisational plans that would have seen this imbalance increase to at least £2.5m across the life of that 4 year plan.
- 1.4 While much work was done to stabilise the financial position of the organisation the approved Precept increase for 2019/20 of 2.99%, did little to address the underlying budget imbalance that the PFCC inherited. Options therefore needed to be developed to return the Fire service to a recurring balanced financial position.
- 1.5 This report asks the PFCC to agree the second Budget and MTFP proposals under the new Governance arrangements. This report sets out what action has been taken to return the Fire Service to a recurring balanced financial position less than 18 months after the transfer of governance took place, how the plan sets the foundations, financially, for the 'Ambition 2025' journey and what the risks and assumptions are to delivery of this financial plan.
- 1.6 The report sets out the detailed Budget for 2020/21 and the Medium Term Financial Plan (MTFP) for 2020/21 – 2023/24 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PFCC to agree the funding for the Capital Programme for 2020/21 and the indicative allocations for the period 2021/22 to 2023/24.

2. Recommendations

- 2.1 The PFCC is requested to approve the Revenue Budget as set out within this report and in doing so the delegation of an expenditure budget to the Chief Fire Officer of £35,261k in line with the plans set out within this report.
- 2.2 The PFCC is asked to note that the Budget for 2020/21 is being balanced through the use of £244k from reserves although this is £660k less than last years' MTFP assumed would be required to balance 2020/21.
- 2.3 The PFCC is asked to approve the Reserves Strategy that is attached at Appendix B.
- 2.4 The PFCC is asked to note that the 2020/21 budget is based on the approved 1.99%, or £1.42, increase in the level of Band D precept for 2020/21.
- 2.5 The PFCC is asked to note the Robustness of Estimates and Adequacy of Financial Reserves Advice from the PFCCs CFO that is included within this report.
- 2.6 The PFCC is asked to approve that additional External Borrowing of £2,147k can be taken out during the year, if required, to fund the Capital Programme.
- 2.7 The PFCC is asked to approve that the Capital Programme is initially set at £2,352k, as set out at Appendix A, for 2020/21 and within that programme approve that:
 - Indicative approval of the 2021/22 Capital Programme budgets, as set out in Appendix B, and delegation of approval of any requests to pre-order against the 2021/22 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2021/22 Capital Programme will be submitted for formal approval at this time next year.
 - Delegation to the Commissioners Chief Finance Officer to approve, where needed and appropriate, for the carry forward of any slippage from the approved 2019/20 Capital Programme into 2020/21.

3. Planning and Funding Assumptions

3.1 Local Government Finance Settlement 2020/21

3.2 The Provisional Local Government Finance Settlement was announced by the Secretary of State for Communities and Local Government, Robert Jenwick MP, in a written statement to the House of Commons on Friday 20 December 2019.

3.3 The final stage of the local government finance settlement is to hold a debate in House of Commons, with a vote on the package. The debate and vote were due to take place on the 12th February however this was postponed due to the Government laying emergency legislation on the early release of terrorist offenders.

3.4 The MHCLG are now planning to hold the final settlement as soon as possible after the House returns from recess. Until this final debate and vote takes place there is a very small risk to the figures that are being used for setting the budget.

3.5 The announcement set out the allocations for 2020-21; these allocations were based on the Spending Round 2019 (SR2019) and represent further details but no significant changes from the technical consultation carried out in October 2019.

3.6 Headlines

3.7 The main points within the settlement are as follows:

- No changes to methodology and allocations proposed in the settlement's technical consultation.
- Basic precept threshold at 2%.
- Continuation of 100% pilots in Devolution Deal Areas; no further pilots planned for 2020-21.
- As set out earlier in 2019, £1bn of new social care funding will be added to the £410m Social Care Support Grant. Allocations remain unchanged to those published in the Technical Consultation.
- New homes bonus continuing for 2020-21; future years unknown.
- The Adult Social Care precept threshold will remain at 2%.

- Council Tax Referendum Principles

The Secretary of State announced the Government's proposed referendum principles for 2020-21 in the final report. These include the following thresholds:

- 2% for fire and rescue authorities, counties, London boroughs, unitaries and metropolitan districts.
- Continuation of the 2% Adult Social Care precept.
- Shire district councils will be allowed increases of up to 2%, or up to and including £5, whichever is higher.
- Police and Crime Commissioners councils will be allowed increases of up to and including £10

3.6 Core Spending Power

The Minister announced that Core Spending Power (CSP) is set to increase from £46.2bn in 2019-20 to £49.1bn in 2020-21, a cash-increase of 6.3%. The 2020-21 Core Spending Power consists of:

- Settlement Funding Assessment (Revenue Support Grant and Baseline Funding)
- S31 compensation grant for changes in the uprating of the business rate multiplier from RPI to CPI
- Council Tax (the product of the maximum council tax precept that the Local Authority can raise and its taxbase)
- Improved Better Care Fund (including unringfenced Winter Pressures)
- Social Care Support Grant (including £1bn new funding)
- New Homes Bonus
- Rural Services Delivery Grant

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

3.8 Based on the information produced by the Government and received to date, then the Government calculate that the Core Spending Power for North Yorkshire Fire is projected to increase by circa 3.2%, between 2019/20 and 2020/21 as set out in the table below:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Core Spending Power Breakdown	£000s	£000s	£000s	£000s	£000s	£000s
Settlement Funding	11,524	10,531	9,327	8,817	8,555	8,695
Under Indexing	81	81	86	136	197	247
Council Tax Requirement	18,229	19,002	19,744	20,559	21,450	22,235
Rural Services Grant	98	511	413	515	515	515
Transition Grant	0	74	94	0	0	0
Core Spending Power	29,933	30,200	29,664	30,026	30,717	31,691
Year on Year change in Core Spending Power		0.9%	-1.8%	1.2%	2.3%	3.2%

3.9 This however assumes an increase in Council Tax Requirement of 3.66% which includes an assumed 1.99% increase in the overall Band D level.

3.10 The Government has therefore assumed that the Council Tax Base in North Yorkshire (so the overall number of Band D equivalent properties) will increase by 1.67%, in calculating this 3.2% increase, from the level reported in 2019/20. This assumption is significantly different to the real level of increases being reported by the Council's within North Yorkshire where the overall level of Tax Base growth is only 0.93%. This impact of this is that the real increase in Core Spending Power will only be 2.6% as shown in the table below.

	2019/ 20	2020/ 21
Core Spending Power Breakdown	£000s	£000s
Settlement Funding	8,555	8,631
Under Indexing	197	247
Council Tax Requirement	21,450	22,081
Rural Services Grant	515	515
Core Spending Power	30,717	31,474
Year on Year change in Core Spending Power	2.3%	2.5%

- 3.11 How does this compare to what we planned for when the MTFP was approved in February 2019?
- 3.12 In overall terms the funding at this level, for 2020/21, is around £290k higher than we forecast it would be a year ago. This has resulted from an increase of £76k, in the Settlement Funding, in comparison to a forecast reduction of £445k, offset by lower than forecast Council Tax income of £235k, predominantly resulting from a lower council tax limit of 1.99%, in comparison to a planning assumption of 2.99%.
- 3.13 In overall terms then, with a 1.99% increase in Precept, the overall impact of the funding changes are expected to result in circa 2.5% more income than the PFCC received in 2019/20. Given that assumptions of pay inflation has been revised upwards to a forecast of 2.5% then the funding available to the PFCC for 2020/21 would have been sufficient to maintain current service levels IF the organisation already had a balanced financial plan. The settlement does not however provide any capacity for addressed the underlying imbalance inherited by the PFCC nor the need for investment in the Fire Service.
- 3.14 This investment will therefore need to be self-funded and delivered through a save to invest approach.

3.15 **Funding for 2021/22 and beyond**

- 3.16 Following the expected comprehensive Spending Review in 2020 (CSR2020), it is expected that multi-year settlements will resume however at this stage no detail is available to help with planning in future years.
- 3.17 Given the lack of specific information to inform the future funding position then for planning purposes certain assumptions have had to be made. These are as follows:
- 3.18 Revenue Support Grant (Government) – we have assumed that this will increase year on year by 1.6% - which is in line with the increase provided in 2020/21.
- 3.19 Business Rates Top-Up (Government) - we have assumed that this will also increase by 1.6% per year.
- 3.20 Business Rates (Local) – we have assumed that this will increase by 1.6% per year. Which is line with CPI forecasts, this is the inflation measure to which Business Rates will be linked from April 2020.
- 3.21 Rural Services Grant (Government) – we have assumed that this Grant continues to be paid at the same level throughout the MTFP. This is an area that will need to be closely monitored and representation made to Government to ensure that this is at least maintained and ideally increased in future years.
- 3.22 Business Rates Relief Grants (Government) – we have assumed that these Grants will continue to be given/paid and that they will increase in line with CPI. It is important to recognise that these are reliefs given to the Business Rates Payer by the Government - for example, Businesses with a property with a rateable value of £12,000 and below will receive 100% relief on their Business Rates bill. Businesses with a property with a rateable value between £12,000 and £15,000 will receive tapered relief. The Government then provides 'Authorities', who would otherwise have received a proportion of these Business Rates (via Local payment), a Grant to compensate them for this 'lost' income.
- 3.23 There is a risk that these reliefs end if Government policy changes however the assumption within this plan is that if these Reliefs come to an end then this would increase the amount received within Business Rates (Local) by the same amount.
- 3.24 It is important to recognise that these are assumptions and as such could easily change. These will be kept under close scrutiny/review as the year progresses and updates provided as/when more information becomes available.

3.25 Precept

Over 70% of the Net Budget Requirement for the North Yorkshire Fire and Rescue Service is now funded by the local precept and therefore this provides more financial resilience than in most Fire Service areas, as decisions around the Government Grant have less of an impact than in those areas that are funded by a higher proportion by Government Grants.

3.26 Some areas receive only 45% of their funding from the Precept with the average nationally, across Fire and Rescue Services, about 60%.

3.27 The precept is projected to increase to just under 72% of the Net Budget Requirement by the end of the planning period covered by this MTFP, which is lower than previous forecast given that Government Funding now appears to be increasing, as opposed to continuing to reduce. While at the same time Precept increases seem to be limited to smaller increases than previously planned.

3.28 In publishing the final council tax referendum principles for 2020/21 the Department for Communities and Local Government provided Fire Authorities with the scope to increase Precept by up to 2% before triggering a local referendum. This is lower than the last 2 years and while representations were made to have scope for an increase of £5 on a Band D property, this did not materialise.

3.29 Consultation was undertaken within North Yorkshire and the results published as part of the supporting information for the PFCC's decision to propose a 1.99% (or £1.42) increase in the Band D precept for 2021/22. This proposal was supported by the Police, Fire and Crime Panel and therefore this budget incorporates a Band D 'Fire' precept for 2020/21 for North Yorkshire of £72.69.

3.30 **Results from Public Consultation**

3.31 To further inform the decision around the proposed fire precept for 2020/21 consultation has been undertaken with the Public to ascertain their feedback and thoughts on this subject.

3.32 The Public were asked the following question, via an Online survey:

3.33 Last year's precept raise of 2.99% was sufficient to cover the rise in inflation and to meet some of the financial shortfall in North Yorkshire Fire and Rescue Service's budget the Commissioner inherited.

3.34 The Service is in real need of investment in its estate and fleet which are outdated and in great need of repair, and to improve prevention work across the county to make us safer.





3.35 An average Band D property pays £71.27 per year for the fire and rescue service. The Government is considering two options for Julia to raise this either by 1.99% which is £1.42 for a Band D property, or by £5, whichever is the greater. How much more would you be prepared to pay per year through your council tax for the fire and rescue service?

- No more than I pay now – a precept freeze.
This would mean a cut to the fire and rescue budget due to inflation.
- A 1.99% increase (equivalent to a £1.42 increase for a Band D property).
This would raise £430k but is below inflation and would make it difficult for North Yorkshire Fire & Rescue to maintain the current service.
- A £5 increase (equivalent to a 7% increase for a Band D property).
This would raise £1.5 million and would mean an investment in fire and rescue services.
- More than £5.
This would raise over £1.5 million and would mean a significant investment in fire and rescue services.

3.36 In total, 2,213 responses were received from North Yorkshire residents. The consultation was undertaken by an open, online survey. The open survey was publicised on the Police, Fire and Crime Commissioner's website and promoted via social media. The results of the consultation are detailed in Appendix 1.

3.37 The results of consultation with the public of North Yorkshire in relation to the level of fire precept for 2020/21, has resulted in around three-quarters of respondents support a precept increase of at least 1.99%. A high proportion of respondents (58%) support an increase of £5 plus which equates to more than three times the referendum limit of £1.42.

3.38 A summary of the overall results is shown in the table below:

How much more would you be prepared to pay per year, through your council tax for your fire and rescue service?				
			%*	No.
1	No more than I pay now – a precept freeze. This would mean a cut to the fire and rescue budget due to inflation		24%	529
2	A 1.99% increase (equivalent to a £1.42 increase for a Band D property). This would raise £430k but is below inflation and would make it difficult for North Yorkshire Fire & Rescue to maintain the current service		18%	397
3	A £5 increase (equivalent to a 7% increase for a Band D property). This would raise £1.5 million and would mean an investment in fire and rescue services		37%	813
4	More than £5. This would raise over £1.5 million and would mean a significant investment in fire and rescue services		21%	473

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

3.40 For the purposes of planning, the MTFP that is set out within this paper assumes that Precept increases of 1.99% per annum are possible and occur.

3.41 During the period 2014/15 to 2017/18 the overall Tax Base (based on the number of Band D equivalent properties) grew by an average of 1.77%.

3.42 However in the last 3 years this has slowed significantly to an average of 1.1% and in 2020/21 the collective growth across North Yorkshire is only 0.93%. This is the lowest level of tax base growth since 2012/13.

3.43 The trend therefore appears to be one of slower increases and therefore this plan assumes that the Tax Base increases by 1% per annum going forward, which is lower than the increases that the OBR is forecasting for England as a whole and significantly lower than the Government has assumed within their calculation of Core Spending Power increases for North Yorkshire Fire.

3.44 Each 0.1% increase in the Council Tax Base above, or below, the 1% growth included within the MTFP would impact on income by just over £20k per annum.

3.45 In addition to this Council Tax base growth the Collection Surplus for 2020/21 is £100,393 which while slightly higher than last year but the last 2 years have been the 2 lowest amounts in the last 7 years. This is factored into this MTFP along with an estimated Collection Surplus of £100k per annum going forward, which has been reduced from £150k per annum given the trend of the last 2 years.

3.46 These assumptions will all be kept under review as details for future years become available and projections amended accordingly.

3.47 Specific Grants, Pensions Grant and General Income

These sources of income and funding are forecast to provide between £3.9m and £4.0m across the life of the plan.

3.48 Pensions Grant

3.49 The Fire Pensions Grant has been confirmed 2020-21. It is expected that the methodology of averaging the previous three years costs will be rolled forward one year whilst the overall amount of the Pensions Grant funding has been confirmed to be at the same level as 2019-20 in cash terms – which in effect is a real terms reduction.

3.50 The current financial plans assume that this Pensions Grant of £1,710k will continue in future years, although there are no guarantees that this will happen. Clearly if the grant is not paid in the future then this will create a significant gap in the current financial plan.

3.51 To provide for one of the biggest risks within the MTFP, a Pensions Reserve was established with £1,465k in the reserve. This has been increased to the full level of the Pensions grant and therefore should the PFCC receive notification that this Grant will not continue in 2021/22 then this reserve will provide 1 years capacity to draw up and deliver alternative plans to meet what would be a very significant and additional gap within the financial plans.

3.52 Specific Grants

3.53 In addition to the Pensions Grant the other significant grants in this area include:

- PFI Grant - £649k – this Grant will continue, at the same level, until the PFI contract comes to an end.
- Business Rates Grant - £681k – these are referred to in 3.18 to 3.20

3.54 These grants, by their nature, fund specific work/expenditure, and should the grants reduce/stop then the work will also need to be reviewed and stopped and/or funding from alternative sources found if possible. These areas will be closely monitored across the financial year.

3.55 The entire funding therefore expected to be available to the PFCC for the next 4 years, in comparison to 2019/20, is as follows:

	Actual	Forecast	Forecasts		
	Budget	Budget	2021/2022	2022/2023	2023/2024
	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
	£'000	£'000	£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,449)	(8,631)	(8,769)	(8,910)	(9,052)
Rural Services Grant	(515)	(515)	(515)	(515)	(515)
Council Tax Precept	(21,450)	(22,081)	(22,750)	(23,437)	(24,144)
Collection Fund Surplus/Deficit	(94)	(100)	(100)	(100)	(100)
NNDR Surplus/Deficit	5	6	6	6	6
Funding for the Net Budget Requirement	(30,503)	(31,322)	(32,128)	(32,955)	(33,806)
%age change in Net Budget Requirement	0.0%	2.7%	2.6%	2.6%	2.6%
S31 NDR Grants and Specific Grants	(1,596)	(1,682)	(1,635)	(1,685)	(1,735)
Pensions Mitigation Grant	(1,466)	(1,711)	(1,711)	(1,711)	(1,711)
General Income	(490)	(547)	(551)	(555)	(558)
TOTAL FUNDING	(34,055)	(35,261)	(36,024)	(36,906)	(37,810)
%age change in Total Funding	3.0%	3.5%	2.2%	2.4%	2.4%

3.56 As can be seen from the projected percentage changes to the Net Budget Requirement then providing expenditure inflation (both Pay and Non-Pay) can be contained at circa 2.5% per annum, which is likely to very dependent on pay settlements given that CPI is currently 1.3% and RPI is 2.2%, then the Fire Service would have a chance of maintaining current service levels.

3.57 **However** as referred to earlier the underlying financial plan, that was inherited by the PFCC, did not balance by £1.2m per annum and this was set to grow to an imbalance of £2.6m by 2022/23.

4 Expenditure Plans

4.1 Significant action was taken when setting the budget for 2019/20 to stabilise the financial position and the MTFP approved in February 2019 reduced the recurring imbalance to around £1m per year, as per the table below:

Recurring Savings Requirement	2018/19	2019/2020	2020/2021	2021/2022	2022/2023
	£000	£000	£000	£000	£000
Total Funding	(32,055)	(34,055)	(34,530)	(35,090)	(35,630)
Total Expenditure	33,265	35,190	35,435	35,900	36,665
(Surplus)/Deficit before Reserves	1,210	1,135	905	810	1,035
Planned Transfers to/(from) General Fund	(1,210)	(1,135)	(905)	0	0
(Surplus)/Deficit After Reserves	0	0	0	810	1,035

4.2 With savings and reductions made across the following areas:

Projected Savings Gap and Movements over last 12 months	£000
February 2018 projected imbalance by 2022/23	2,510
Council Tax Assumptions	(249)
Pay Assumptions	393
Funding Assumptions	(873)
Pension Changes	246
Capital Programme Review (including change to Lease Car arrangements)	(488)
Senior Mgmt Review and Governance Tfr	(214)
Insurance Contract	(122)
Rates and Hydrant cost increases	59
Small areas of Growth and Cost pressures	89
Management Challenge	(316)
February 2019 projected imbalance by 2022/23	1,035

4.3 In setting the 2019/20 Budget and MTFP we highlighted a number of areas that would be developed to move the Service to a recurring balanced financial plan, these were broadly around 2 areas:

- Transformation Programme
- Integrated Risk Management Plan

4.4 Transform 2020

4.5 This programme set out a plan to deliver £470k of savings across staffing, senior management, agency costs and procurement savings.

4.6 Elements of this were delivered in 2019/20 as shown in the table above at 3.38 where savings are shown against the 'Senior Mgmt Review and Governance Tfr'

4.7 In addition to this further savings of £293k have been removed from the Budget for 2020/21 in terms of staff and agency savings as part of this programme. While procurement savings totalling £70k have also been removed from the 2020/21 budget.

- 4.8 Beyond this, savings of £220k are expected to be realised from the sharing of Fire and Police HQ at Alverton Court in 2020/21, with full year savings of £355k expected to be delivered in future years.
- 4.9 Integrated Risk Management Plan
- 4.10 A Finance Working Group was established to identify one-off, as well as recurring, deliverable cashable savings to enable the Service to live within its means. It was tasked with overseeing all financially driven change activity undertaken by the Service. It was to ensure visibility and transparency of all savings considerations and co-ordinate work to consider the capacity to deliver the savings and the impact on the wider Service.
- 4.11 Within the terms of reference of this group was consideration of work in relation to the Integrated Risk Management Plan and this led to the development, by the Fire and Rescue Service, of the following proposals and recommendations to improve service efficiency and to help deliver around £500k savings. The proposals were as follows:
- 4.12 Supervisory manager review at Day-Crewed and Wholetime Shift 'one pump/engine' stations has shown that a reduction in the amount of Watch Managers (WMs) is possible. This could be achieved by utilising a single WM across two watches rather than one per watch under the current model. It would balance fluctuations in crewing levels whilst achieving significant recurring financial savings. If implemented in full, savings of approximately £500k per year could be achieved.
- 4.13 By adopting a revised supervisory manager structure, there would be no change to the current level of operational fire cover or to response times to incidents because fire engines will deploy in exactly the same way as they do now.
- 4.14 Whilst there are options around Day-Crewed and Wholetime Shift 'one pump/engine' stations, the initial proposal is to undertake a trial at Day-Crewed Stations prior to further implementation.
- 4.15 Recommendation: to run temporary trials at two Day-Crewed stations from October 2019 where WM vacancies currently exist.
- 4.16 Bank Holiday staffing has also been reviewed, and it is clear crewing flexibility could be increased by using spare personnel, including Day Crewed staff, to undertake cover moves when required. Benefits of implementing this include;
- A higher degree of resilience provided for fulltime crewing levels to cover short term absences occurring on these days
 - Using spare crew members provides additional flexibility in covering On-Call appliance unavailability when required
- 4.17 Recommendation: to make best use of spare personnel on Bank Holidays, including Day-Crewed staff, to undertake cover moves when required as a norm.

- 4.18 Tactical Response Vehicles at On-Call Stations could be better utilised. Four Tactical Response Vehicles (TRVs) were not being used following their removal from operational service in April 2018. Since then, independent testing of the vehicles has confirmed that the vehicles meet all necessary safety requirements. Two of the six vehicles have been reintroduced into service, one each at Harrogate and Scarborough. The reintroduction of four Tactical Response Vehicles (TRVs) into service is necessary.
- 4.19 There is an opportunity to improve On-Call appliance availability levels by placing the TRVs at On-Call stations. In usual circumstances, the On-Call TRVs will operate with a minimum crew of four and will attend the full range of incidents as the standard On-Call fire engine does now.
- 4.20 This crewing figure would be planned for as it is now, however, when the available crewing number drops to three firefighters, using a TRV in the place of standard fire engine will mean firefighters can still be deployed to an incident, albeit to a smaller range of incidents. Analysis has been undertaken to identify the most suitable locations based on current appliance availability; station risk scores; and geographical aspects.
- 4.21 Recommendation: To introduce TRVs into operational service at four on-call stations from the 16th December 2019. Although this was revised to three as part of the review and consultation process with the fourth TRV being used for training.
- 4.22 Further efficiency proposals will be explored as part of the full Risk and Resource Model review from December 2019.

4.23 What does this mean for the overall Financial Position in 2020/21?

4.24 The impact of the financial settlement, the proposed precept, the savings plans, the changes in assumptions and the impact of other pressures within the Fire and Rescue Service has culminated in the following impact on 2020/21:

Changes to the 2020/21 financial position	£k
Pay Inflation	485
Non Pay Inflation	105
Funding Assumptions	(880)
Increase in Grants	(410)
Unavoidable Cost Pressures and Growth	670
Total Pay, Funding and Cost Pressures	(30)
Savings Plans to be implemented in 2020/21	
Risk & Resource Model - Supervisory Manager Review	(70)
Staff T2020 Phase 1 Savings	(275)
Alverton Court move	(245)
Procurement Savings	(70)
Capital Review/Investment	(160)
Total savings factored into 2020/21 budget	(820)
Overall Reduction in previous imbalance	(850)

4.25 The proposed plans will reduce the need for the use of reserves to balance the budget from £1,135k in 2019/20, to £244k in 2020/21.

5 Overall Revenue Budget Summary

5.1 Sections 3 and 4 of this report set out the details of the Income and Expenditure for both the coming financial year and the assumptions about future years. This results in the following summary revenue budget and MTFP.

	Actual	Forecast	Forecasts		
	Budget	Budget	2021/2022	2022/2023	2023/2024
	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
	£'000	£'000	£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,449)	(8,631)	(8,769)	(8,910)	(9,052)
Rural Services Grant	(515)	(515)	(515)	(515)	(515)
Council Tax Precept	(21,450)	(22,081)	(22,750)	(23,437)	(24,144)
Collection Fund Surplus/Deficit	(94)	(100)	(100)	(100)	(100)
NNDR Surplus/Deficit	5	6	6	6	6
Funding for the Net Budget Requirement	(30,503)	(31,322)	(32,128)	(32,955)	(33,806)
%age change in Net Budget Requirement	0.0%	2.7%	2.6%	2.6%	2.6%
S31 NDR Grants and Specific Grants	(1,596)	(1,682)	(1,635)	(1,685)	(1,735)
Pensions Mitigation Grant	(1,466)	(1,711)	(1,711)	(1,711)	(1,711)
General Income	(490)	(547)	(551)	(555)	(558)
TOTAL FUNDING	(34,055)	(35,261)	(36,024)	(36,906)	(37,810)
%age change in Total Funding	3.0%	3.5%	2.2%	2.4%	2.4%
Expenditure					
Wholetime Firefighters	16,483	16,721	17,124	17,227	17,628
On Call Firefighters	3,164	3,325	3,408	3,494	3,581
Administrative & Clerical	3,522	3,319	3,383	3,468	3,627
Control Room Staff	790	765	785	805	842
Direct Staff Costs	23,959	24,130	24,700	24,993	25,678
Indirect Staff Costs	429	440	455	465	475
PFCC Staff Costs	73	74	74	78	78
Premises	2,116	2,111	1,916	1,954	1,993
Transport	726	792	809	813	832
Supplies and Services	3,103	3,472	3,191	3,331	3,457
Operating Leases	159	75	50	71	42
External Service Agreements	185	196	197	202	205
PFI (inc. capital element)	1,431	1,461	1,474	1,518	1,597
Total Indirect Staff and Non Staff Costs	8,220	8,620	8,166	8,433	8,679
PENSIONS	912	912	862	943	967
TOTAL EXPENDITURE BEFORE CAPITAL CHARGES	33,091	33,662	33,729	34,368	35,324
Provision for Debt Repayment	1,093	991	1,067	1,163	1,233
External Interest	613	550	590	627	647
Revenue Contribution to Capital	392	340	638	748	606
Total Capital Charges	2,098	1,882	2,295	2,538	2,486
TOTAL EXPENDITURE BUDGET	35,189	35,544	36,024	36,906	37,810
(Surplus)/Deficit before Reserves	1,134	282	(0)	(0)	(0)
Planned Transfers to/(from) Earmarked Revenue Budget	(1,134)	(244)			
Planned Transfers to/(from) Earmarked Revenue Initiatives	0	(38)			
Planned Transfers to/(from) General Fund	0	0	0	0	0
(Surplus)/Deficit After Reserves	0	0	0	0	0

5.2 As can be seen from the above summary revenue budget the overall financial problems of the Fire and Rescue Service have now been addressed and the service has a recurring balanced budget, with no reliance on use of reserves, from 2021/22 onwards, based on the current assumptions that underpin the plan.

5.3 The main assumptions that underpin the plan are as follows:

Employee Numbers (Budgeted)	FTEs	FTEs	FTEs	FTEs	FTEs
Wholetime Firefighters	306.0	304.0	301.0	294.0	294.0
Retained Duty System Firefighters	342.0	342.0	342.0	342.0	342.0
Support Staff	93.3	84.8	84.8	84.8	84.8
Control Staff	17.2	17.5	17.5	17.5	17.5
Assumptions					
Staff Pay Increase	2.0%	2.5%	2.5%	2.5%	2.5%
Non Pay Inflation	2.0%	2.0%	2.0%	2.0%	2.0%
Precept Increase	2.0%	2.0%	2.0%	2.0%	2.0%
Council Tax Base Increase	1.0%	0.9%	1.0%	1.0%	1.0%

5.4 In addition to recurring balanced plan from 2021/22 onwards there is only a small draw on reserves in 2020/21 of £22k, which is down from a forecasted need for using reserves to balance the 2020/21 budget of £935k.

5.5 This smaller draw on reserves in 2020/21 has been incorporated into a wider review of reserves which is referred to later in the report.

5.6 While balancing the budget is a significant achievement it is only the first step on the journey to help deliver the improvements and ambitions that the Service now aspire to deliver.

6 **Ambition 2025**

6.1 What is the Ambition for North Yorkshire Fire and Rescue Service

- 6.2 *We're a flexible, agile, effective and financially stable service delivering value for money to the public we exist to serve. We deliver the vision and priorities in the Fire & Rescue Plan, through a Risk and Resource model that's based on risk, demand, availability and affordability. We help everyone in York and North Yorkshire Feel Safe and Be Safe.*
- 6.3 *The public know what to expect from us and we can demonstrate the causal effect of our work on their performance, their safety. We currently adopt public performance as our own, for example the number of fires or rescues and the associated deaths and injuries. In the future we'll be able to say what effect our work and interventions had on this public performance, the demand they create. We will have stated aims for service delivery, about how we'll prevent, protect, respond and create community resilience.*
- 6.4 *Our resources are matched to risk, demand and the availability of staff. Our vehicles, equipment, Personal Protective Equipment and training are modern and suitable. We care about our impact on the environment and are committed to minimising it. We have financial stability and sustainability and are beginning to invest in modernising our buildings.*
- 6.5 *We keep people and places safe by integrating and balancing the use of Prevention, Protection, Response and Community Resilience activities, both in our communities and in our own workplaces.*
- 6.6 *Our staff are fulfilled. They are held accountable but are empowered to make decisions, be creative and make the most of partnership working. They know what they come to work to do and they're properly paid and contracted to do it. We operate as a single team, everyone knowing their contribution to the safety of people and places, regardless of their role in the organisation. Especially talented people are identified and developed for future roles, everyone is continuously developed in their existing roles.*
- 6.7 *We work strongly in collaboration and partnership to deliver our services in the best interests of the public we exist to serve. Enable is fully embedded, providing an appropriate level of service, in a timely manner, to our frontline teams. Multi-agency teams are co-located in single buildings to share ideas and work together. This will better join up public service delivery, reduce the overall public estate and free up funding for frontline services.*

- 6.8 **What opportunities do we need to pursue to reach the ambition?**
- 6.9 The transformation programme is designed around three categories of opportunity, each one with numerous interdependent projects:
- On-call availability
 - Maximising service delivery capacity
 - Saving to invest to modernise
- 6.10 These ambitions will need to be underpinned by robust corporate and financial planning and this will be the focus of the Service over the coming years. The financial plans are already starting to develop the capacity to enable some of this work to progress however prioritising the projects will be vital given the limited financial and people resources available to be able to deliver against this ambition.
- 6.11 **Enable**
- 6.12 The process to Simplify, Standardise and Share enabling services with the Police Service as part of the Enable Collaboration agreement will be one of the key areas of development over the coming financial years. The expectation being that the move to 'Enable' is expected to offer the opportunity to both improve services and deliver increased value for money.
- 6.13 There have been no assumptions, in terms of either the timing and/or level of future savings that may result from this collaboration, factored into this MTFP and therefore updates on both the progress and impact of this collaboration will be included in future financial updates.
- 6.14 **Risk and Resource Model**
- 6.15 The Fire and Rescue Service (FRS) currently has in place a Community Safety plan, which is effectively the Integrated Risk Management Plan (IRMP), this was produced after the Fire Cover Review in 2015 and runs through to 2020/21.
- 6.16 This Community Safety Plan sets out how the FRS will continue to protect the people and communities of North Yorkshire and the City of York and how we intend to develop so that we can continue to provide an excellent professional service, whilst delivering value for money.
- 6.17 This plan is then the basis for setting out the way that the service will be delivered and also the basis on which the organisation needs to budget to deliver this plan.
- 6.18 Work is therefore due to begin on a new Risk and Resource Model to ensure that the service can continue to manage its service delivery risks in an affordable way. This will be another key area for development of the organisation over the medium term to ensure that the service can live within the finances it has available and deliver against the Ambitions that the Service has.
- 6.19 Updates on this will be provided as the work develops and incorporated into the overall financial plans as decisions are made.

6.20 **Capital Financing and Expenditure**

6.21 The capital programme has changed significantly from the one inherited from the former Fire Authority. During the development of the transfer of governance business case it became apparent that there was an unsustainable and unaffordable need to borrow to continue to fund the Capital Programme that was then in place.

6.22 The Capital Programme inherited in November 2018 was based on a Capital Programme that was projected to spend £22.7m between 2018/19 and 2023/24 and to fund this it was required to borrow £20m.

6.23 This would have resulted in £14.4m of Debt and Interest Charges over the same 6 year period – with a recurring £3.0m per year needing to have been set aside to cover this area of the budget by 2022/23.

6.24 The Capital Programme included within this MTFP and summarised below, is based on a programme of expenditure of just under £12.0m with projected borrowing of £9.6m, albeit this is over a 5 year period, whereas the inherited capital programme was based on a 6 year programme.

	Forecast 2019/20	Estimated 2020/21	Estimated 2021/22	Estimated 2022/23	Estimated 2023/24
	£000	£000	£000	£000	£000
Capital Reserves brought forward		0	135	602	1,446
FUNDING	£000	£000	£000	£000	£000
Revenue Contribution to Capital - Car Disposals 20/21 onwards	432	244	80	184	142
Revenue Contribution to Capital - Other	63	96	558	564	464
Capital Receipts	789			208	102
Internal Borrowing	-	-	-	-	-
External Borrowing	1,569	2,147	1,949	2,019	1,818
TOTAL FUNDING	2,853	2,487	2,587	2,975	2,526
EXPENDITURE:					
TRANSPORT	1,664	1,792	1,597	1,669	1,466
ESTATES	337	355	352	350	352
INFORMATION TECHNOLOGY	852	206	171	113	184
BREATHING APPARATUS					500
TOTAL	2,853	2,352	2,119	2,132	2,502
Capital Reserves carried forward	0	135	602	1,446	1,470

6.25 The amount now expected to be set aside for Debt and Interest Payments has also been reduced significantly with a recurring projection that 'only' £1.9m per year will need to be set aside each year in 2023/24 (so £1.1m less per year).

6.26 While this is still a substantial programme of investment there is an acknowledgement that there are significant areas of the Fire Estate and the equipment used within the service that require update.

- 6.27 With this in mind a more sustainable way to fund the Capital investment is being developed through the establishment of providing revenue contributions to the capital programme to support the expenditure of shorter life assets, such as ICT. These contributions will build up a Capital Reserve to provide options for future investments as needed. It is currently projected that the reserve will reach £1.4m by 2022/23 although it is expected that plans will be developed, in line with the Ambition, to make use of these funds.
- 6.28 Work will need to be undertaken to establish what these needs are, which are of the highest priority and then the Fire Service will therefore need to draw up affordable plans to address these issues.
- 6.29 As these plans are developed they will be shared with the PFCC.
- 6.30 Further details of the expenditure plans are set out in Appendix A.
- 6.31 The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PFCC's are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated paper 'TM Strategy' will provide the PFCC with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

7. Reserves

- 7.1 The level of usable reserves of fire and rescue authorities is of particular interest at a national level and it is recognised that there is a need for greater transparency around reserves. The updated Fire & Rescue National Framework makes reference that the general fund balance of a FRA should be around 5% of the total revenue budget.
- 7.2 There is a requirement for a Reserves Strategy to be developed to provide transparency around all of the reserves that a PFCC has, why they are needed and how they are expected to be used. This Strategy is appended to this report for approval at Appendix B.

8. Risks

8.1 The major risks and unknowns surrounding the figures presented here are set out below and have been discussed in the above report:

- Pay Awards are higher than the assumptions within the plan
- Any differences between the future years' actual Government Grant settlements, and the estimated figures.
- The outcome of the next Comprehensive Spending Review
- Business Rates Retention and Fair Funding Review
- Variations in future years between the estimated tax base used and the actual declared tax base.
- That the public does not support the precept increases that are factored into the current plans.
- Increasing costs of the employers Pension Contribution into the Fire Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.

9 Robustness Advice

- 9.1 The Local Government Act 2003 introduced a formal requirement on authorities to consider the advice of the Treasurer/s151 Officer on the robustness of the budget proposals, including the level of reserves. If the PFCC ignores this advice the Act also requires them to record this position. This latter provision is designed to recognise the statutory responsibilities of Treasurers/Chief Finance Officers.
- 9.2 For the reasons set out in this report and from my own review of the estimates process I am satisfied that the proposed spending plan for 2020/21 is sound and robust. There are however a number of areas of savings that will need to be delivered from a revenue perspective in 2020/21 to deliver a balanced financial position. The likely risk from a financial perspective, however, in terms of revenue spending is likely to be in relation to the levels of pay awards agreed during the year.
- 9.3 It will be vital to continue to closely monitor the financial position throughout 2020/21 to ensure that the savings plans that are required to balance the plan in future years are developed and the transformation work that is required is undertaken.
- 9.4 The reliance on borrowing to fund the Capital plans of the organisation are an area of on-going concern and something that will need to be considered especially given what appears to be a need for significant investment in the asset base of the Fire Service.
- 9.5 The plans are however robust and the focus will continue to be on delivering the schemes and the benefits that are expected from those schemes.
- 9.6 A review has been undertaken of Fire's reserves and general balances. The general balances and reserves are an important part of the PFCC's risk management strategy giving the financial flexibility to deal with unforeseen costs or liabilities. Assuming the approval of the plan set out in the budget report, I am satisfied that the PFCC would have adequate levels of financial reserves and general balances through 2020/21 provided that service restructuring is delivered and future growth, if any, is managed and funded from sustainable savings.

APPENDIX A

	Forecast	Estimated	Estimated	Estimated	Estimated
	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Capital Reserves brought forward		0	135	602	1,446
FUNDING	£000	£000	£000	£000	£000
Revenue Contribution to Capital - Car Disposals 20/21 onwards	432	244	80	184	142
Revenue Contribution to Capital - Other	63	96	558	564	464
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External Borrowing	1,569	2,147	1,949	2,019	1,818
TOTAL FUNDING	2,853	2,487	2,587	2,975	2,526
EXPENDITURE:					
TRANSPORT	1,664	1,792	1,597	1,669	1,466
ESTATES	337	355	352	350	352
INFORMATION TECHNOLOGY	852	206	171	113	184
BREATHING APPARATUS					500
TOTAL	2,853	2,352	2,119	2,132	2,502
Capital Reserves carried forward	0	135	602	1,446	1,470

ESTATES - CAPITAL PROGRAMME 2020/21 TO 2024/25						
	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
	£000	£000	£000	£000	£000	
Minor Works	220,000	354,500	351,750	350,000	352,000	350,000
Northallerton Site (Car Park)	116,998					
TOTAL	336,998	354,500	351,750	350,000	352,000	350,000

INFORMATION TECHNOLOGY - CAPITAL PROGRAMME 2020/21 TO 2024/25						
	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
Mobilising, Telephony and Bearers:						
Network Replacement and Upgrade Programme	15,000	15,000	15,000	15,000	15,000	40,000
Firewall Implementation Programme	9,000	9,000	9,000	9,000	9,000	
ESN Transition		50,000	50,000			
Fireground Radio Replacement	131,124					
SIP Trunking		50,000				
	155,124	124,000	74,000	24,000	24,000	40,000
Major IT Systems and Schemes:						
Azure Refresh						150,000
Citrix Farm Upgrade						30,000
CFRMIS Replacement						120,000
Central Gazetteer			50,000			
Website Redevelopment		35,000				
SHQ Move - IT Software	6,235					
SHQ Move - IT Hardware	99,315					
CHIRP: Project Delivery (Alscient)	336,485					
CHIRP: Project Management (Alscient)	55,300					
CHIRP: Migration (3rd Parties)	78,350					
CHIRP: Expenses	6,480					
CHIRP: Contingency	6,583					
CHIRP: Software	5,355					
	594,103	35,000	50,000	0	0	300,000
Ancillary Hardware and software:						
MDT Replacement	51,110					150,000
Incident Command Training ICT Replacement	10,485			42,000		11,000
PC replacement / expansion programme (1/5 per year over 5 years)	37,500	37,500	37,500	37,500	60,000	100,000
Server replacement / expansion programme (1/5 per year over 5 years)	3,188	9,000	9,000	9,000	100,000	75,000
	102,283	46,500	46,500	88,500	160,000	336,000
TOTAL	851,510	205,500	170,500	112,500	184,000	676,000

TRANSPORT - CAPITAL PROGRAMME 2020/21 TO 2024/25						
	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
	£000	£000	£000	£000	£000	£000
Rescue Pumps	982,293	1,347,188	1,229,701	1,233,873	1,272,740	1,277,059
Aerial Appliances	264,000					
4x4 Vehicles (Landrover or equiv)	10,000		120,000	90,000		
Incident Command Unit		200,000				
Water Rescue Boats						50,000
Water Tankers						300,000
Vans and Support Vehicles		52,000	133,500	13,500	0	75,000
Response & Pool Cars	408,100	193,000	68,000	332,000	193,000	68,000
Emergency First Responder Cars		0	6,000			6,000
End of lease vehicles purchase		0	40,000			40,000
TOTAL	1,664,393	1,792,188	1,597,201	1,669,373	1,465,740	1,816,059

North Yorkshire Police Fire and Crime Commissioner Fire and Rescue Authority

Reserves Strategy

The level of usable reserves of fire and rescue authorities is of particular interest at a national level and it is recognised that there is a need for greater transparency around reserves. The updated Fire & Rescue National Framework makes reference that the general fund balance of a FRA should be around 5% of the total revenue budget.

The National Framework

The National Framework which was published in May 2018 includes a section on reserves, the main components of which are:

- General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. These should be established as part of the medium term financial planning process.
- Each fire and rescue authority should publish their reserves strategy on their website. The strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should provide information for at least two years ahead.
- Sufficient information should be provided to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the fire and rescue authority's Medium Term Financial Plan (MTFP).
- Information should be set out in a way that is clear and understandable for members of the public and should include:
 - How the level of general reserve has been set.
 - Justification for holding a general reserve larger than five percent of budget.
 - Whether the funds in each earmarked reserve are legally or contractually committed, and if so, what amount is committed and,
 - A summary of what activities or items will be funded by each earmarked reserve and how these support the fire and rescue authority's strategy to deliver good quality services to the public.

The information on each reserve should make clear how much of the funding falls into the following three categories:

- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).
- 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. There is not a recognised formula for determining the level of reserves that a fire authority should maintain. It is up to each authority to consider the local circumstances and the potential issues/risks that may occur across the medium term. In determining the level of reserves for the Authority the risks and issues that need to be taken into account will include the following:
 - The possibility of savings not being delivered; as austerity levels of funding continue, the need for annual reductions in spending is expected to increase in magnitude. This is likely to mean the identification of savings proposals carry a potentially greater risk of not being delivered.
 - To provide cover for extraordinary or unforeseen events occurring: given the purpose of the fire and rescue service is to respond to emergency situations, there is always the potential for additional, unexpected and unbudgeted expenditure to occur.
 - The commitments falling on future years as a result of capital plans and proposals to improve the asset base. Having reserves mitigates the impact on the revenue budget of borrowing and/or revenue contributions to capital and would support projects/programmes that will support revenue efficiencies.
 - The risk on inflation, especially pay. There remains continued pressure on pay inflation to be in excess of the 2.5% provided for in the MTFP.

Reserves Policy

The PFCC considers Reserves annually as part of the Budget Setting Process. The principles that underpin this area are as follows:

Reserves are maintained to:-

- (a) Create a contingency to help cushion the impact of unexpected events or emergencies - the General Reserve.
- (b) Build up funds (often referred to as earmarked reserves) to meet specific future requirements, including the smoothing out of peaks in costs and the effect of loss of external funding.

The level of reserves is taken into account when calculating the council tax requirement. This ensures a balanced budget position is maintained and enables regard to be given to affordability when considering future revenue requirements and capital programmes.

The reserves must be reported to the PFCC on a regular basis as part of budget and financial monitoring. Part of this exercise is to ensure continuing relevance and adequacy and to enable the Medium Term Financial Plan to be up-dated.

The actual level of reserves, earmarking and utilisation are considered when up-dating the MTFP and as part of its on-going review.

General Reserve

In setting the level of the General Reserve, consideration is given to the adequacy of financial control, the overall financial position, medium-term plans and strategic, operational and financial risks facing the PFCC. The level of the General Reserve is reviewed by the Police and Crime Commissioner on the advice of the PFCC's Chief Finance Officer having regard to these matters.

Key Principles are:-

- (a) The General Reserve will not be used to meet on-going revenue items.
- (b) The General Reserve may be used, on an exceptional basis, as a short-term option to balance the budget, particularly where major operations are experienced.
- (c) The PFCC will aim to maintain the level of General Reserves at not less than 3% of the net revenue budget.
- (d) The level of the General Reserve is re-assessed annually as part of the annual budget-setting process.

Reserves Forecast

The following schedule sets out the forecast movements on reserves over the life of the current long term financial plan, it is important to recognise that whilst the schedule sets out the expected use of the current reserves, circumstances will change and all reserves will be reviewed at least annually. It is also important to recognise that there will undoubtedly be a need to create new reserves, in future years, to deal with risks that are currently unknown; the likelihood is that they will not reduce in overall financial terms as exactly planned and that while current reserves are spent, new reserves are likely to be needed to manage future risks.

	Balance at 31 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31 2021 £000	Transfers In/Out 2021/22 £000	Balance at 31 2022 £000	Transfers In/Out 2022/23 £000	Balance at 31 2023 £000	Transfers In/Out 2023/24 £000	Balance at 31 2024 £000
Pay & Price Reserve	610	110		720			720		720		720		720
Pensions Reserve	1,645	65		1,710			1,710		1,710		1,710		1,710
Recruitment Reserve	300	200	-300	200			200		200		200		200
New Developments Reserve	490		-150	340		-40	300		300		300		300
Medium Term Funding shortfall Reserve	2,035		-1,790	245		-245	0		0		0		0
Insurance Reserve	80			80			80		80		80		80
Hydrants Reserve	0	285		285			285		285		285		285
Total Earmarked Reserves	5,160	660	-2,240	3,580	0	-285	3,295	0	3,295	0	3,295	0	3,295
General Reserves	995	55	0	1,050	0	0	1,050	0	1,050	0	1,050	0	1,050
% of Net Budget Requirement	3.3%			3.4%			3.4%		3.3%		3.2%		3.1%
Total Usable Reserves	6,160	715	-2,240	4,630	0	-285	4,350	-285	4,350	0	4,350	0	4,350
Capital Receipts Reserve	795	0	-795	0	0	0	0	0	0	0	0	0	0
Earmarked Capital Reserve	0	0	135	135	0	465	600	845	1,445	25	1,470	-595	875

Why have these Reserves been established and what will they be used for?

General Contingency Reserves:

Pay & Price Reserve

This reserve has been built up over previous years' through the transfer of any underspends arising on staff budgets. In the short term this reserve will be used to fund pay awards that are higher than estimated in the MTFP. The proposed level is based upon a pay award being 1% higher than budgeted for (i.e. 3.5% v 2.5%) in 2020/21 and 2021/22.

Pensions Reserve

This reserve has been built up over previous years' through the transfer of any underspends arising on the cost of Firefighters' pensions charged to the Revenue Account. The proposed level is based upon:

- a) one year's estimated funding from the Home Office in mitigation of the increase in Employers Firefighters Pensions contributions arising from the Pensions 2016 Valuation which at present has only been confirmed for 2020/21.

New Developments/Revenue Initiatives Reserve

This reserve was established in 2010/11 to meet the forecast costs of some on-going revenue initiatives or future change programmes to help transform the organisation to enable one off schemes/expenditure to be funded. For example, non-recurring staff costs to enable a project or initiative to be delivered. The proposed level provides for project management costs for the replacement of the Asset Management system in 2019/20, and also the one-off costs to be incurred in respect of the HQ move from Thurston Road to Alverton Court, and project management costs for the Core Hardware Infrastructure Replacement Programme (CHIRP), which will be released once expenditure plans are firmed up.

Recruitment Reserve

This reserve has been established to fund the costs of Trainee Firefighters while in training and therefore unavailable for service delivery. This will help ensure that gaps in service are not required while training takes place.

Hydrant Reserve

While the work to repair, maintain and replace Fire Hydrants is the responsibility of Yorkshire Water the costs are the responsibility of the Fire Service. This leaves little control over the amount of work done, the timing of the work and the visibility and timeliness of charging. This reserve has therefore been established to deal with the variable nature of this area of cost.

Insurance Reserve (General Contingency Reserve)

The Police, Fire and Crime Commissioner operate on a self-insurance basis determined by the level of excess on the cover provided by external policies. This reserve is ring-fenced for insurance requirements only and cannot be used for other purposes. This reserve was established following the approval of the 2019/20 Budget and MTFP, the level being calculated on the basis of historic budget impact of past claims.

Funding for Planned Expenditure over MTFP Reserves:

Medium Term Funding Shortfall Reserve

This reserve was established following the approval 2019/20 Budget and MTFP to bridge the estimated funding shortfall over the period 2018/19 to 2020/21.

Earmarked Revenue Grants

This reserve holds unspent New Dimensions grant monies of £132,000 transferred in 2017/18 for use within 2018/19 on CBRN (Chemical, biological, radiological and nuclear defence) refresher training and related equipment. Expenditure of £54,500 is planned in 2018/19 with the remaining balance to be transferred to the Medium Term Funding Shortfall reserve at the end of the financial year.

Capital Reserve

The service has recognised the significant level of investment that it needs to make in terms of Estates, Equipment and Fleet, however constantly borrowing to do so is not sustainable and therefore a Capital Reserve has been established to help support the vital investment that is needed in these areas, and in shorter term Information Technology assets, while helping to manage borrowing and the costs associated with borrowing.