SOUTH YORKSHIRE FIRE & RESCUE AUTHORITY

Meeting	**FIRE AND RESCUE AUTHORITY**
Meeting Date	**21 FEBRUARY 2022**
Report of	**CHIEF FIRE OFFICER / CHIEF EXECUTIVE AND CLERK AND TREASURER**
Report Sponsor(s)	**CLERK AND TREASURER**
Subject	**2022/23 ANNUAL REVENUE BUDGET & COUNCIL TAX SETTING**

BACKGROUND

The Fire and Rescue Authority (FRA) is required to approve the 2022/23 revenue budget and set the council tax and precept by the legislative deadline.

This report sets out the implications of the Local Government Finance Settlement, the proposed 2022/23 revenue budget and an updated Capital Programme, including new 2022/23 capital investment schemes for member approval. Any new future years' investments will only be formally considered when the outcome of the next funding settlement, which is due late 2022, are known. Any essential additional investment decision over and above that requested in this report will be addressed separately by the FRA during the financial year, to avoid making decisions that may prove unaffordable and unsustainable. The impact on the Medium-Term Financial Plan (MTFP) and the strategy for the future use of the Authority's reserves are also considered.

In setting the council tax and budget, Members will need to consider the council tax options set out in the report and approve the 2022/23 Council Tax.

EXECUTIVE SUMMARY

Current Medium Term Financial Plan

Over the last two years the country and South Yorkshire has faced a number of significant challenges, non-more so than the Coronavirus global pandemic.

As we exit the pandemic and start to see an end to the restrictions that have been in place for most of the last two years, there are some signs of recovery particularly in those areas that have a direct effect on the resources available to the Fire Authority, namely a return to previous council tax and business rate income levels.

That said, the updated MTFP is set within the context of a number of ongoing risks and concerns for the Authority to consider:

- Significantly damaged public finances as a result of support provided throughout the pandemic;
- Future public sector funding reforms;
- Supply chain issues and inflationary pressures, including interest rates, and the impact this will have on the running of the Fire service;
- Brexit and its ongoing impact;
- The impact of the McCloud /Sergeant pension legal proceedings;

- Ongoing negotiations with regards to employee pay awards;
- Ongoing impact of the Grenfell enquiry and the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection regime.

Key Policy Considerations

As Members are aware, South Yorkshire Fire and Rescue (SYFR) needs to have enough resources available to provide an emergency response even in times of exceptional demand. This includes the ability to deal with large scale emergencies, a range of smaller incidents that may happen together and / or incidents that are of an extended duration. This resilience is vital to ensuring safe systems of work for our people.

With damaged public finances and the ongoing review of public sector funding distribution (consultation to take place during 2022/23), the challenge remains to balance sparse resources against these emerging risks. Fortunately, the Authority has and continues to adopt a progressive approach to managing both those risks and its finances by making sensible and sustainable efficiencies and savings (about £2m a year from 2020). Despite the extraordinary and challenging circumstances facing public services, the Service is confident that it's plans, and priorities are still deliverable although based on current projections there is a moderate financial shortfall from 2023/24 that will require addressing.

In addition, moving forward, the Authority, will need to remain flexible in its approach to ensure that any further significant funding reductions can be effectively managed over a reasonable time period.

This MTFP will see the following key and significant operating investments:

- Recruitment of more firefighters to enable the Service to optimise staff and fire appliance availability on more occasions from 2023/24;

- Continue to enhance and sustain our building safety work to make sure premises comply with fire safety regulations, recognising this is likely to be a significant change for a number of years to come;

- Invest more in protection activity to ensure we have the capacity and capability for undertaking new duties and responsibilities for high risk, high rise buildings;

- Maintain our excellent community partnership links across the county to ensure vulnerable residents and groups are visited and assessed for support to help prevent fire injuries and fatalities; and

- Continue to invest in our infrastructure and assets e.g. new fire appliances, new firefighting kit and equipment as well as our vital support service functions.

These investments are very much central to delivering both the Service's approved continuous service improvement plan and its annual service plan. It is also anticipated that these priority investments will contribute to the Service receiving another positive outcome from HMICFRS. The Service was rated GOOD in December 2019 and has recently been praised by the Inspectorate for the way it has managed during the COVID-19 pandemic.

Budget adjustments have also been made to reflect the ongoing pandemic and the implications this has, both positively and negatively, on the Service's cost base.

Updated Reserves Strategy

At this stage in the financial planning cycle and given the significant ongoing risks and uncertainties that the Service is facing, it is both prudent and sensible to consider the best use of any uncommitted reserves.

The Authority's General Reserve (incl. Operational Contingency), available to support the budget, has been consciously set based on the advice of the Treasurer and at a level to help the Service and Members deal with and effectively manage the prevailing uncertainty that the Authority faces while operating within a one-year funding settlement.

Any planned and prudent use of the Generally Available Reserve (£5.0m) should only be seen as a short-term mechanism for 'smoothing in' or filling the void until such time as sustainable savings are delivered and given the level of prevailing uncertainty, would need reinstating at the earliest opportunity. In addition, the Authority has taken steps to further financially shield itself from any financial turbulence which may be caused by the emerging risks highlighted in the report, by proposing to earmark the one-off services grant to add to the Emerging Risks Reserve (previously the Post Covid-19 reserve). It should also be noted that a realignment of reserves has also taken place in order to set aside resources to fund the estimated cost of the Immediate Detriment Pensions cases.

Current useable earmarked reserves are forecast to reduce from £18m (1st April 2021) to £12m by 2024/25 largely resulting from the remaining balance in the Capital Investment Reserves funding ongoing investment in replacement fire appliances, operational equipment, fire kit and Information Technology and having fit for purpose fire stations. However, it should be noted that the balance will reduce further once the immediate detriment cases are settled.

SYFR continues to be committed to providing the best possible service to the people of South Yorkshire within the resources available to it. Decisions regarding the Community Risk Management Plan (CRMP) are determined by fire risk, but ultimately, they need to be affordable and sustainable thus ensuring that there is proper alignment of financial, operational and resourcing plans respectively.

Over the next 12 months, the Service will provide Members with a series of regular financial updates in the run up to refreshing its MTFP in light of the expected 2022 funding settlement. It inevitably will be an evolving and iterative picture as the outcomes and implications from a number of significant events emerge as well as taking cognisance of any further management actions.

Included within this report is an updated Capital Programme, which is set within the framework of the Authority's Capital Investment Strategy and aligned to the approved Reserves Strategy. In addition, there are a number of new, but significant schemes that are prioritised based on essential operational need aligned to improving operational effectiveness over the medium to long term. These schemes, if supported, will be financed from Uncommitted Capital Receipts and Capital Grants with the balance being funded from long-term borrowing, the cost of which has been factored into the revenue budget MTFP.

Updated Medium Term Financial Plan 2022 - 2025

The current proposed budget for 2022/23 and future forecast is as follow

	2022/23 £m	2023/24 £m	2024/25 £m
Total Expenditure	57.877	59.478	61.336
Total Resources	(58.827)*	(58.908)	(60.329)
(Surplus) / Gap	(0.950)	0.570	1.007

**includes a one-off service grant in 2022/23 of £1.1m*

Key Assumptions

The above position is predicated on the following key assumptions:

- Provision for pay awards of 1.5% (operations) and 1.75% (support) for 2021/22 and 2% thereafter;
- National insurance increase of 1.25% (health and social care levy);
- Government funding assumed at 2022/23 levels across the period including continuation of the pensions grant (net of the one-off services grant in 2022/23);
- An increase in the operational staffing establishment in 2023/24 from 592 to 608;
- Service improvement investment as part of workforce planning;
- Contractual inflation assumed at 3% each year;
- Inflationary increases on business rate income of 3% in 2022/23 and 2% thereafter;
- Average council tax base increases across the region of around 4,000 band D equivalent properties per annum;
- Total new planned capital investment of £21m over the period.

The above position is also based on council tax increases of 1.99% each year. Any change to this assumption will impact the above, particularly the future year gaps. For context each 1% increase equals £03m in additional resources.

The above is summarised further below and in more detail in Section's A-C of this document.

Area of Spend	2022/23 £m
2022/23 Opening Expenditure Budget	**55.400**
Additional Cost Pressures	
Employees	+2.755
Premises	+0.218
Transport	-0.120
Supplies and Services	-0.043
Capital Financing	-0.110
Other Expenses (incl. BMBC Recharge to FRA)	-0.002
Less: Income	-0.221
Total Cost Pressure	**+2.477**
Total Spending Requirement	**57.877**
Funded by:	
2022/23 Opening Resources	**-55.871**
Government's Finance Settlement*	-1.358
Additional Council Tax	-1.259
Additional Business Rates	-0.339
Total Resources	**-58.827**
NET CONTRIBUTON TO RESERVES	**-0.950**

* includes 22/23 one off services grant of £1.1m

So whilst overall there is a net surplus in 2022/23 of circa £1m, this reflects the one-off Services Grant for this year only. More importantly there remains a deficit of £1m over the planning period. The Service has an ongoing efficiency and savings plan in place to address this gap. Available resources will also be continuously reviewed and updated once further details are announced following the ongoing funding review.

It is also worth noting that this position is predicated on assumed maximum council tax increases of 1.99% each year. Each 1.99% increase generates an additional £0.6m meaning that the overall deficit would increase should members be minded not to introduce the recommended council tax increase of 1.99% in any one year over the period, further details are provided in Section C.

RECOMMENDATION(S)

Members are recommended to:

a) Approve the Authority's 2022/23 Revenue Budget at Appendix A;
b) Note the Treasurer's Section 25 Statement (Section H) in support of the budget;
c) Approve the Capital Investment Strategy (Appendix B) including the updated Capital Programme and new approvals as set out in Section E of this report;

d) Endorse the proposed approach for managing reserves as set out in Section D to this report, noting the increase in reserves as a result of the receipt of the one-off Services grant in 2022/23;
e) Approve the Treasury Management and Investment Strategy at Section G;
f) Approve the fees and charges schedule for 2022/23 at Appendix D; and
g) Approve a Council Tax Increase of 1.99% for 2022/23 (Section C below).

CONTENTS

SECTION A: REVENUE BUDGET 2022/23

1. South Yorkshire Fire and Rescue Authority (SYFRA) set a Net Revenue Budget for 2021/22 of £55.400m and this has formed the base of the current Budget Baseline spend for 2022/23, which is estimated to be £57.877m, a net increase of £2.477m or 4.4%.

2. The 2021/22 Baseline Budget has been rolled forward allowing for:

   - Contractual inflation;
   - Operational pay awards and the potential pay award for support staff not yet agreed:
   - Recognised budget pressures, including the ongoing effects of the pandemic;
   - The ongoing effect of agreed savings proposals and other known cost reductions, including those arising from the pandemic; and
   - Additional cost pressures reflecting the proposed investment in a number of support service functions to ensure they are fit for purpose and Business Fire Safety to meet government expectations, aligned to agreed service improvement and annual planning priorities.

3. The above combined results in an indicative spend requirement for 2022/23 of £57.9m. The increase in spending broadly reflects the agreed planning assumptions submitted and agreed with Members in November 2021 and the results of the Provisional Settlement announced in December 2021. A summary of the MTFP report is presented at Section D of this report.

4. The table below sets out the main changes since the approved MTFP:

	'£000
MTFP November 21 Planned Overspend	**60**
Change in Govt Funding – Settlement Dec 21	159
Additional Govt Funding – One-off Services Grant	-1,080
Change in Local Funding – Council Tax	-377
Additional Budget Requirement	288
Additional Contribution to Reserves	950
Budget Setting February 22	**0**

5. This next section sets out a headline analysis of the Budget Baseline Requirement and provides a narrative commentary to help Members understand the assumptions made in deriving the proposed spend figures in each year. A more detailed analysis for each area of spend is presented at Appendix A.

Area of Spend	2021/22 £m	2022/23 £m	Change from 2021/22 (£m / %)
Employees	44.682	47.437	+2.755m / +6%
Premises	3.509	3.727	+0.218m / +6.2%
Transport	1.116	0.996	-0.120m / -10.7%
Supplies and Services	4.273	4.230	-0.043m / -1%
Capital Financing	2.380	2.270	-0.110m / -4.6%
Other Expenses (incl. BMBC Recharge to FRA)	0.449	0.447	-0.002m / -0.4%
SPENDING REQUIREMENT	**56.409**	**59.107**	**+2.698m / +4.78%**
Less: Income	(1.009)	(1.230)	-0.221m/ +5.4%
NET SPENDING REQUIREMENT	**55.400**	**57.877**	**+2.477m / +4.96%**

REVENUE BUDGET 2022/23 – MAJOR VARIATIONS AGAINST 2021/22

6. The main variations between the 2022/23 proposed budget and the 2021/22 budget are outlined in the following paragraphs. They are broadly reflective of the reasons presented in the recent MTFP update report approved by Members at its November 2021 meeting.

7. It should be noted that the following savings/efficiencies have been made within the 2022/23 budget and are shown below. For 2023/24 further savings/efficiencies will be identified to reduce the forecast deficit which is currently identified in order to maintain a balanced budget:

- Premises – (£0.170m) As a result of a reduction in rental expenditure, a review of the rateable values of buildings and the removal of the one-off fixture and fittings budget in 2021/22;
- Transport – (0.191m) As a result of the pandemic and the move to hybrid working for the majority of support staff, reductions have been made to vehicle repairs, maintenance and running cost budgets. Savings have also been made on transport insurance;
- Supplies & Services – (£0.206m) As with transport, reductions have been made in the areas of office equipment, furniture, services and ICT expenditure.

Employees

8. Employee related costs account for c.81% of the forecast gross spending requirement. These are estimated to be £47.437m in 2022/23, an increase of £2.755m from 2021/22. The main changes are presented by each category of staffing:

Wholetime Staffing

2021/22 Budget: £31,172,924	2022/23 Budget: £32,928,739	Increase £1,755,815

9. The main reasons which explain this projected increase in spend are:

- Actual pay award of 1.5% in 2021/22 and then expected 2% pay awards across the next 3 years,
- The 1.25% National Insurance levy for 2022/23.
- Forecast establishment has been held at 592 for financial planning purposes, increasing to 608 in 2023/24. Increase includes service investment as part of workforce planning.

On Call Firefighters

2021/22 Budget: £1,532,120	2022/23 Budget: £1,580,795	Increase £48,674

10. The increase from 2021/22 reflects actual activity with the remaining additional planned spend a reflection of the likely cost of pay inflation and the net effect of the National Insurance levy. The Service continues to review the deployment of On-Call firefighters to maximise efficiency.

Control Staff

2021/22 Budget: £1,307,174	2022/23 Budget: £1,374,201	Increase £67,027

11. The budget has been set at the current establishment of 28 full time equivalents (FTEs) and the remaining increase throughout the plan reflects pay inflation, the net effect of the National Insurance levy and an increase in overtime costs mainly as a result of the pandemic.

Support Staff

2021/22 Budget: £8,564,513	2022/23 Budget: £9,398,438	Increase £833,926

12. The increase reflects two main areas:

- The 2021/22 approved budget did not include a forecast for a pay award in line with the Chancellor’s announcement of a public sector pay freeze. However, negotiations are ongoing with the potential for a 1.75% award. If agreed this would be effective from 1 April 2021. For the remaining years in the plan 2% has been included each year.
- Growth has been included within the budget to reflect the proposals detailed in the Workforce Investment Plans for both 2020 and 2021. It reflects the approved investment in key functions to ensure they meet the needs of the service in the future – Human Resources, Fleet Workshops, Business Fire Safety and Community Fire Safety being the main areas. These investments are reduced by efficiency savings in Procurement and Estates.

Indirect Employee Costs

2021/22 Budget:	2022/23 Budget:	Increase
£2,104,818	£2,154,818	£50,000

13. The increase, which has been included after the MFTP approval in November 2021 is due to the forecast costs relating to training as a result of recovery from the pandemic.

14. Members should note that there is a strong likelihood that such costs will increase principally resulting from the recent or likely outcomes from the significant pension legal cases including McCloud, Sergeant and Matthews. The complexity of the cases and the ongoing uncertainty regarding pension calculations will make financial planning more volatile until clarity of outcomes can be exemplified.

Premises Related Costs

2021/22 Budget:	2022/23 Budget:	Increase
£3,509,016	£3,727,325	£218,309

15. The cost of premises related spend is expected to increase during the period reflecting:

- an increase in inflation of 3% for energy, rates, water services and contractual obligations over the period. However, there is a significant risk that this provision will be inadequate in relation to energy costs. To counter this the Service is currently working on an energy sustainability plan which will be reported into the Authority in due course.

- The Service continues to positively address backlog maintenance issues and for 2022/23 a number of budgets have been adjusted to reflect this as we move to a more intuitive, condition-driven planned lifecycle programme. Some budgets have seen an increase which have been offset by reductions in other budgets as part of better aligning forecasts to spend patterns following the pandemic;

- additional costs relating to cleaning and domestic expenditure reflecting ongoing Covid-19 measures to ensure stations and offices maintain a safe environment for staff.

Transport Related Costs

2021/22 Budget:	2022/23 Budget:	Decrease
£1,116,238	£995,427	£120,811

16. Transport related costs include all elements of vehicle repairs and maintenance, running costs, insurance, leasing costs and car allowance and public transport costs.

17. The slight decrease in costs reflect the long-term effects of the pandemic in the reduction in usage of fuel, savings on public transport and mileage claims as hybrid working is embedded in the organisation. Savings on transport insurance is reflected in the medium-term plan.

Supplies and Services Related Costs

2021/22 Budget: £4,273,364	2022/23 Budget: £4,230,047	Reduction £43,317

18. This area of the budget relates to procurement spend in the following areas; equipment, furniture, uniforms, office expenses, services (including legal and professional services), ICT and network.

19. The slight decrease is mainly as a result of the long-term effects of the pandemic with reductions in office expenses, equipment and furniture, services and other related costs being realised through staff working in a hybrid manner.

20. Clothing, uniform and laundry has seen a slight increase to align the budget with actual costs. ICT have seen increases in costs relating to licenses, software and ongoing maintenance. However, this is offset by decreases in the procurement of ICT.

Capital Financing Costs

2021/22 Budget: £2,379,531	2022/23 Budget: £2,269,531	Decrease £110,000

21. For 2022/23 the budget reflects the Interest and Minimum Revenue Provision (MRP) (Principal) payable in relation the Service's loan debt outstanding and capital financing requirement. This borrowing was a result of previous decisions on financing capital spend and takes account of a sensible reduction in the Authority's under borrowing position aligned to the approved Treasury Management Strategy.

22. The capital financing budget also reflects the change in the MRP policy that was reviewed a few years ago and the significant savings that are generated; albeit on a reducing basis beyond the period of this medium-term plan. Non-budgeted savings arising from the change of policy have been held back in an earmarked (unusable) reserve to ensure all future costs are provided for.

23. The current approved Capital Programme has been re-profiled and updated and is expected to be financed from either the remaining Capital Investment Earmarked Reserve or Capital Grant/receipts. New borrowing will be required from 2022/23 to fund new capital investment needed. The likely borrowing costs of this are built into this plan.

Other Expenses (including Barnsley MBC Service Level Agreement with the FRA)

2021/22 Budget: £448,540	2022/23 Budget: £447,320	Reduction: £1,220

24. This line of spend principally relates to the provision of SYFRA Members related allowances, development and expenses, fees relating to the newly appointed Internal Auditor's RSM LLP (£182,320), and the provision of services to South Yorkshire Fire and Rescue Authority (SYFRA) from Barnsley MBC officers (£265,000).

Income

201/22 Budget: (£1,008,692)	2022/23 Budget: (£1,229,692)	Increase in Income: £211,000

25. The main constituent elements of income derive from secondments of firefighting personnel to other brigades or national programmes/projects, government grant and other contributions and investment income arising from cash balances invested in line with the approved Investment Strategy.

26. The increase in income reflects the drawdown from reserves of earmarked grant funding from 2020/21 in line with our protection work and workforce planning. This is partly offset by a reduction in income from customer and client receipts and interest receivable from investments as a result of the ongoing impact of the pandemic.

27. A schedule of proposed fees and charges for 2022/23 is presented at Appendix D for approval.

SECTION B: LOCAL GOVERNMENT FINANCE SETTLEMENT

28. South Yorkshire Fire and Rescue Authority (SYFRA) receives an annual Settlement Funding Assessment via the Department for Levelling Up Housing and Communities (DLUHC) that is comprised of Revenue Support Grant (RSG), Business Rates Top-Up Grant, the Government's projection of the Service's 1% share of the business rates income raised in South Yorkshire and any Section 31 Grant monies. The Home Office also fund the unreasonable cost element (estimated at 90%) of the firefighter pension superannuation costs in the form of a direct grant.

29. The provisional finance settlement was announced by DLUHC on 16th December 2021 and although SYFRA has not received any official notification on the pensions grant, it is anticipated that it will be the same as 2021/22. This has been assumed in the analysis provided below. Therefore, the overall position is largely the same as the one presented to the SYFRA in November's MTFP with the exception of the inclusion of the new "one-off" Service Grant" (further explanation is provided below).

30. The full position for 2022/23 is shown below compared to the 2021/22 settlement:-

	2021/22 £m	2022/23 £m	Change 21/22 to 22/23 £m
Revenue Support Grant	**8.458**	**8.716**	**+0.258**
Business Rates			
- Top Up	11.550	11.550	0.000
- Retained	4.095	3.907	-0.188
- Collection Fund Surplus	-0.034	0.000	+0.034
	15.611	**15.457**	**-0.154**
S31 Grant	**1.240**	**1.753**	**+0.513**
One off Covid Support Grant	**0.660**		**-0.660**
Service Grant		**1.081**	**+1.081**
Pensions Grant	***2.756**	***2.756**	**0.000**
OVERALL GOVT. FUNDING	**28.725**	**29.763**	**+1.038**

31. The settlement does confirm that overall government funding will increase by £1.038m from 2021/22, broadly equivalent to the one-off Services grant. The component parts of the settlement are outlined in more detail below:

Revenue Support Grant (RSG)

32. Revenue Support Grant is a share of Total England Funding for Fire Authorities calculated by DLUHC. The share was originally derived from a baseline set in the 2013/14 Local Government Settlement. Whilst RSG has been regularly cut over recent years, there is a small inflationary increase in 2022/23 for the second year running. The increase is based on the preceding September's Consumer Price Index (CPI) which was 3.1%.

Business Rates

33. Local Authorities collect all the business rates due on Commercial Properties in their area. As a way of partly devolving funding to Local Authorities, the Coalition Government agreed from 2013/14 that 50% of the business rates would be retained by local authorities and that as part of this new system, 2% of business rate income would fund Fire Authorities across England. As part of these system changes, the 4 South Yorkshire (SY) Districts pay over 1% of their retained business rate income directly across to SYFRA. Whilst impacted by the pandemic in 2021/22 this is starting to show signs of recovery although it is worth commenting that a number of business particularly in retail, hospitality and leisure are currently receiving and will continue to receive business rates relief. There may be a future impact on collections if this relief is removed, and as such this position will be regularly reviewed.

Top Up grant

34. DLUHC also pay over a Top Up grant to SYFRA in accordance with the funding formula. This funds the difference between the spending needs in the SY area and the amount that is collected in business rates or received in RSG. The inflationary increase in Top-Up Grant has again been frozen in the 2022/23 settlement although Fire Authorities are compensated for this policy decisions through Section 31 grant – see below.

Section 31 Grant

35. Section 31 income is paid by DLUHC to compensate for any policy changes they introduce (e.g. extending small business rate relief, capping inflation) so that Fire/ Local Authorities are not affected by any new burdens.

Pension Grant

36. As mentioned previously, the Home Office also fund the additional superannuation costs of firefighters through direct grant based on 90% of the additional liability. Although notification has been received from the Home Office of their intention to pay the pensions grant in 2022/23, no formal announcement has been received at the time of writing this report. SYFRA received an allocation of £2.756m in 2021/22 and at this stage, the same figure has been assumed for 2022/23.

Service Grant

37. As part of the settlement, the Government announced a new one-off Service Grant. The Secretary of State for the DLUHC has made it clear that this resource should be treated as one-off pending a future review of its distribution.

Future LG Funding Reforms

38. Reference was also made within the finance settlement to a wider review of funding distribution. DLUHC have announced that a full consultation is expected to commence in early spring 2022. They also announced that they intended to scrap the proposed move to 75% rate retention, instead suggesting that the current system is fit for purpose; although they have announced the intended move to more regular business rates revaluations every three years. In addition, the Home Office has previously indicated that it would prefer to roll the pensions grant into the funding reforms when they are eventually implemented. There also remains the prospect of greater collaboration with the Police, which could have implications for future funding.

SECTION C: PRECEPT INCOME

39. The Authority must set its precept and Council Tax by the prescribed legislative deadline. The precept income received by the Authority depends on the calculation of two factors - the Band D Council Tax set by the Authority multiplied by the Council Tax base estimated by each of the districts. The base for 2022/23 is estimated to be 356,829 properties, an increase of 9,124 properties since last year although it is worth noting this comes on the back of a fall in the tax base for 21/22 due to an increase in households claiming Council Tax Support claimants as a result of the pandemic. Therefore, the increase represents both a return to pre-pandemic tax base levels together with a forecast increase in the number of properties across the region.

40. The settlement also confirmed that the Council Tax referendum limit would be set at 2% for Fire Authorities for 2022/23. This means that if the Authority wants to set a Council Tax above this level, it will need to undertake a referendum. The costs of carrying out a referendum are not known but are estimated at anywhere between £0.5m and £1m. Such costs would need to be taken into account when assessing income from Council Tax levels set above the referendum limit.

41. In considering whether to increase the Council Tax, Members need to be aware that the current financial plans are based on an assumption that the Council Tax would be increased by 1.99% in 2022/23 and 1.99% thereafter. Illustrated in the table below are some of the potential options available to Members for 2022/23 and the impact this would have on the level of precept raised. Each 1% increase equates to additional income of around £0.3m (based on the current tax base).

42. Also shown is the impact on the taxpayer. It is also worth noting that any increase in the council tax has a compounding impact on the level of precept raised in future years and increases permanent resources available to fund any ongoing spending requirements.

43. The estimates for Council Tax Income are based on a composite collection rate of 95% (across all 4 South Yorkshire districts) to reflect the impact of the pandemic as well as other factors (e.g. Local Council Tax Support and additional Adult Social Care precept) and will require stringent monitoring during the course of the year.

	POTENTIAL COUNCIL TAX INCREASE					
	0%	**+0.50%**	**+1.00%**	**+1.50%**	**+1.99%**	**+2.50%**
Council Tax Charge (£)	76.07	76.45	76.83	77.21	**77.58**	77.97
Increase in Charge	-	0.38p	0.76p	£1.14	**£1.51**	£1.90
Council Tax Requirement	**£27,838,069**	**£27,977,259**	**£28,116,449**	**£28,255,640**	**£28,392,046**	**£28,534,021**
Additional Council tax raised	-	£139,190	£278,380	£417,571	**£553,977**	£695,951
Impact on current MTFP net position	+£553,977	+£414,787	+£275,597	+£136,426	**-**	-£141,974

44. The current MFTP assumes a 1.99% council tax increase in 2022/23. This equates to an annual cost of £1.51 per Band D household (or 3p per week). It should be noted that the majority of properties in South Yorkshire are in Bands A or B meaning the annual amount will be less.

45. For illustrative purposes the table below shows a comparison against a 1.99% increase for each respective district council (note district councils can also include a further precept relating to Adult Social Care). On average this shows a £30 per annum increase over that proposed by the Authority. It is also worth noting that the South Yorkshire Police and Crime Commissioner is proposing a £10 annual increase.

Authority	Annual impact of 1.99% increase	Variance
South Yorkshire Fire & Rescue Authority	£1.51	
Barnsley MBC	£31.56	+£30.05
Rotherham MBC	£33.03	+£27.88
Doncaster MBC	£29.38	+£31.52
Sheffield CC	£33.96	+£32.46
SYPCC	£10.00	+£8.49

46. In addition to Council Tax increases, further funding is generated via the Collection Fund surplus account. A Collection Fund (CF) surplus is generated when Council Tax collection is higher than expected by the districts. As highlighted in paragraph 39 above the tax base for 2021/22 was reduced to reflect an increase in households claiming Local Council Tax Support although this has not materialised to levels anticipated, resulting in more council tax being collected during 2021/22 resulting in a collection fund surplus of £0.672m which has been included in the budgeted income for 2022/23.

47. A summary of the 2022/23 revenue budget, assuming an increase in council tax of 1.99%, is outlined in the following table.

	1.99% Council Tax Increase £M
Net Budget Requirement (from Appendix A)	**57.877**
Funding:	
RSG	8.716
Business Rates Top Up	11.550
Business Rates Retained (incl. Business Rates Collection Fund) *	3.907
Section 31 Grant - Business Rates*	1.753
Section 31 Grant - Pensions	2.756
One – Off Services Support Grant	1.081
Precept (based on a 1.99% increase in CT)	28.392
Council Tax Collection Fund Surplus	0.672
Total Resources	**58.827**
Estimated Budget Surplus	**0.950**
Band D Council Tax	**77.58**

** Decrease in retained business rates is temporary and is offset by an increase in S31 grant*

48. It is recommended that the surplus estimated for 2022/23 be held in reserve pending Government's review of funding distribution for 2023/24 and beyond.

SECTION D: MEDIUM TERM FINANCIAL FORECAST

49. The MTFP sets out the framework for understanding the strategic, service and financial challenges SYFRA faces. It is a key part of the Authority's Budget and Policy Framework intended to ensure that financial resources are aligned to the delivery of SYFRA's objectives and priorities and ensuring its longer-term financial sustainability. The most recent MTFP 2022-2025 was agreed by SYFRA Members at their meeting on the 22 November 2021. In so doing, this allowed the Service to move forward the financial forecasts in light of recent national developments and local circumstances, but also included the effects of the Service's ongoing and rolling budget and savings process.

50. The MTFP has been revised to reflect the changes following the finance settlement in December and other assumptions:

	2022/23 £m	2023/24 £m	2024/25 £m
Expenditure			
Employees	47.437	48.505	49.432
Premises	3.727	3.821	3.918
Transport	0.996	1.017	1.040
Supplies & Services	4.230	4.230	4.230
Capital Financing	2.269	2.653	3.211
Other Expenses	0.447	0.452	0.458
Income	-1.229	1.200	0.953
TOTAL EXPENDITURE	**57.877**	***59.478**	**61.336**
Resources			
Government Grant	-20.930	-21.349	-21.776
One-off Service Grant	-1.081	-	-
Pension Grant	-2.756	-2.756	-2.756
Business Rates	-4.996	-5.112	-5.214
Council Tax	-29.064	-29.691	-30.583
TOTAL RESOURCES	**-58.827**	**-58.908**	**-60.329**
NET SURPLUS/ DEFICIT	**-0.950**	**0.570**	**1.007**

*includes previously approved drawdown of earmarked reserves

51. The following key assumptions have been built into the above plan

- Provision for pay awards of 1.5% (operations) and 1.75% (support) for 2021/22 and 2% thereafter;
- National insurance increase of 1.25% (health and social care levy);
- An increase in the operational staffing establishment in 2023/24 from 592 to 608;
- Service improvement investment as part of workforce planning;
- Contractual inflation assumed at 3% each year;
- Government funding assumed at 2022/23 levels across the period, adjusted for inflation, and continuation of the pensions grant (net of the one-off services grant in 2022/23);
- Inflationary increases on business rate income of 3% in 2022/23 (yet to be confirmed) and 2% thereafter;
- Average council tax base increased across the region of around 4,000 band D equivalent properties per annum;
- Council tax increases of 1.99% each year;
- Total new planned capital investment of £21m over the period.

52. The above forecast indicates modest deficits in 20223/24 and beyond that need to be addressed through the efficiency and improvement programme referred to elsewhere in this report

FINANCIAL RISKS TO THE MTFP

53. It is important to recognise that the plan will need to be kept under continuous review given the pace of change, not only at a local level, but also at a national and international level.

54. The following issues and risks are particularly relevant:

- Changes to assumed workforce planning profiles for wholetime firefighter retirements, sickness and other absences / modified duties and unplanned leavers may create financial variances and pressures e.g. additional unplanned overtime / expenses.

- Future pensions' employer contribution rates are expected to rise sharply although the full extent of the rise will only be known when the GAD actuarial valuation reports are made available – the next valuation is due in 2023. In addition, there are several high-profile legal cases e.g. McCloud and Sergeant that could have a lasting and equally adverse impact on these valuations.

- Inflation assumptions may change over the MTFP period. Interest rates are also susceptible to change although a low interest rate environment is likely to prevail for the foreseeable future. Equally, the Public Works Loan Board also has the capacity to artificially change the interest rates for public borrowing. – supply chain issues

- Pension legal cases – there are a couple of high-profile cases, one of which McCloud & Sargeant is progressing through to remedy. The Authority agreed on 24th January 2022 to continue with their previous decision (24 November 2021) to adopt the LGA/FBU framework to enable the Service to progress immediate detriment cases for current members. There is a potential cost to the Service, until legislation is changed as to the legitimacy of payments.

- Council tax assumptions included in the MTFP assume an annual increase of 2% - however, this may be subject to change by legislation (Excessiveness Rules).

- The council tax base may change from assumptions leading to more or less precept income. As previously mentioned, the council tax base is starting to see signs of recovery from the previous reduction caused by Covid 19 and the increased number of claimants requiring Council Tax Support. Collection rates are also starting to recover to previous assumed levels.

- Future growth or reduction in business rate income is unpredictable and may adversely differ from government economic growth forecasts especially in light of the uncertainty around Brexit and the likely impact of the UKs changing political and economic relationship with Europe and the rest of the world.

- Future long-term capital investment needs and funding are indicative at this stage. The capital investment plans for 2022/23 are detailed in the report for approval, with the remaining forecasts for the rest of this planning period.

- Managing the outcomes from the inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), Round 2, which for SYFR is due to take place early summer of 2022.

- Managing the outcomes from the recent Government Consultation on the future governance and funding of England's Fire and Rescue Services.

SECTION E: CAPITAL INVESTMENT STRATEGY & PROGRAMME

55. The Authority's Capital Programme is set within the Authority's Capital Investment Strategy. The Capital Investment Strategy is a regulatory requirement and is attached at Appendix B to the report. It provides a mechanism by which capital expenditure and investment decisions are aligned over the medium-term planning period within the Authority's key annual and service improvement priorities and CRMP. It also sets the framework for the Authority's capital expenditure reflecting criteria including prioritisation, governance, asset and risk management. This also links to the Authority's other strategies and plans e.g. Treasury Management and Reserves Strategies.

56. As reported in the Authority's MTFP (November 2021), functional areas have been working up and refreshing their current Service and Asset Management plans, and as a result approval is required for the additional forecast of £21.521m, over the period of the plan and £4.895m for 2022/23 as shown in the table below.

57. The Capital Programme for 2021/22 has also been revised at quarter 3 and reduced from £9.487m to £5.609m, which impacts the spend projections for 2022/23 – 2024/25. The latest spend projections for previously approved capital schemes and modest new proposals are shown in the narrative and table below. In summary, the Authority is continuing to look to invest in helping to ensure firefighters have the right, fit for purpose, emergency response appliances, equipment, support and training facilities and which will also help to future proof the infrastructure:

	21/22	22/23	23/24	24/25	Total
	£'000	£'000	£'000	£'000	£'000
New Builds & Major Refurbishment	1,655,206	2,750,000	2,650,000	2,500,000	9,555,206
Station Improvement Programme	1,964,463	1,700,836	1,925,000	1,875,000	7,465,299
TOTAL PREMISES	**3,619,669**	**4,450,836**	**4,575,000**	**4,375,000**	**17,020,505**
Appliances	0	1,710,000	3,020,000	2,660,000	7,390,000
Ancilliary Vehicles	66,303	722,500	492,000	90,000	1,370,803
TOTAL TRANSPORT	**66,303**	**2,432,500**	**3,512,000**	**2,750,000**	**8,760,803**
ICT Development	275,921	455,000	405,000	420,000	1,555,921
Control Collaboration Project	0	325,715	0	0	325,715
ESMCP System	0	33,000	0	0	33,000
TOTAL INFORMATION & COMMUNICATIONS	**275,921**	**813,715**	**405,000**	**420,000**	**1,914,636**
Op Equip & Personal Protective Equip (PPE)	1,647,503	1,076,071	477,000	112,000	3,312,574
MTA PPE & Equipment					0
TOTAL OPERATIONAL EQUIPMENT	**1,647,503**	**1,076,071**	**477,000**	**112,000**	**3,312,574**
TOTAL CAPITAL SPEND	**5,609,396**	**8,773,122**	**8,969,000**	**7,657,000**	**31,008,518**
Total Approved	**5,609,396**	**3,878,016**	**0**	**0**	**9,487,412**
Total Forecast for Approval	**0**	**4,895,106**	**8,969,000**	**7,657,000**	**21,521,106**

58. **Premises** – the Service are proposing additional investment, over the 3-year period of £12.875m. A yearly estates conditions survey has been carried out and work to maintain the fabric and integrity of the building assets has been identified. These include:

- Major refurbishment works for a number of sites over the next three years;
- Estate Strategy renewal works which will see the development of a long term estates 'masterplan' that will provide a blueprint for each building asset including any future investment plans;

- Enhance identified local training assets / facilities; and
- Further estates improvement works across the portfolio to continue to address health, safety, equality and welfare issues as well as planned condition and lifecycle maintenance works.

59. **Transport –** the Service are proposing investment, over the 3 year period of £6.650m. This is a slight increase from the MTFP due to the rising of cost of equipment for fire appliances. The Strategic Fleet Board have determined its replacement plans with focus on optimising appliance availability to best support future operational needs.

60. Aligned to the ongoing collaboration with South Yorkshire Police and the review of the Transport Strategy, the Joint Head of Vehicle Fleet Management continues to work with the Assistant Chief Fire Officer and Head of Emergency Response to determine future operational and resilience appliance needs. Annually the Service expects to order/receive 4 new appliances each year across the MTFP and undertake professional condition to assess the feasibility for extending the operational life of the current appliances. If cost effective, any necessary lifecycle works will be undertaken enabling these appliances to continue to provide, and then supplement current operational resilience.

61. The investment put forward will also see the ongoing replacement of both Emergency Provided Cars for officers (where there is a contractual or business need), as well as aging ancillary vehicles that are required to support operations across the Service.

62. **ICT** - the Service are proposing investment, over the 3 year period of £1.035m. This investment includes ICT's continued work as part of the Digital Transformation Programme:

- ongoing upgrade and replacement of PC equipment, laptops and Citrix as part of the ongoing agile working provision;
- ongoing planned upgrade and replacement of the network, software, applications and ICT infrastructure;
- continuation of the digital transformation roadmap that is modernising and streamlining our ways of working; and
- ongoing ESN / Control collaboration project.

63. **Operational Equipment –**, the Service are proposing investment, over the 3 year period of £0.960m. Investment is part of the continued work of operational steering groups in reviewing the operational equipment needs through the Service's Operational Research and Development Board.

64. The Service continues to identify and evaluate new technological developments that will improve operational effectiveness and firefighter safety. The ongoing renewal and replacement of existing operational equipment linked to providing an emergency response function and keeping firefighters safe, for example and including: BA face masks, heavy lifting equipment, replacement breathing apparatus, PPV and general equipment replacement as part of a rolling programme.

65. Assuming Members are minded to approve the above, the planned total capital investment, including pre-approved schemes for 2022/23 would be £8.773m. The net cost of the new approvals will need to be largely funded through borrowing and provision has already been factored into the Authority's forecasts to reflect this amount.

SECTION F: RESERVES POSITION AND CURRENT STRATEGY

66. The Authority currently maintains both earmarked and general reserves. The level of earmarked reserves are reviewed as part of the budget process and again as part of the final accounts. Members will recall that the Medium-Term Financial Strategy report 'reaffirmed' the planned approach to managing reserves this being:

Step 1 Review the purpose and classification of each reserve held at 31 March 2021 to determine whether it still needs to be held or can be reduced/closed;

Step 2 Any available reserves that are identified from the review (or additional balances generated in the interim) be 'ring-fenced' in General Reserves until greater certainty is derived on the funding position; and

Step 3 The Section 151 Officer to review the level of minimum General Reserves required when greater certainty is acquired on the funding position for SYFRA.

67. It is both sensible and prudent for the Section 151 Officer in formulating the updated Financial Plan to consider and reaffirm the level and adequacy of reserves after taking into account a number of considerations as outlined below:

a. Excessive balances can be an opportunity cost to the tax payer leading to additional spending on services not taking place or Council Tax precept increases being higher than they would otherwise be;

b. Retained balances earn income and can provide internal funding e.g. for capital spend rather than borrowing; and

c. Reserve levels that are too low, may put the Authority at risk if unexpected demands and risks/events occur at a relatively short notice (as witnessed through the Covid-19 pandemic and could lead to an adverse audit opinion).

68. Having assessed the potential financial risks and the extent of the Authority's likely exposure to those risks during the next 2 to 3 years, plus their impact on available balances, the Section 151 Officer is able to propose the following approach to managing reserves, during the period 2022-2025.

69. In setting out and firming up this Plan, the Authority's Useable Reserves position is presented in the table below. This is broadly in line with that presented to Members in November 2021, adjusted for:

- The re-profiling of capital spend, throughout the programme mainly as a result of the pandemic;
- The re-forecast of Government funding announced in late December 2021, which included additional one-off grant funding and the impact on council tax funding;
- The current (December 2021) forecast revenue underspend, which is detailed in the quarter 3 budget monitoring report.
- The setting aside of a specific reserve to fund the potential costs of Immediate Detriment Pension liabilities.

Reserve	Forecast 31/03/2022 £'000	Forecast 31/03/2023 £'000	Forecast 31/03/2024 £'000	Forecast 01/04/2025 £'000
Insurance	1,152	1,152	1,152	1,152
Invest to Save	0	0	0	0
Budget Carry Forward Requests	743	248	0	0
Capital Investment - Committed	0	0	0	0
Safer Stronger Communities	387	0	0	0
Capital Reciepts Reserve	0	0	0	0
Revenue Grants Unapplied	276	0	0	0
Capital Grants Unapplied	0	0	0	0
Service Improvement Reserve	448	293	0	0
Rates Rebate Reserves	443	443	443	443
Immediate Detriment Pension Liability Reserve	0	3,671	3,671	3,671
Emerging Risk Reserve	5,966	3,245	2,654	1,619
USEABLE EARMARKED RESERVES	**9,415**	**9,052**	**7,920**	**6,885**
General	5,000	5,000	5,000	5,000
USEABLE GENERAL RESERVES	**5,000**	**5,000**	**5,000**	**5,000**
TOTAL USEABLE RESERVES	**14,415**	**14,052**	**12,920**	**11,885**
MRP	1,768	2,269	2,905	3,609
TOTAL UN-USEABLE RESERVES	**1,768**	**2,269**	**2,905**	**3,609**
TOTAL RESERVES	**16,183**	**16,321**	**15,825**	**15,494**

70. For the current financial year, the latest financial estimates suggest a broadly positive financial performance is expected, with a forecast underspend on the revenue budget of £1.111m subject to the potential financial risks relating to the associated costs and potential liabilities arising from the adoption of the LGA/FBU Framework in relation to McCloud & Sergeant Immediate Detriment cases.

71. Members will be subsequently asked to consider how best to utilise any surplus once audit confirmation as to the outturn performance is received (for the financial year ended 31 March 2022) and with due consideration of the Reserves Strategy and known / likely financial risks faced at that time and for the period up to 2023.

72. An updated Reserves Statement will form part of confirming the 2021/22 outturn position which will be disclosed in our year end Unaudited Statement of Accounts that are due to be published by the end May 2022.

<u>SECTION G: TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2022/23</u>

73. The Treasury Management Strategy Statement is attached at Appendix C for Members' approval. The key objective of the strategy include:

- Ensuring the Authority's capital expenditure plans are prudent, affordable and sustainable over the longer-term;
- Ensuring that sufficient cash is available when needed to meet the Authority's spending commitments;
- Managing the Authority's exposure to interest rate and refinancing risk whilst maximising value for money, and

- Managing the investment of temporary surplus cash in a way that preserves the capital invested.

74. The following elements of the strategy require specific approval:

- The Treasury Management Policy Statement which sets out the overall policies, practices and objectives in relation to treasury management;
- The proposed Borrowing and Investment Strategies;
- The Authorised Limit for External Debt and Prudential Indicators demonstrating the affordability of capital investment plans;
- The Minimum Revenue Provision Statement setting out the proposed prudent method of charging the revenue account for the repayment of debt.

75. In accordance with the Revised CIPFA Treasury Management Code of Practice, the Strategy was discussed by the Audit and Governance Committee on 10 January 2021. The figures and indicators included within the Strategy reflect the approved and indicative 2019-2024 Capital Programme (including the new approvals outlined at Section E). Should capital expenditure plans change during the year, the prudential indicators included in the report will be recalculated.

76. The proposed Strategy, in summary, reflects the following:

Borrowing Strategy

77. Within the context of increasing economic uncertainty and interest rate volatility, the proposed strategy is to:
    - **Maintain an appropriate proportion of fixed rate borrowing** in order to limit the Authority's exposure to interest rate risk (proposed targets in section 3 of the strategy);
    - **Maintain a balanced maturity profile on long and short-term borrowing** to limit the Authority's exposure to refinancing risk (proposed limits in Appendix C of the strategy), and
    - **Maintain an appropriate level of internal borrowing** in order to reduce the Authority's financing costs.

Investment Strategy

78. In order to safely manage the Authority's temporary surplus cash, the proposed strategy is to:
    - **Invest in only secure products and counterparties** in order to minimise the risk of loss (proposed limits in section 4 of the Strategy);
    - **Maintain an appropriate balance of liquid funds** to ensure that sufficient cash is available when needed, and
    - **Within this context, seek to optimise performance** in terms of yield.

MRP Statement

79. The MRP Statement is required to be approved each year as part of the Treasury Management Strategy Statement. A review of the Authority's MRP Policy was undertaken during 2017/18 and the 2022/23 MRP Statement is a continuation of this revised approach.

SECTION H: TREASURER'S SECTION 25 REPORT

80. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer under the Local Government Act 1972) to report to the Authority when setting the Council Tax on:

- the robustness of the estimates in the budget, and
- the adequacy of the proposed reserves

81. The Authority must have regard to this report when making decisions in respect of the budget and Council Tax (Precept).

82. The Budget proposed for 2022/23 has been framed within the Government's finance settlement.

Robustness of the estimates

83. A review of the estimating assumptions has been carried out in forming the 2022/23 budget in conjunction with the Chief Fire Officer and the Director of Support Services. Whilst these assumptions are subject to risk, I consider that they are prudent at this stage based on the following comments:

- Pay inflation assumptions. Whilst the Chancellor announced a pay freeze for public sector workers in his Spending Review for 2021/22, it was later agreed to pay Firefighters a 1.5% pay award and it is currently anticipated that support staff will receive 1.75%. Future pay increases in 2022/23 onwards remain at 2% in the MTFP. At this point in time, these assumptions are considered to be prudent although negotiations have yet to be finalised.

- Interest Rates. Interest rates increased in December 21 from 0.1% to 0.25%, the first rise in three years. The Fire Authorities treasury advisors and other commentators are predicting further interest rate increases over the planning period, though the timing and pace of those remains subject to debate. In view of this my advice remains to set a target of 75% of fixed rate borrowing per the Treasury Management Strategy.

- Inflation and supply chain issues. It is well publicised that inflation and supply chain issues are leading to increases in the cost of energy, fuel and construction costs.

- Council Tax Income Assumptions. Whilst Council Tax bases across the region are starting to see signs of recovery from the impact of Covid-19 the current cost of living crisis being experienced by many may well have an impact on collection rates moving forwards. Current estimates are for a 95% average collection rate across the region. Given this risk, the position will need to be closely monitored during the year.

- Business Rates Income Assumptions. Under the current Business Rate Retention scheme, the Authority retains 1% of the total income collected. The current budget is based on the four SY districts own estimates of what they expect to collect. There continues to be high level of volatility to the business rates baselines. However, I do believe that the forecast business rates included within the budget are based on prudent assumptions although again the position will need to be closely monitored during the year.

84. The SYFRA's robust in year budget monitoring processes will ensure that the budget and the assumptions underpinning it are reviewed throughout the year. Any significant variations identified through this process will be brought to the Authority's attention.

Adequacy of the Authority's Reserves

85. A review of reserves has been carried out as an integral part of the 2022/23 Budget and the MTFP process. The conclusions from this review are set out elsewhere in this report.

86. The proposal to fund additional capital investment over the 3-year planning period via borrowing supports delivery of a sustainable balanced revenue budget and maintains general reserves at a level that I consider appropriate based on current assumptions.

87. I also consider the setting aside a reserve to settle the potential Immediate Detriment Pension Liability cases to be prudent. Whilst this will impact on future reserve levels this is to some extent offset by a one-off Service Grant expected to be received for 2022/23.

88. However, given the ongoing uncertainty of the future public sector financial landscape particularly the Government's announcement of a one year only settlement for 2022/23 together with their proposed formula funding review, it is my recommendation that an Emerging Risks Reserve be set this aside to address any future shortfalls in funding and other future risk, pending an appropriate efficiency plan being put in place should this be required.

89. This position will be subject to continuous review and reassessment to ensure the current reserves utilisation remains appropriate. The current Minimum Working Balance (MWB) held by the Authority remains at £5.0m again which I consider prudent.

Prudence & Affordability

90. The current Prudential Borrowing regime places a duty on the CFO to ensure that the financial impact of decisions to incur additional borrowing over and above that supported by Government are affordable both in the immediate future and over the longer term.

91. Consideration of all new capital schemes and their revenue impact (including the risk of changing interest rates) is therefore undertaken alongside other revenue service issues to ensure that resources are allocated in accordance with the Authority's overall priorities and within the overall funding available.

Medium Term Financial Plan and Budget Reduction Measures

92. As outlined at Section D, delivery of the Service's MTFP was considered in a separate report into SYFRA in November 2021. As mentioned throughout the report, this is a particularly uncertain period for Fire and Rescue Authorities as a result of one year only finance settlement for 2022/23 together with Government's intended funding distribution review and potentially aligning Fire's financial and governance arrangements with Police Commissioners as well as the general economic upheaval created by Covid-19 and Brexit. The outcome of these reviews will particularly impact on the Authority's future resources and therefore our assumptions will need to be kept under constant review.

93. As a result of the uncertainty, the MTFP provided a number of funding scenarios. This position will continue to be monitored and updates reported into SYFRA although further clarity may not materialise until the Government release its future funding intentions (expected late 2022). To the extent that these projections do change, Members need to be mindful that further action may be required to contain any potential future deficits.

94. **In summarising my advice, I would stress that the robustness of the estimates and adequacy of the reserves are satisfactory at the point of setting the budget but will be subject to ongoing review over the coming financial year.**

CONTRIBUTION TO SERVICE PRIORITIES

☐ Community - Making people safer – working to prevent emergencies.
☐ Operations - Responding to emergencies – effectively and safely.
☐ People - Valuing people – those we serve and employ.
☒ Finance and Resources - Maximising efficiency – making our resources go further.

OPPORTUNITIES FOR COLLABORATION

☒ Yes
☐ No

If you have ticked 'Yes' please provide brief details in the box below and include the third party/parties it would involve:

Financial implications as a result of any known collaboration opportunities are included with financial predictions. All future implications will be included within future MTFP updates as and when known

CORPORATE RISK ASSESSMENT & BUSINESS CONTINUITY IMPLICATIONS

95. The Corporate Risk Register is inclusive of the risk surrounding the medium term financial strategy. Proper financial planning ensures that the Authority will be made aware of any issues that have financial implications at the earliest opportunity.

EQUALITY ANALYSIS COMPLETED

☐ Yes

If you have ticked 'Yes' please complete the below comment boxes providing details as follows:

Summary of any Adverse Impacts Identified:	Key Mitigating Actions Proposed and Agreed:

☐ No
☒ N/A

If you have ticked 'No' or 'N/A' please complete the comments box below providing details of why an EA is not required/is outstanding:

Equality impact assessments are carried out on individual proposals rather than on the funding of those proposals.

HEALTH AND SAFETY RISK ASSESSMENT COMPLETED

☐ Yes
☐ No
☒ N/A

If you have ticked 'No' or 'N/A' please complete the comments box below providing details of why a Health and Safety Risk Assessment is not required/is outstanding:

There are no known risks in relation to Health and Safety.

SCHEME OF DELEGATION

96. Under the South Yorkshire Fire and Rescue Authority Scheme of Delegation a decision *is required / *has been approved at Service level.

Delegated Power ☒ Yes
☐ No

If yes, please complete the comments box indicating under which delegated power?

Financial regulations: The provision of budgets and funding

IMPLICATIONS

97. Consider whether this report has any of the following implications and, if so, address them below: Industrial Relations, Financial, Legal, Asset Management, Environmental and Sustainability, Diversity, Communications and Health and Safety implications have been considered in compiling this report.

list of background documents		
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