

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

28th February 2019

Status: For Decision

Medium Term Financial Plan (MTFP) 2019/20 to 2022/23 and Capital Plans 2019/20 to 2022/23 - 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, will take on the governance of North Yorkshire Fire and Rescue Service. The legislation to enable this to come 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 That MTFP assumed a 2.99% increase in 2019/20. While much work has been done to stabilise the financial position of the organisation the approved Precept increase for 2019/20 of 2.99%, that is factored into this MTFP, unfortunately does little to address the underlying budget imbalance that the PFCC inherited. Options will therefore need to be developed over the coming 2 years to return the Fire service to a recurring balanced financial position.
- 1.5 This report asks the PFCC to agree the first Budget and MTFP proposals under the new Governance arrangements.
- 1.6 The report sets out the detailed Budget for 2019/20 and the Medium Term Financial Plan (MTFP) for 2019/20 – 2022/23 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 PCC to agree the funding for the Capital Programme for 2019/20 and the indicative allocations for the period 2020/21 to 2022/23.

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 £35,190k in line with the plans set out within this report.
- 2.2 The PFCC is asked to note that the Budget for 2019/20 can only be balanced through the use of £1,135k from reserves.
- 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 2019/20 budget is based on the approved 2.99%, or £2.07, increase in the level of Band D precept for 2019/20.
- 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 External Borrowing of £1,620k 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 £2,801k, as set out at Appendix A, for 2019/20 and within that programme approve that:
 - Indicative approval of the 2020/21 Capital Programme budgets, as set out in Appendix B, and delegation of approval of any requests to pre-order against the 2020/21 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2020/21 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 2018/19 Capital Programme into 2019/20.

3. Planning and Funding Assumptions

3.1 Local Government Finance Settlement 2019/20

3.2 The Provisional Local Government Finance Settlement was announced by the Secretary of State for Communities and Local Government, James Brokenshire MP, in an oral statement to the House of Commons on Thursday 13 December 2018. This Provisional Settlement was confirmed as the Final Settlement on the 29th January 2019. Full details of the Settlement can be found on the GOV.UK website.

3.3 The announcements set out the allocations for 2019-20. These were originally announced in December 2015 as part of the multi-year settlement offer, accepted by 97% of local authorities.

3.4 Headlines

3.5 The main points within the settlement are as follows:

- A national increase in the 2019-20 Core Spending Power of 2.8% compared to 2018-19. National Fire Chiefs Council members (exc. London) see an increase in Spending Power of 3.2%, with stand-alone fire authorities seeing an average increase of 2.2%.
- Maintained council tax referendum principles (3%) for all Fire Authorities, Shire Counties, Single Tier Unitaries, Metropolitan Districts and London Boroughs as announced in the 2018-19 Settlement. Police referendum limit raised from £12 to £24.
- Announcement of £98.5m grant allocations to support increased pension costs of £108.5m. Expected to be paid in full in early 2019-20.
- No date has yet been provided for the Comprehensive Spending Review except that it shall be conducted in time for Budget 2019.
- Publication of Business Rates Retention Consultation on Systems Design, as well as a Fair Funding Review Consultation and 2019-20 business rates pilots.
- Slight increase in Rural Services Delivery Grant to £81m (equal to 2018-19).

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

3.6 Based on the information produced by Government and received to date, then the Core Spending Power for North Yorkshire Fire has increased by circa 2.6%, however this doesn't take into account the impact of changes to the contributions that will be made into the Fire Pension Fund and the part funding received for these additional costs. The calculation also fails to take into account any increase in the number of Dwellings between 2018/19 and 2019/20. The table below shows the Government's calculations:

	2015/16	2016/17	2017/18	2018/19	2019/20
Core Spending Power Breakdown	£000s	£000s	£000s	£000s	£000s
Settlement Funding	11,524	10,531	9,327	8,817	8,555
Under Indexing	81	81	86	136	197
Council Tax Requirement	18,229	19,002	19,744	20,559	21,534
Rural Services Grant	98	511	413	515	515
Transition Grant	0	74	94	0	0
Core Spending Power	29,933	30,200	29,664	30,026	30,801
Dwellings	367,834	370,471	374,627	378,111	378,111
Core Spending Power per Dwelling	£81.38	£81.52	£79.18	£79.41	£81.46
Year on Year change in Core Spending Power		0.2%	-2.9%	0.3%	2.6%

3.7 The Core Spending Power calculation assumed that 'Authorities' would increase their precept by the maximum allowable before triggering a referendum. In terms of the Fire Service this was 2.99% and this is the option that was approved.

3.8 When this is factored into the other changes, and compared to 2018/19 then the **actual** summary financial picture is as follows:

Actual Funding Analysis				
	2019/20	2018/19	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
Government/Business Rates Funding				
Revenue Support Grant (Government)	(2,499)	(2,897)	398	-13.7%
Business Rates Top Up (Government)	(2,939)	(2,902)	(36)	1.3%
Business Rates (Local)	(3,006)	(3,048)	41	-1.4%
Total Settlement Funding	(8,444)	(8,847)	403	-4.6%
Rural Services Grant (Government)	(514)	(514)	0	0.0%
Business Rates Relief Grants (Government)	(512)	(348)	(164)	46.9%
Business Rates Collection Fund (Local)	5	(1)	6	-743.4%
Total Government/Business Rates Funding	(9,465)	(9,710)	245	-2.5%
Impact of a 2.99% increase in Band D Precept				
Net Surplus on Collection Funds	(94)	(150)	55	
Council Tax Requirement	(21,450)	(20,559)	(892)	
Total Local Funding	(21,545)	(20,708)	(836)	4.0%
Total Government + Local Funding	(31,010)	(30,418)	(591)	1.9%
Additional Fire Pensions Grant	(1,466)	0	(1,466)	
Additional Fire Pension Contributions	1,615	0	1,615	
Actual Impact of Settlement changes	(30,860)	(30,418)	(442)	1.5%

3.9 In overall terms then, even with a 2.99% increase in Precept, the overall impact of the funding changes, once the overall financial impact of the changes to Pensions have been accounted for, will only have increased by circa 1.5%. Given that pay inflation is currently forecast to be 2% and both RPI and CPI are higher than this then the funding available to the PFCC for 2019/20 will be lower than 2018/19 in real terms by circa £170k.

3.10 **Funding for 2020/21 and beyond**

3.11 2019-20 represents the last year of the Multi-Year Settlement Offer from the Government. The upcoming Comprehensive Spending Review is expected to continue with Multi-Year Settlements going forward however no date has yet been provided for the CSR except that it shall be conducted in time for Budget 2019.

3.12 The Government 'recognise that early notification of final funding allocations in particular would help councils' medium term financial planning and service delivery. Given that final confirmed allocations will be subject to the timing and outcome of the planned Spending Review, the Government's current aim is to publish indicative allocations through a further stage of formal consultation before the 2020-21 provisional local government finance settlement'.

- 3.13 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:
- 3.14 Revenue Support Grant (Government) – we have assumed that this will decrease year on year by £400k per year.
- 3.15 Business Rates Top-Up (Government) - we have assumed that this will remain at the level across the MTFP.
- 3.16 Business Rates (Local) – we have assumed that this will increase by 2% per year. Which is line with CPI forecasts, this is the inflation measure to which Business Rates will be linked from April 2020.
- 3.17 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.
- 3.18 Business Rates Relief Grants (Government) – we have assumed that these Grant 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.
- 3.19 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.
- 3.20 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.

3.21 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.

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

3.23 The precept is projected to increase to over 75% of the Net Budget Requirement by the end of the planning period covered by this MTFP.

3.24 In publishing the final council tax referendum principles for 2019/20 the Department for Communities and Local Government provided Fire Authorities with the scope to increase Precept by up to 3% before triggering a local referendum. This was in line with the previous year.

3.25 Consultation was undertaken within North Yorkshire and the results published as part of the supporting information for the PFCC's decision to propose a 2.99% (or £2.07) increase in the Band D precept for 2019/20. This proposal was supported by the Police, Fire and Crime Panel and therefore this budget incorporates a Band D 'Fire' precept for 2019/20 for North Yorkshire of £71.27.

3.26 **Results from Public Consultation**

3.27 To further inform the decision around the proposed fire precept for 2019/20 consultation was undertaken with the Public to ascertain their feedback and thoughts on this subject.

3.28 The Public were asked the following question, via both a representative telephone interview and a separate Online survey the following:

3.29 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 real terms cut to the fire and rescue budget when inflation is taken into account
- As per last year – an extra £2 per year for a Band D property raising £600k
- Between £2 and £5 – raising up to £1.5m
- More than £5 – raising more than £1.5m

- 3.30 In total, 2,741 responses were received from North Yorkshire residents. The consultation was undertaken in numerous ways. A representative telephone survey was conducted, supported by an open, online survey. The open survey was publicised on the Police, Fire and Crime Commissioner’s website and promoted via social media. Leaflets located in libraries and other accessible locations across North Yorkshire further promoted the survey as well as providing a paper-based return option.
- 3.31 The results of consultation with the public of North Yorkshire in relation to the level of fire precept for 2019/20, which had 2,741 responses, has resulted in 76% of the telephone survey and 74% of the Open On-Line survey supporting an increase.
- 3.32 Overall, a large majority (75%) support the maximum increase allowable before a referendum would be required of circa £2 in the fire and rescue precept. Half of all respondents (49%) are prepared to pay over the referendum limit of circa £2 with one in five people (22%) prepared to pay over £5, more than double the referendum limit.

	Telephone (n=975)	Online (n=1735)	Total (n=2710)
Freeze	24%	26%	25%
£2 as per last year	24%	25%	25%
£2 - £5	30%	26%	27%
More than £5	22%	22%	22%
TOTAL who support an increase	76%	74%	75%

- 3.33 How does the level of Precept in North Yorkshire compare to other areas?
- 3.34 The average level of Precept for a Band D property relating to Fire Authorities was £75.40 in 2018/19. This was £6.20, or 9%, higher than the Band D precept level in North Yorkshire for the same year.
- 3.35 In 2019/20, assuming all Fire Authorities increase their Precept by 2.99% then the Band D precept in North Yorkshire will be about £6.38 lower than the national average and will remain about 9% lower.
- 3.36 If the PFCC had the capacity to increase the Band D precept in North Yorkshire, to bring it in line with the National Average, so an increase of around £6.38 (or 9%) this would generate an additional recurring increase in precept income of about £1.9m per year.
- 3.37 Based on the indications with the Public Precept Consultation this would seem to have a certain level of public support.
- 3.38 This level of increase would also have a significant impact on the overall financial position of the Authority. The PFCC has recently written to the Minister of State for Policing and the Fire Service outlining a number of challenges in relation to funding including this.

- 3.39 For the purposes of planning, the MTFP that is set out within this paper assumes that Precept increases of 2.99% per annum are possible and occur.
- 3.40 Over the last 6 years there have been significant increases in both the number of calculated Band D properties within North Yorkshire and also significant Collection Surplus' to which the Authority benefited from. This has continued in 2019/20 but at a lower rate than the average over that 6 year period.
- 3.41 The number of Band D properties within North Yorkshire has increased by 3,884 (or 1.3%) to 300,974. This is the second lowest increase in the last 6 years, with 2018/19 having the lowest increase of 1.1%.
- 3.42 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.
- 3.43 Each 0.1% increase in the Council Tax Base above the 1% growth included within the MTFP would generate additional income of just over £20k per annum.
- 3.44 For illustration purposes, if the Council Tax base was to increase across the life of the MTFP, at the same rate as reported this year, so 1.3%, this would have the following impact on the level of Council Tax income received each year:
- 2020/21 - £60k more
 - 2021/22 - £135k more
 - 2022/23 - £210k more
- 3.45 In addition to this Council Tax base growth the Collection Surplus for 2019/20 is £94,213 which is the lowest it has been in the last 6 years. This is factored into this MTFP along with an estimated Collection Surplus of £150k per annum going forward.
- 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 £3.2m and £3.6m across the life of the plan. This has increased significantly from £2.1m in 2018/19.
- 3.48 Pensions Grant
- 3.49 On 6 September Her Majesty's Treasury (HMT) published their draft Directions on public service pension schemes for the 2016 Valuation which comes into effect in 2019/20. The Directions set both the financial assumptions (including changes to the Discount Rate) and demographic assumptions to be used by the Government Actuary's Department (GAD) to produce the valuation results for the Police pension scheme.

- 3.50 The most significant element of the Directions is that the Superannuation Contributions Adjusted for Past Experience (SCAPE) Discount Rate, which is used in unfunded pension schemes to convert future pension payments into a present value, will reduce from 3.0% to 2.4%.
- 3.51 This is due to a more pessimistic assessment by the OBR of the long-term forecast for growth in the economy. The Discount Rate reduction has the effect of increasing the cost of future benefits and therefore the required contribution rate. Payments to beneficiaries are unchanged by the Discount Rate changes and therefore the overall impact is a reduction in the amount paid by the Exchequer to meet the difference between contributions and payments via the Pension Top-Up Grant.
- 3.52 The changes have had the effect of increasing the employer contributions (to include ill-health costs) from 17.6% to 30.2% from April 2019. The Government Actuary's Department estimated that the additional cost to fire as a result will be around £108.5m per annum.
- 3.53 HM Treasury indicated that additional funding would be provided to public sector bodies in 2019-20 to mitigate most of this increase, with the sector "paying only the additional costs announced at Budget 2016" (a reduction in the discount rate from 3% to 2.8%). This means that fire will pay £10m of the additional costs in 2019-20, with the remaining £98.5m being provided via a grant under section 31 of the Local Government Act 2003.
- 3.54 The cost to North Yorkshire Fire is estimated to be circa £1.6m per annum with the grant provided by the Treasury totalling £1,465k in 2019/20.
- 3.55 The current financial plans assume that this Pensions Grant of £1,465k 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 provide a significant gap in the current financial plan.
- 3.56 To provide for one of the biggest risks within the MTFP, a Pensions Reserve has been established with £1,465k in the reserve. Should the PFCC receive notification that this Grant will not continue in 2020/21 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.
- 3.57 Specific Grants
- 3.58 Included within this category are the following grants:
- PFI Grant - £649k – this Grant will continue, at the same level, until the PFI contract comes to an end.
 - Business Rates Grant - £511k – these are referred to in 3.18 to 3.20
 - ESMCP Grant - £185k
 - New Dimensions Grant - £27k
 - Firelink Grant - £223k

3.59 These final 3 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.

3.60 The entire funding therefore expected to be available to the PFCC for the next 4 years, in comparison to 2018/19, is as follows:

	Actual	Forecast	Forecasts			
	Budget	Budget				
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Funding	£'000	£'000	£'000	£'000	£'000	£'000
Total Settlement Funding	(8,850)	(8,450)	(8,110)	(7,770)	(7,430)	(7,085)
Rural Services Grant	(415)	(515)	(515)	(515)	(515)	(515)
Council Tax Precept	(20,560)	(21,450)	(22,310)	(23,210)	(24,145)	(25,115)
Collection Fund Surplus/Deficit	(150)	(95)	(150)	(150)	(150)	(150)
NNDR Surplus/Deficit	0	5	0	0	0	0
Funding for the Net Budget Requirement	(29,975)	(30,505)	(31,085)	(31,645)	(32,240)	(32,865)
%age change in Net Budget Requirement	1.3%	1.8%	1.9%	1.8%	1.9%	1.9%
Specific Grants	(1,600)	(1,595)	(1,585)	(1,575)	(1,510)	(1,335)
Pensions Mitigation Grant	0	(1,465)	(1,465)	(1,465)	(1,465)	(1,465)
General Income	(480)	(490)	(395)	(405)	(415)	(420)
TOTAL FUNDING	(32,055)	(34,055)	(34,530)	(35,090)	(35,630)	(36,085)
%age change in Total Funding	3.2%	6.2%	1.4%	1.6%	1.5%	1.3%

3.61 From a Net Budget Requirement perspective the current forecasts show that income at this level is forecast to grow by just under 2% per annum across the life of the MTFP. The previous sections outlined the assumptions that underpin these forecasts and there are risks that these assumptions might be either optimistic or pessimistic.

3.62 With increases in funding for Net Budget Requirement forecast to grow at a slower rate than both pay and general inflation the PFCC will require savings from the Fire Service to enable a sustainable service to be delivered.

3.63 As referenced earlier in the report the PFCC inherited a budget with a recurring imbalance on £1.2m that was due to grow to circa £2.5m across the life of the MTFP. The current projections on funding increases, given that they are forecast to be below inflation, do not provide any capacity to mitigate this inherited imbalance.

4. Expenditure Plans

4.1 What action has been taken since the Transfer of Governance?

4.2 As mentioned throughout the development of the business case for the Transfer of Governance of the Fire Service, the previous financial plans of the Fire Authority had an unsustainable and unaffordable need to borrow to fund the Capital Programme.

4.3 The business case included savings from this area and from shared enabling support services of £550k per annum from 2020/21 on a recurring basis.

4.4 The Capital Financing area has been reviewed and a significantly reduced Capital Programme is now in place. These changes, coupled with a further review of how capital financing was managed, have resulted in reducing the projected spend in this area by £850k per annum by 2022/23.

4.5 In addition to this the first part of the work to move towards shared enabling support service is expected to begin in early 2019/20. This will result in business cases that aim to:

4.6 Stage 1 – Simplify

4.7 Remove duplication of processes, define and refine what our enabling services do, ensure staff are deployed appropriately and supported to be the best they can, support managers to provide strong leadership and optimise the use of technology.

4.8 Stage 2 – Standardise

4.9 Transition to self service enabling services across the organisations, continue to improve processes, implement technology standardisation through joint procurements when upgrades are required, ongoing prioritisation in line with emerging needs of North Yorkshire Police, North Yorkshire Fire & Rescue Service and the public of North Yorkshire.

4.10 This will then lead to Stage 3 – Share – where: A completely standard set of processes across North Yorkshire Police and North Yorkshire Fire & Rescue Service, underpinned by a common set of systems.

4.11 This is expected to lead to further savings within support services.

4.12 The business case also set out plans to reduce the expenditure on Senior Management Posts by £50k for 2019/20 and by £250k per annum thereafter. To date plans are in place and have been delivered for the start of 2019/20 that deliver £180k of these savings.

4.13 Shared Estates savings totalling nearly £300k per annum, to be delivered by 2022/23, were included within the business case. The agreed move of the Fire HQ to Alverton Court, along with this move also enabling the lease at Coxwold House to be allowed to cease, means that in excess of £400k of savings are expected to be delivered from these 2 lease properties alone by the end of 2020/21.

- 4.14 Work will then continue across all areas of the Fire and Police estate to identify and deliver further savings through better/joint use of the estate.
- 4.15 The impact that these savings have had on the overall projected deficit by 2022/23, coupled with the delivery of some procurement savings, a Management Savings Challenge and the other changes to assumptions are summarised in the table below:

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

- 4.16 It is vital that these savings are delivered and this will be monitored throughout the financial year and reported back to the PFCC on a regular basis.
- 4.17 While the projected financial picture is significantly better than the one inherited from the Fire Authority just over 3 months ago, there is a recurring imbalance of circa £1m across the life of the financial plan. A Finance Working Group has been established to 'identify one-off as well as recurring, deliverable cashable savings to enable the Service to live within its means. It will oversee all financially driven change activity undertaken by the Service. It will 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.'
- 4.18 Future Savings
- 4.19 Transformation Programme
- 4.20 The process to Simplify, Standardise and Share enabling services will be one of the key areas of development over the coming financial year.
- 4.21 This aligned to the significant collaboration with the Police Service, under a collaboration agreement, and the move to 'Enable' is expected to offer the opportunity to both improve services and deliver increased value for money.
- 4.22 The 'Fire' Business Case produced as part of this piece of work has now concluded the detailed work required to move this from an 'in principle' proposal to one that can now be shared with, and consulted upon, with both Unions and then Staff.

- 4.23 There have been no assumptions, in terms of either the timing and/or level of savings that may result from this piece of work, factored into this MTFP and therefore updates on both the progress and impact of this Business Case will be included in future financial updates.
- 4.24 Integrated Risk Management Plan
- 4.25 The Fire and Rescue Service (FRS) 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.
- 4.26 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.
- 4.27 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.
- 4.28 As set out within this MTFP there is an inherited and acknowledged financial gap, between the current cost of the service delivered, as set out in the Community Safety Plan, and the funding currently available to the service. This gap of circa £1m per annum, which has been reduced from £2.5m, is currently being funded from reserves for the next 2 financial years (so 2019/20 and 2020/21).
- 4.29 Work is therefore due to begin on a new IRMP 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.
- 4.30 Updates on this will be provided as the work develops and incorporated into the overall financial plans as decisions are made.
- 4.31 Staffing and Pay Budgets
- 4.32 Beyond the changes to the management structures and those that have resulted from the transfer of governance then the overall staffing numbers remain unchanged and are set out within the table below:

	Actual	Forecast	Forecasts			
	Budget	Budget				
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Numbers (Budgeted)	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
Wholetime Firefighters	300	304	302	302	302	302
Retained Duty System Firefighters	342	342	342	342	342	342
Support Staff	96	95	95	95	95	95
Control Staff	17	17	17	17	17	17

4.33 Crewing on TRV's

4.34 It is important to recognise that neither the above employee numbers nor the finances within the overall budget factor in increasing the number of Wholetime Firefighters riding on TRV's to 4.

4.35 The decision taken by the former Fire Authority was to crew the day-crewed TRVs with four staff. This means Tadcaster, Ripon, Northallerton and Malton. The whole-time TRVs at Harrogate and Scarborough are to be crewed with three staff.

4.36 This continues to be the position factored into the overall budget at this time.

4.37 The costs of moving to a position of having 4 staff on each TRV would require a further 16 Firefighters with an expected cost of circa £650-700k.

4.38 With higher than expected pay awards and significantly higher pensions contributions to contend with, since the transfer of governance business case was developed and approved, neither of which have been fully funded by the government, which in total add a recurring cost of £640k to the overall financial challenge – this has absorbed the expected capacity to have been able to implement these changes, along with the worse than expected financial position that was inherited from the former Fire Authority.

4.39 Pay Awards

4.40 Just over 70% of the expenditure of the Fire Service, or nearly £25m, is spent on Pay and Pensions. As such the impact of pay awards on the overall financial health of the organisation both in the next year and beyond is going to be significant.

4.41 The MTFP assumes that a 2% pay award will be made in each year of the financial plan. Each 1% above this will add a recurring pressure of circa £200k. Therefore an Earmarked Reserve has been established that should provide sufficient capacity to absorb a 3% pay increase for 2 years, if this was to happen and no further central funding was provided to pay for these additional costs.

4.42 This will then provide the time for plans to be adjusted and savings identified in a planned way to so that the impact on service delivery can be managed.

4.43 Non-Pay Budgets

4.44 The non-pay budget for 2018/19 (excluding capital charges) was set as £8,325k and much work has been done to identify savings that, if delivered, will mean that these same budget 'only' total £8,195k by 2022/23. This is an overall reduction of £130k (but in real terms the reduction is closer to £800k).

4.45 These reductions are predominantly being driven by those areas highlighted earlier, such as the move to share a HQ with the Police and the ceasing of the lease at Coxwold House.

4.46 There are savings on Operating Leases as the organisation moves away from leases, especially leased cars, and funds these through capital and buying them leading to expected reduction in costs in the future.

- 4.47 Procurement savings, such as the reduced cost of insurance and overall tighter financial challenge and management focus to further reduction expenditure where ever possible.
- 4.48 Capital Financing Charges
- 4.49 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.
- 4.50 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.
- 4.51 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.
- 4.52 The revised Capital Programme, and the one included within this MTFP, is based on a programme of £14.2m (a reduction of £8.5m in the last 3 months) and a corresponding reduction in projected borrowing of £8.4m, to £11.6m over the same 6 year period.
- 4.53 The amount now expected to be set aside for Debt and Interest Payments, over the 6 years, has also been reduced to £11.9m (a reduction of £2.5m) with a recurring projection that 'only' £2.3m per year will need to be set aside each year in 2022/23 (so £700k less per year).
- 4.54 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.
- 4.55 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.
- 4.56 As these plans are developed they will be shared with the PFCC.

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 Budget 2018/2019 £'000	Forecast Budget 2019/2020 £'000	Forecasts		
			2020/2021	2021/2022	2022/2023
			£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,850)	(8,450)	(8,110)	(7,770)	(7,430)
Rural Services Grant	(415)	(515)	(515)	(515)	(515)
Council Tax Precept	(20,560)	(21,450)	(22,310)	(23,210)	(24,145)
Collection Fund Surplus/Deficit	(150)	(95)	(150)	(150)	(150)
NNDR Surplus/Deficit	0	5	0	0	0
Funding for the Net Budget Requirement	(29,975)	(30,505)	(31,085)	(31,645)	(32,240)
%age change in Net Budget Requirement	1.3%	1.8%	1.9%	1.8%	1.9%
Specific Grants	(1,600)	(1,595)	(1,585)	(1,575)	(1,510)
Pensions Mitigation Grant	0	(1,465)	(1,465)	(1,465)	(1,465)
General Income	(480)	(490)	(395)	(405)	(415)
TOTAL FUNDING	(32,055)	(34,055)	(34,530)	(35,090)	(35,630)
%age change in Total Funding	3.2%	6.2%	1.4%	1.6%	1.5%
Expenditure					
Wholetime Firefighters	13,050	13,315	13,430	13,705	13,985
Retained Firefighters	2,710	2,640	2,690	2,745	2,805
Administrative & Clerical	3,505	3,525	3,500	3,570	3,645
Control Room Staff	765	790	805	820	835
Direct Staff Costs	20,030	20,270	20,425	20,840	21,270
Indirect Staff Costs	490	430	435	445	455
Members/PFCC Staff Costs	80	75	75	75	75
Premises	2,110	2,115	1,965	1,855	1,895
Transport	915	735	765	780	795
Supplies and Services	2,915	3,090	3,235	3,235	3,115
Operating Leases	220	160	110	85	90
External Service Agreements	220	185	190	195	195
PFI (inc. capital element)	1,375	1,430	1,475	1,525	1,575
Total Indirect Staff and Non Staff Costs	8,325	8,220	8,250	8,195	8,195
PENSIONS	3,020	4,600	4,680	4,775	4,875
Provision for Debt Repayment	1,225	1,095	1,175	1,290	1,360
External Interest	675	615	660	715	785
Revenue Contribution to Capital	0	390	245	80	185
Total Capital Charges	1,900	2,100	2,080	2,085	2,330
TOTAL EXPENDITURE BUDGETS	33,275	35,190	35,435	35,900	36,665
(Surplus)/Deficit before Reserves	1,210	1,135	905	810	1,035
Planned Transfers to/(from) Earmarked Reserves	(1,210)	(1,135)	(905)	0	0
Planned Transfers to/(from) General Fund	0	0	0	0	0
(Surplus)/Deficit After Reserves	0	0	0	810	1,035

- 5.2 As mentioned previously in this report despite some significant changes to the financial plans and some very good progress over the last 3 months there is still a recurring imbalance within the budget of circa £1m.
- 5.3 This recurring deficit will be funded from reserves during both 2019/20 and 2020/21 while detailed plans to address this are put in place and delivered.
- 5.4 It is vital that these plans are closely monitored and then delivered to ensure a recurring balanced position is possible for 2021/22 and beyond.

6. Capital Financing and Expenditure

- 6.1 The assets owned by the PFCC are a vital platform for the delivery of the Fire Service, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the PFCC's plans.
- 6.2 Significant loans are planned to be taken out across the MTFP, as discussed in 4.48 to 4.56
- 6.3 In terms of the best approach to the funding of capital expenditure it generally only makes financial sense to borrow to fund investment in long term assets, such as buildings. This is an approach that the PFCC will now look to work towards however this may take some time.
- 6.4 With this in mind the plans of the organisation will need to be managed within certain financial constraints and it will therefore be necessary for the organisation to prioritise the investments in wants to make as we move forward.
- 6.5 The current Capital Plans, which will be subject to review, development and refinement as 2019/20 progresses, are set out below:

	Estimated 2018/19	Estimated 2019/20	Estimated 2020/21	Estimated 2021/22	Estimated 2022/23	Estimated 2023/24
Expenditure Forecasts	£000	£000	£000	£000	£000	£000
Vehicles	1,680	1,545	1,364	1,692	1,619	1,471
Property	656	420	350	350	350	350
ICT	376	836	254	304	246	318
TOTAL	2,712	2,801	1,968	2,346	2,215	2,139
FUNDING	£000	£000	£000	£000	£000	£000
Revenue Contribution to Capital	35	392	244	80	184	142
Capital Receipts	375	789	-	-	208	102
Internal Borrowing	2,302	-	-	-	-	-
External Borrowing	-	1,620	1,724	2,266	1,823	1,895
TOTAL FUNDING	2,712	2,801	1,968	2,346	2,215	2,139

- 6.6 Further details of the expenditure plans are set out in Appendix A.
- 6.7 The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PCC'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.
- Fire Fighters pension scheme transition protections – on 14 December 2018 the Court of Appeal handed down the judgement in the Fire fighters transitional appeals case. The case relates only to the transitional protection arrangements in the 2015 Fire fighters pension scheme, and whether these are discriminatory. It does not address the introduction of that scheme itself by the primary legislation of the Public Services Pensions Act 2013.

The Court of Appeal has overturned earlier judgements of the employment tribunal and the employment tribunal appeals and concluded that "the manner in which the transitional provisions have been implemented has given rise to unlawful direct age discrimination". The judgement remits it to the employment tribunal to consider remedy, but before that step the

Government can apply for permission to appeal to the Supreme Court. This means it is likely to be many months before the final position is clarified.

Depending on the outcome of this issue there may be additional one off and recurring costs which if not funded by the Government would result in additional unfunded budget pressures for individual Fire and Rescue authorities. This situation further highlights the complexity of pension changes and the potential financial risks for individual authorities. Further updates will be provided when more information is known

- Increasing costs of the employers Pension Contributions into the Local Government Pension Scheme when the scheme is actuarially reviewed.
- 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 2019/20 is sound and robust. There are however a number of areas of savings that will need to be delivered from a revenue perspective in 2019/20 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 2019/20 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 that the PFCC has recently taken on responsibility for.
- 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 PCC would have adequate levels of financial reserves and general balances through 2019/20 provided that service restructuring is delivered and future growth, if any, is managed and funded from sustainable savings.

APPENDIX A

CAPITAL PROGRAMME 2018/19 TO 2023/24						
	Estimated 2018/19 £000	Estimated 2019/20 £000	Estimated 2020/21 £000	Estimated 2021/22 £000	Estimated 2022/23 £000	Estimated 2023/24 £000
Expenditure Forecasts						
Vehicles	1,680	1,545	1,364	1,692	1,619	1,471
Property	656	420	350	350	350	350
ICT	376	836	254	304	246	318
TOTAL	2,712	2,801	1,968	2,346	2,215	2,139
FUNDING	£000	£000	£000	£000	£000	£000
Revenue Contribution to Capital	35	392	244	80	184	142
Capital Receipts	375	789	-	-	208	102
Internal Borrowing	2,302	-	-	-	-	-
External Borrowing	-	1,620	1,724	2,266	1,823	1,895
TOTAL FUNDING	2,712	2,801	1,968	2,346	2,215	2,139

PROPERTY CAPITAL PROGRAMME 2018/19 to 2023/24						
	Estimated 2018/19 £	Estimated 2019/20 £	Estimated 2020/21 £	Estimated 2021/22 £	Estimated 2022/23 £	Estimated 2023/24 £
Planned Capital Maintenance	170,000	420,000	350,000	350,000	350,000	350,000
Major Schemes						
Malton - Retaining Wall	293,282					
Northallerton	117,000					
Workshops and Stores	75,759					
TOTAL	656,041	420,000	350,000	350,000	350,000	350,000

IT CAPITAL PROGRAMME 2018/19 TO 2023/24						
	Estimated 2018/19	Estimated 2019/20	Estimated 2020/21	Estimated 2021/22	Estimated 2022/23	Estimated 2023/24
Mobilising, Telephony and Bearers:						
IP Telephone Replacement Programme						
Network Replacement and Upgrade Programme	40,200	15,000	15,000	15,000	15,000	15,000
Firewall Implementation Programme		9,000	9,000	9,000	9,000	9,000
Fireground Radio Replacement		155,000				
SIP Trunking		50,000				
ESN Transition			50,000	50,000		
	40,200	229,000	74,000	74,000	24,000	24,000
Major IT Systems and Schemes:						
Asset Database (Technical Services & Operations)	43,203					
Fleetplan/Tranman Upgrade	25,748					
Central Gazetteer				50,000		
	68,951	0	0	50,000	0	0
CHIRP: Software		6,000				
CHIRP: Documentation and Handover		15,000				
CHIRP: Contingency		75,000				
CHIRP: Project Management	50,789	15,000				
CHIRP: Project Delivery	25,000	267,350				
	75,789	378,350	0	0	0	0
	144,740	378,350	0	50,000	0	0
Ancillary Hardware and software:						
MDT Replacement	52,683	38,642				
Incident Command Training ICT Replacement ^{1/5}		10,000			42,000	
PC replacement / expansion programme (per year over 5 years)	100,179	37,500	37,500	37,500	37,500	60,000
Server replacement / expansion programme (per year over 5 years)	37,873	9,000	9,000	9,000	9,000	100,000
IaaS and SaaS Hosting		133,597	133,597	133,597	133,597	133,597
	190,735	228,739	180,097	180,097	222,097	293,597
TOTAL	375,675	836,089	254,097	304,097	246,097	317,597

TRANSPORT CAPITAL PROGRAMME 2018/19 to 2023/24						
	Estimated 2018/19 £000	Estimated 2019/20 £000	Estimated 2020/21 £000	Estimated 2021/22 £000	Estimated 2022/23 £000	Estimated 2023/24 £000
Rescue Pumps	466,195	1,092,526	1,119,839	1,440,141	1,183,839	1,213,434
TRV	34,611					
Aerial Appliances	1,167,000					
Vans (Stn, support etc)				52,000	13,500	13,500
4x4 Vehicle (LR or equivalent)		30,000		120,000	30,000	
Globetrotter		30,000				
Trailers	12,000					
Cars		392,000	244,000	80,000	392,000	244,000
TOTAL	1,679,806	1,544,526	1,363,839	1,692,141	1,619,339	1,470,934

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% 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 March 2018 £000	Reclass- ifications 2018/19 £000	Transfers In 2018/19 £000	Transfers Out 2018/19 £000	Balance at 31 March 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31 March 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31 March 2021 £000	Transfers In/Out 2021/22 £000	Balance at 31 March 2022 £000	Transfers In/Out 2022/23 £000	Balance at 31 March 2023 £000
General Contingency:															
Pay & Price Reserve	2,635	-2,025			610			610			610		610		610
Pensions Reserve	1,100	545			1,645			1,645			1,645		1,645		1,645
New Developments (Revenue Initiatives) Reserve	105	340	75		520		-45	475			475		475		475
Insurance Reserve	0	80			80			80			80		80		80
Total General Contingency Reserves	3,840	-1,060	75	0	2,855	0	-45	2,810	0	0	2,810	0	2,810	0	2,810
Funding for Planned Expenditure over MTFP:															
Medium Term Funding shortfall Reserve	0	3,245		-1,210	2,035		-1,130	905		-905	0		0		0
Earmarked Revenue Grants Reserve	130	0		-130	0			0			0		0		0
Funding for Planned Expenditure over MTFP	130	3,245	0	-1,340	2,035	0	-1,130	905	0	-905	0	0	0	0	0
Total Earmarked Reserves	3,970	2,185	75	-1,340	4,890	0	-1,175	3,715	0	-905	2,810	0	2,810	0	2,810
General Reserves	2,675	-2,185	595	0	1,085	0	0	1,085	0	0	1,085	0	1,085	0	1,085
% of Net Budget Requirement	8.6%				3.4%			3.3%			3.3%		3.2%		3.6%
Total Usable Reserves	6,645	0	670	-1,340	5,975	0	-1,175	4,800	0	-905	3,895	0	3,895	0	3,895
Capital Receipts Reserve	1,165	0	0	-375	790	0	-790	0	0	0	0	0	0	0	0

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% v 2%) in 2019/20 and 2020/21.

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 2019/20, plus
- b) the estimated cost of two Firefighter ill health retirements (one lower tier, one higher tier) which are met from the Revenue budget should these occur.

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.

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 is to be established following the approval 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 is to be 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.