

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

**26<sup>th</sup> January 2021**

**Status: For Approval**

### **Proposing the 2021/22 Fire Precept**

#### **1. Purpose of the Report**

- 1.1 The balance of cost of the fire service not paid for by central government is met by local taxpayers through a precept on their council tax. It is the responsibility of the eight local billing authorities namely, Craven District Council, Hambleton District Council, Harrogate Borough Council, Richmondshire District Council, Ryedale District Council, Scarborough Borough Council, Selby District Council and York City Council to collect this.
- 1.2 Legislation requires the precept for 2021/22 to be set before 1st March 2021. The precept on each of the eight billing authorities is set taking account of their individual surpluses/deficits on collection funds.
- 1.3 The PFCC's attention is drawn to the following:
  - The police, fire and crime commissioner must notify the relevant police, fire and crime panel of the precept which the commissioner is proposing to issue for the financial year (the "proposed precept") by the 31st January 2021.
  - A Police, Fire and Crime Panel (PFCP) can veto the proposed precept from the PFCC if 2/3rds of the Membership of the panel vote to do so.
  - The PFCP are required to issue a report to the PFCC on the proposed precept, by the 8th February 2021, including any recommendations that they may have on the proposal and also whether they have voted to veto the proposal.
- 1.4 The PFCC must:
  - Have regard to the report made by the panel including any recommendations in the report,
  - Give the panel a response to the report and any recommendations; and
  - Publish the response.

- 1.5 If the PFCP do not veto the proposed precept:  
The PFCC may then:
- Issue the proposed precept as the precept for the financial year, or
  - Issue a different precept, but only if it would be in accordance with a recommendation made in the report to do so.
- 1.6 If the PFCP veto the proposed precept then the PFCC must not issue the precept and further steps must be undertaken in line with legislation. Further information will be provided on this should it be necessary.
- 1.7 A police, fire and crime commissioner may not issue a precept under section 40 of the Local Government Finance Act 1992 for a financial year until the end of this scrutiny process is reached.

## **2. Financial Background**

### 2.1 Local Government Finance Settlement 2021/22

2.2 On 17 December 2020, the Secretary of State for Housing, Communities and Local Government Robert Jenrick MP, set out the Provisional Local Government Finance Settlement for 2021-22 in the form of a Ministerial Statement in the House of Commons. Alongside the statement, details of the provisional settlement have been published on the Gov.uk website.

### 2.3 Headlines

2.4 Due to the timing and detail of local government finance announcements at the 2020 Spending Review (which was published much later in the year than previous SRs), the majority of the settlement was already known. The headlines below build upon headlines from SR2020:

- Pensions Grant – Cash Flat.
- Confirmation that Core Spending Power (CSP) increases by an average of 4.5% (£2.2bn) – a significant proportion of this is additional council tax flexibilities for social care Local Authority's and police.
- Standalone FRAs see their CSP increase by 2.7%.
- Precept – 1.99% basic referendum limit for FRAs.
- Rural Services Delivery Grant increased from £81m to £85m.
- Further details on the Income Guarantee Scheme (75% of irrecoverable losses) published.
- Allocations of £670m LCTS to be applicable to Fire.
- Underspend in New Homes Bonus. This has been allocated as follows:
  - £261m for the lower tier fund and half of the additional social care grant.
  - £13m to fund the increase in SFA
  - £4m Rural Service Delivery Grant uplift

2.5 Council Tax Precepts

2.6 The Provisional Settlement sets council tax referendum thresholds for FRAs at 1.99% for 2021-22. As set out in SR2020, there is an additional 3% flexibility for the Adult Social Care authorities, a 1.99% or £5 (whichever is higher) principle for shire districts and a £15 Band D increase limit for police. As previously, there are no council tax referendum principles for Mayoral Combined Authorities or parishes.

2.7 Core Spending Power

2.8 The core settlement is made up of Baseline Funding Levels and Revenue Support Grant (RSG). RSG has increased in real terms (September 2020 CPI = 0.553%). Baseline funding levels (BFL) which are funded through Business Rates, are flat in cash terms as the government has announced that the Business Rate multiplier will be frozen next year. The real terms (0.55%) increase in the BFL will arrive via a Section 31 grant as per previous indexation compensation grants.

2.9 Council Tax Base Assumptions

2.10 Council tax bases have been assumed to increase by an average of the annual growth between 2016-17 and 2020-21. This means the MHCLG are not using the OBR's -0.2% forecast for tax base growth. The Core Spending Power Explanatory Note also explains that they are assuming all authorities maximise their precept in 2021-22.

2.11 Council Tax and Business Rates income guarantee scheme

2.12 The government has published a consultative policy paper on Covid-19 funding for local government in 2021-22. The government has said that it is setting out how losses in scope of the guarantee will be measured. For council tax, this is broadly a comparison of each authority's council tax requirement and an adjusted Net Collectable Debit. For business rates, this is broadly a comparison of income as calculated in the National Non-Domestic Rates ('NNDR') statistical collection forms 1 and 3.

2.13 SR2020 stated that the government forecasted the guarantee scheme to total £762m but there have been concerns that this will be insufficient. It is expected that the promise is for 75% of irrecoverable losses, (rather than capped at £762m) so this funding is anticipated to increase as required to meet the 75% guarantee.

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

2.15 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 2.7%, between 2020/21 and 2021/22 as set out in the table below:

	2020/21	2021/22
<b>Core Spending Power Breakdown</b>	£000s	£000s
Settlement Funding	8,694	8,708
Under Indexing	247	321
Council Tax Requirement	22,081	22,815
Rural Services Grant	515	540
<b>Core Spending Power</b>	<b>31,537</b>	<b>32,385</b>
Year on Year change in Core Spending Power	2.4%	2.7%

2.16 This however assumes an increase in Council Tax Requirement of 3.32% which includes an assumed 1.99% increase in the overall Band D level.

2.17 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 1.33%, in calculating this 3.32% increase, from the level reported in 2020/21.

2.18 This assumption is significantly different to the real level of increases being report by the Council's within North Yorkshire, where the overall level of Tax Base has seen a reduction of 0.2%. The impact of this is that the real increase in Core Spending Power will only be 1.4% as shown in the table below. This also does not taken into account the deficit on the Council Tax Collection Fund

	2020/21	2021/22
<b>Core Spending Power Breakdown</b>	£000s	£000s
Settlement Funding	8,694	8,708
Under Indexing	247	247
Council Tax Requirement	22,081	22,477
Rural Services Grant	515	540
<b>Core Spending Power</b>	<b>31,537</b>	<b>31,972</b>
Year on Year change in Core Spending Power		1.4%

2.19 The income at this level is £413k lower than assumed by the Government in their announcement that Standalone Fire and Rescue Authority's would see an increase of 2.7% in their Core Spending Power.

2.20 Some of this lower income will be offset by an additional Local Council Tax Support Grant of £315k.

- 2.21 How does this compare to what we planned for when the MTFP was approved in February 2020?
- 2.22 In overall terms the funding for 2021/22 is almost exactly the same as that forecast a year ago. This results from the lower Council Tax income being offset by the one-off Council Tax Support Grant and higher levels of other income than forecast a year ago.
- 2.23 Given that assumptions of pay inflation have been revised downwards, from forecast increases of 2.5% per annum, to the following:
- 2021/22 - Pay Freeze
  - 2022/23 – 1% increase
  - 2023/24 – 1.5% increase
  - 2024/25 – 2% increase
- 2.24 Then the Service has been able to broadly absorb the pressures within the budget however it is expected to use some reserves to balance the budget in 2021/22.
- 2.25 The settlement does not however provide any significant capacity for investment and this will therefore need to be self-funded and delivered through a save to invest approach.
- 2.26 It is important to recognise that a number of these figures are estimates at this stage and should be finalised during February. It is unlikely however that any will change significantly.
- 2.27 **Funding for 2022/23 and beyond**
- 2.28 The funding position for 2022/23 will be set out and determined as part of the Spending Review that will be undertaken in 2021.
- 2.29 Given the expected financial challenges that are likely to result from the costs incurred during the pandemic then the assumptions within the revised MTFP is that Core Government funding will be frozen for the next 3 years.

### **3. Consultation with the Public**

- 3.1 To further inform the decision around the proposed precept for 2021/22 consultation has been undertaken with the public to ascertain their feedback and thoughts on this subject.
- 3.2 The consultation was conducted via an online survey and by telephone, to ensure a representative sample of North Yorkshire and the City of York residents by age, gender and geography.
- 3.3 The public were asked the following question:
- 3.4 Last year, the precept rise was in line with inflation to maintain current service delivery but did not allow for investment.
- 3.5 If funding from this year's precept exceeds inflation, we can reduce the annual budget shortfall of £500k and start to make much needed investment in the estate and fleet to improve service delivery and ensure facilities are appropriate for a diverse workforce.
- 3.6 The Government has capped the fire and rescue precept at 1.99% which is a maximum increase of £1.45 for an average Band D property.
- 3.7 The following options are based on an average Band D property currently paying £72.69 each year for fire and rescue services. How much more would you be prepared to pay per year, through your council tax for fire and rescue services?
- No more than I pay now – a precept freeze  
This would mean a cut to the fire and rescue budget due to inflation and current service delivery could not be maintained
  - Up to £1.45, an increase of 1.99%  
This would raise £432k, keeping up with inflation to maintain current service delivery but no investment in its services
  - Up to £5, an increase of 6.9%  
This would raise £1.5 million, exceeds inflation, would help reduce the financial shortfall and allow investment in the areas mentioned
  - Up to £10, an increase of 13.8%  
This would raise £3 million, exceeds inflation, would help reduce the financial shortfall and allow significant investment in the areas mentioned
- 3.8 In total 2,121 responses were received via the open online survey and a further 1,000 interviews over the telephone. The open survey was published on the PFCC website and promoted widely via social media. The results of the consultation are detailed at Appendix 1.

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

	<b>Total (n=3085)</b>	<b>Telephone (n=974)</b>	<b>Online (n=2111)</b>
<b>No more than I pay now – a precept freeze</b>	<b>28%</b>	29%	28%
<b>Up to £1.45, an increase of 1.99%</b>	<b>28%</b>	24%	31%
<b>Up to £5, an increase of 6.9%</b>	<b>26%</b>	29%	24%
<b>Up to £10, an increase of 13.8%</b>	<b>18%</b>	19%	17%
<b>TOTAL who support an increase of at least 1.99%</b>	<b>72%</b>	<b>71%</b>	<b>72%</b>

\*figures may not add to 100% due to rounding

3.10 Combined results (online and telephone) from the consultation show a clear majority (72%) support an increase of up to £1.45 in the fire and rescue precept.

## 4. Financial Implications

### 4.1 The Tax Base

The eight local Councils have notified the PFCC of their tax bases for 2021/21 as set out in the table below:

<b>Tax Base</b>	<b>2021/22</b>	<b>2020/21</b>
	Net Tax Base	Net Tax Base
Craven District Council	22,363	22,617
Hambleton District Council	37,343	37,256
Harrogate Borough Council	63,985	63,428
Richmondshire District Council	19,704	19,981
Ryedale District Council	21,801	22,062
Scarborough Borough Council	38,401	38,627
Selby District Council	32,065	31,989
York City Council	67,512	67,813
<b>Total</b>	<b>303,174</b>	<b>303,774</b>
<b>Annual Increase/(Decrease)</b>	<b>(600)</b>	
<b>Percentage Increase/(Decrease)</b>	<b>-0.20%</b>	

4.2 The tax base is expressed in terms of Band D equivalent properties. Actual properties are converted to Band D equivalent by allowing for the relevant value of their tax bands as set down in legislation (ranging from 2/3rds for Band A to double for Band H; discounts for single person occupation, vacant properties, people with disabilities etc;) and a percentage is deducted for non-collection. Allowance is also made for anticipated changes in the number of properties.

- 4.3 The tax base calculated by the billing authorities differ from the figures used by the Government (which assumes 100% collection) in calculating Grant Formula entitlements.
- 4.4 As can be seen from the table above the number of Band D equivalent properties across North Yorkshire has decreased in 2021-22, in comparison to 2020-21, by 600 – this equates to a decrease of 0.2%.
- 4.5 A reduction in the overall tax base is highly unusual and was completely unexpected. This has therefore has an impact on the finances of the organisation. A 0.2% reduction, versus an expected 1% increase, equates to an overall reduction in precept income of around £270k. This impact has however been compensated for by a Local Council Tax Support Grant of £315k from the Government.
- 4.6 This funding is expected to be a one-off grant as it is hoped/assumed that the Tax Base will recover over the next 2/3 years. The financial plans assume quicker tax base growth of 1.5% in each of the next 2 years. This will however be dependent on many factors which are clearly outside of the control of the organisation.
- 4.7 The 2021/22 tax base is therefore 303,173.8 Band D Equivalent properties
- 4.8 Setting the Council Tax
- 4.9 As referred to in the financial updates throughout 2020/21 the biggest financial challenge, resulting from COVID-19, for the organisation was likely to materialise in 2021/22 with a likely recurring, but smaller impact in the years thereafter. The impact is expected to result from less Council Tax than planned being collected during 2020/21 and a further impact on the overall tax base in future years in comparison to previous plans.
- 4.10 The Government recognised this challenge and have provided the flexibility to all billing and major precepting authorities (including police and fire authorities) to phase the deficit over a fixed period of three years.
- The phased amount will be the entire collection fund deficit for 2020-21 as estimated on the 15 January 2021 for council tax and in the 2021-22 NNDR1 for business rates.
  - The deficit will be phased in three equal and fixed amounts across the financial years 2021-22, 2022-23 and 2023-24.
  - The amounts to be paid off during 2021-22 will therefore be only 1/3rd of each authority's share of the estimated 2020-21 deficit.
- 4.11 The Councils have indicated an overall deficit on their collection funds, of which £248k relates to Fire.
- 4.12 Of this overall deficit of £248k, there is a £29k surplus that relates to years prior to 2020/21 and is therefore treated normally. Of the £277k deficit that relates purely to 2020/21 this will be phased across 3 years in line with the changed legislation. The will result in a £92k charge in each of the next 3 years.

4.13 The precept calculation needs to take account of the net surplus and deficit on the billing authority collection funds. Projected surplus/deficits on the individual funds are shown in the table below.

<b>Collection Funds Surplus/ (Deficit)</b>	
	<b>£</b>
Craven District Council	(4,799)
Hambleton District Council	(1,695)
Harrogate Borough Council	(25,489)
Richmondshire District Council	(20,355)
Ryedale District Council	(11,951)
Scarborough Borough Council	(1,419)
Selby District Council	2,350
York City Council	0
<b>Net Surplus on Collection Fund</b>	<b>(63,359)</b>

4.14 The deficit that have arisen need to be returned through the precept. The final precept to be levied will reflect the position on each council's collection fund.

#### 4.15 Financial Summary

##### Net Budget Requirement

Based on the proposed precept increase of 1.99% the Net Budget Requirement (NBR) for 2021/22, in comparison to 2020/21, is set out in the table below:

<b>Funding the Net Budget Requirement</b>	<b>Budgeted Figures</b>		<b>(Increase)/Reduction</b>	<b>%age Change</b>
	<b>2021/22</b>	<b>2020/21</b>		
	£000s	£000s	£000s	
<b>Funding</b>				
Total Settlement Funding	(8,708)	(8,631)	(77)	0.9%
Rural Services Grant	(540)	(515)	(25)	4.9%
Council Tax Precept	(22,477)	(22,081)	(396)	1.8%
Collection Fund/NNDR Surplus/Deficit	69	(105)	175	-165.9%
<b>Net Budget Requirement</b>	<b>(31,656)</b>	<b>(31,333)</b>	<b>(323)</b>	<b>1.0%</b>

4.16 As can be seen from the above the NBR is expected to increase in 2021/22, by £323k (or 1.0%,) if the precept is increased by 1.99%.

#### 4.17 Precept Calculations

The final precept calculations are set out in the tables below based on a 1.99% increase:

<b>Proposed Precepts - 1.99% Increase</b>			
	<b>Unadjusted Precept</b>	<b>Collection Fund Balance</b>	<b>Council Tax Requirement</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Craven District Council	1,653,188	(4,799)	1,657,988
Hambleton District Council	2,766,907	(1,695)	2,768,602
Harrogate Borough Council	4,718,351	(25,489)	4,743,840
Richmondshire District Council	1,440,534	(20,355)	1,460,889
Ryedale District Council	1,604,384	(11,951)	1,616,336
Scarborough Borough Council	2,845,648	(1,419)	2,847,068
Selby District Council	2,379,623	2,350	2,377,273
York City Council	5,005,310	0	5,005,310
<b>Total Precept</b>	<b>22,413,945</b>	<b>(63,359)</b>	<b>22,477,304</b>

4.18 The 'basic amount' of council tax is the rate for a Band D property. It is calculated by dividing the Council Tax Requirement by the total tax base i.e. £22,477,304 by 303,173.8 giving a council tax rate for Band D properties of £74.14.

4.19 The proposed council tax rate for each property band is determined in accordance with the statutory proportions and is set out in the table below, it also shows the increases for each Band in comparison to 2019/20. It is advised that the tax rates should be calculated to more than 2 decimal places.

<b>Council Tax Band Amounts and Increases</b>				
	<b>1.99% increase</b>			
Property Band	2021/22	2020/21	Increase per Annum	Increase per Week
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
A	49.427	48.460	0.97	0.02
B	57.664	56.537	1.13	0.02
C	65.902	64.613	1.29	0.02
D	74.140	72.690	1.45	0.03
E	90.616	88.843	1.77	0.03
F	107.091	104.997	2.09	0.04
G	123.567	121.150	2.42	0.05
H	148.280	145.380	2.90	0.06

## Precept Consultation Results 2021/22 – Fire and Rescue Precept

### Approach

The Police, Fire and Crime Commissioner’s precept consultation aimed to understand how much the public would be prepared to pay via their council tax for policing and separately for the fire and rescue service next year (2021/22).

Between 16<sup>th</sup> December 2020 and 13<sup>th</sup> January 2021, an online, self completion survey was open to the public of North Yorkshire and the City of York. The survey was promoted via media releases and social media including; Facebook, Twitter, Instagram and Nextdoor social media accounts. All 27,556 users of the Community Messaging system in North Yorkshire and the City of York were notified about the survey and an email was sent to all MPs and Councillors in December, to raise community awareness. Residents could respond via post, phone, email or online, resulting in 2,121 responses.

In addition, a representative telephone survey was conducted with 1,000 North Yorkshire and City of York residents, screened to ensure respondents were council tax payers and aged over 18. Quotas were set by gender, age and district to reflect the demography and geography of the county. The telephone interviews were undertaken by an independent market research company.

Questions around both precepts were combined within one survey. The order in which people considered each precept was rotated; 50% answered the policing precept question first, 50% the fire and rescue precept question.

Combined, the total number of responses to the Police, Fire and Crime Commissioner’s 2021/22 precept survey was 3,121.

All districts were well represented as shown in Table 1 below.

**Table 1: Total responses (combined telephone and online) by district**

	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby	York	TOTAL
Survey responses	7%	13%	17%	10%	9%	10%	14%	20%	100%
North Yorkshire and City of York: estimated households*	7%	11%	19%	6%	7%	14%	10%	25%	99%**

\*Household district estimates, Data North Yorkshire <https://hub.datanorthyorkshire.org>

\*\*Rows may not add to 100% due to rounding

### Results

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

Those who support a freeze for the fire and rescue precept are extremely likely to also suggest a freeze for the policing precept (90%). There is a strong correlation between the amount people

are prepared to pay and household income with lower income households most likely to opt for a freeze in both precepts.

Responses to the fire and rescue precept question are summarised in the chart below. Almost three-quarters of respondents (72%) were prepared to pay an increase of at least £1.45 in their council tax for fire and rescue services next year.

**Figure 1: Fire and rescue precept response**

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

