

SOUTH YORKSHIRE FIRE AND 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)	DIRECTOR OF SUPPORT SERVICES
Subject	FINANCIAL PERFORMANCE REPORT QUARTER 3 2021/22

EXECUTIVE SUMMARY

This report is the third in a series of reports that Members will receive throughout the financial year that informs them as to the likely financial performance for the year ended 31 March 2022. It routinely includes an estimated revenue outturn position when compared to the annual budget set on the 22 February 2021, an updated reserves position statement, and an update on the Capital Programme alongside a narrative commentary to help explain the key financial changes that are contributing to each of them.

The 2021/22 approved operating budget was £55.400m, the funding was £55.872m, resulting in a planned contribution to reserves of £0.472m. Based on the latest income and expenditure and planned contributions to/from earmarked reserves, the Authority is projecting a net operating spend of £54.761m, with funding of £55.872m, resulting in an overall forecast operating underspend of £1.111m or 2% of the budget.

The 2021/22 approved Capital Programme was £7.704m, funded predominantly by the remaining capital reserve and new borrowing. Following the 2020/21 Outturn Report, approved 21 June 2021, the programme was adjusted to £9.487m. Due to the ongoing issues with supplies and services as a result of the pandemic the budget has been reviewed and projects re-profiled resulting in a forecast spend of £5.609m.

Based on the projections in this report, there would be a net increase in general reserves of £1.111m, this being the in-year estimated surplus above. There would be an overall net decrease in the useable earmarked reserves of £3.628m, this being the approved contributions to the: Capital Programme, Stronger Safer Community Fund (SSCF), Revenue and Capital Grant expenditure and revenue expenditure through the budget carry forward reserve. This decrease is offset by the ongoing contributions to the Minimum Revenue Provision (MRP) Reserve in line with the approved policy.

It should be noted that the current outturn position is only an indicator as to the likely outturn position and specifically excludes known business and sector risks where the financial implications are yet to either crystallise and/or able to be quantified:

- The full and ongoing cost of Covid-19 response and recovery on operational resources, policies, processes and practices during the current financial year and beyond;
- The potential support staff pay award of 1.75% that has yet to be agreed and implemented;
- Potential future loss of revenue funding resulting from both a temporary and a prolonged reduction in the council tax and business rates base and future collection fund surpluses;

- Any operational and financial impact from the remedy of the McCloud and Sargeant pension legal case, any related legal cases and other current pension legal cases;
- The full extent on the national and local economy of the UK leaving the European Union; and
- The next Comprehensive Spending Review and the expectation that the Sector will have to put forward a compelling case to secure growth in its long-term funding.

RECOMMENDATIONS

Members are recommended to:-

- a) Note the emerging underlying estimated revenue performance which is showing a potential operating underspend of £1.111m for the financial year ended 31 March 2022;
- b) Note the underlying and significant financial risks and uncertainties facing the Service and Sector during the remainder of this financial year and into 2022/2023 and beyond;
- c) Note the latest estimated change in General and Earmarked Reserves as set out in Section C of this report; and
- d) Note the current position of the capital programme for the financial year ending 2021/22, which is in line with expectations.

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Main Report

Appendix A - Projected Outturn Monitoring Report – December 2021, Q3

BACKGROUND

FINANCIAL OVERVIEW YEAR TO DATE 2021/22

1. Approved at quarter one was a revised expenditure budget (£56.090m) following the inclusion of budget carry forwards of £0.690m, funded from the Carry Forward Reserve. The budget has now been updated (£55.807m) to reflect a reduced budget carry forward requirement of £0.408m as a direct result of the continued effects of the pandemic on operations.
2. Funding continues to be forecast at the approved £55.872m with the planned contribution to reserves of £0.472m. The projected net operating spend of £54.761m against this funding will potentially result in an overall operating underspend of £1.111m.
3. The following sections (A to C) to this report (supported by Appendix A) provides a summarised narrative commentary to help Members understand the primary reasons for the potential operating underspend now being forecast of £1.111m and the potential, future significant risks and uncertainties that could adversely impact on this position.

SECTION A – Changes in Estimated Spend

EMPLOYEES – Budget £44.798m, Estimated Spend £44.393m – Underspend £0.405m

4. Employee related costs account for c80% of the £55.807m expenditure budget for 2021/22. The budget set in February 2021 was based on projected staffing establishment levels, additional on-costs relating to the employment of firefighters, full year effects of substantive changes reported in 2020/21 and any other known changes or assumptions. The approved budget did not include provision for pay awards due to the Chancellor's announcement of a public sector pay freeze at the time of setting the budget.
5. Based on latest workforce numbers, activity data, confirmed uniformed pay award and information received regarding a potential support staff pay award, the forecast variance against the employee budget is an emerging potential underspend of £0.405m (0.9% of budget). The principal reasons for the overall net underspend are set out below for the different categories of staff costs.

Wholetime – Budget £31.173m, Projected Spend £31.038m – Underspend £0.135m

6. The forecast underspend is a net of underspends relating to basic pay offset by overspends on employers national insurance and pension contributions, flexible duty costs, contingency payments and casual/pre-planned overtime.
7. The forecast underspend on basic pay is as a result of the budget allocation, based on the forecast Rider and Non Rider Establishment (number of posts), which at the time of setting the budget was expected to equate to the Strength (number of people). Current information suggests that this position is unlikely to be achieved by the end of the financial year due in part to Covid-19 restrictions affecting the number of recruits that can be safely trained on any course.

8. The forecast overspends are in the main as a direct result of the above but also due to the un-planned 1.5% pay award, effective from 1 July, and the operational decision to increase cover during the summer months and the pandemic. The latter decision was to increase resilience during the pandemic and allow firefighters to take their leave entitlement.
9. Work continues with Human Resources to monitor and adjust forecasts to take cognisance of any further changes in strength, terms and conditions and the ongoing impact of staff availability and sickness on overtime, detached duty levels etc.

On-Call - Budget £1.532m, Projected Spend £1.340m, underspend £0.192m

10. The current position is a slight underspend to the On-Call Firefighters budget. Currently there are a number of stations below establishment, largely due to a migration to wholetime process and some staff on long-term sickness. However, the Service are continuing with a number of improvement projects in this area.

Control - Budget £1.307m, Projected Spend £1.340m, overspend £0.033m

11. The slight overspend is as a result of the un-planned 1.5% pay award and increase in overtime as a result of the continued pandemic.

Support Staff – £8.631m, Projected Spend £8.387m, underspend £0.244m

12. The slight underspend is a reflection of a number of vacant posts within the support function, which in part are offset by temporary agency staff whilst a number of departments complete approved restructures following approval from the 2020 Workforce Planning Event, and subsequently the Authority and the planned vacancy factor built into the planning assumptions.
13. As reported last quarter there is the potential for a further overspend in relation to a pay award for support staff, which is currently in negotiation. A 1.75% pay award is now reflected within the forecast outturn and if not agreed and paid by the end of the financial year will be accrued to ensure the financial impact is within the correct financial year.

Indirect Employee Costs – Budget £2.155m, Projected Spend £2.288m – Overspend £0.133m

14. This slight overspend is the net effect of increased apprentice levy and increased training expenditure offset by small underspends relating to the continued pandemic.

PREMISES – Budget £3.679m, Projected Spend £3.510m, underspend £0.169m

15. The reported underspend is mainly due to the updated forecasts and subsequent refunds that have been realised following the successful review and subsequent challenge of the estates Rateable Values by the Service's appointed Rating Specialist. Underspends of £0.328m will be transferred to the Rates Rebate Earmarked Reserve. This is partially offset by increased cleaning costs as a result of the continued pandemic and increased repairs and maintenance contract costs. The latter has been minimised through reviewing a number of related expenditure categories such as Fixture and Fittings.

TRANSPORT - Budget £1.116m, Projected Spend £0.999m, underspend £0.117m

16. The forecast underspend is mainly as a result of reduced spending on diesel and tyres due to the continued pandemic and the financial savings achieved, by the Procurement team on the annual transport insurance renewal.

SUPPLIES AND SERVICES – Budget £4.394m, Projected Spend £4.478m, Overspend £0.84m

17. The year to date spend against the Stronger Safer Communities Reserve (SSCR) is not budgeted for within the SYFR operating budget since it will be fully funded from the SSCR earmarked reserve at year-end. At quarter two we reported a forecast spend of £0.590m, however this has been revised with a reduction to £0.400m as a result of the pandemic restricting the work planned as part of the sprinkler project. This full year forecast (£0.400m) is reflected as an overspend within this area. However, it is shown as a contribution from reserves in the attached Appendix A to result in a nil effect on the operating position.
18. After taking the above into consideration, there is a forecast underspend in Supplies and Services and this is mainly due to the continued pandemic. There are a number of areas, for example, reduced home visits which have resulted in an underspend on smoke, heat and deaf alarms.

INCOME – Budget £1.009m, Projected Receipts £1.144m, Overachievement £0.135m

19. The overachievement relates to additional grant funding for Protection and New Burdens, offset by the notification from the Home Office that there would be a claw back of overfunding of the Firelink grant in a previous financial year and reduced income forecasts for investments.

SECTION B – Changes in Estimated Funding

20. The approved funding still remains at the end of quarter three at £55.872m, based on information known at this time.
21. The Council Tax and Budget Report 2022-2023, which will be presented to the Authority later in the agenda details the future assumptions on funding that is expected to be received by the Authority. These will undoubtedly be subject to change as the Government is better able to articulate how it intends to manage the economic and financial implications arising from the Pandemic, but also the extent to which local economies are able to bounce back. Members will continue to receive timely briefings on any changes as soon as the implications are known.

SECTION C - Impact on Reserves

22. The final position of the reserves as at 31 March 2021 approved by the Authority, was split between Useable Reserves £18.043m and Un-useable Reserves £1.367m. The current forecast is showing the final balance at 31 March 2022, split between Useable Reserves £14.415m and Un-useable £1.768m.

23. Overall, the estimated impact on the reserves, after taking into account both capital and revenue forecasts there would be a net decrease of £3.227m (£3.628m Useable Reserves). This would be as a result of the approved contributions to fund the: Capital Programme, the Safer, Stronger Communities Project, release of grants previously unapplied and the approved Carry Forward requests from 2020/21. The decreases would be partially offset by the planned contributions to the Un-useable MRP Reserve (£0.401m) and the reported quarter 3 underspends to the Post Covid-19 Reserve.
24. It should be noted that the Authority, on 24 January 2022, reviewed its decision made on 22 November 2021 and agreed to continue to adopt, in part, a Local Government Association/Fire Brigades Union framework to enable the Service to process applications in relation to Immediate Detriment relating to the McCloud and Sargeant pension legal case. There is a potential financial impact in relation to the legitimacy of payments under this framework and it was agreed that such costs, in the interim, would be funded from the Post Covid-19 Reserve.
25. It should continue to be noted that the current forecast outturn position excludes specific risks and uncertainties where financial implications are not yet clear and / or not able to be quantified with any certainty at this point in time:
- Pension Legal Cases – There are several high profile legal cases with the most significant being McCloud & Sargeant and Matthews. Remedy to the McCloud and Sargeant case has not been finalised and the operational and financial impact of this cannot be quantified at this time. In addition, there are related legal claims to this case that may have a potential financial impact on the service.
 - COVID-19 – The current pandemic will have a lasting effect on the financial position of the Service and Sector. This could potentially affect the level of funding from government and local authorities. The latter will likely be due to down turns on the local economy, which will reduce both the council tax and the business rates bases as well as the level of surpluses on the collection fund accounts.
 - Brexit – There is still significant economic uncertainty as to the full extent of the UK's decision to withdraw from the European Union.
 - There is increasing price inflation in the economy that may have a lasting impact on the price paid for goods and services and the cost of money.
 - Future long-term capital investments needs and funding are as yet not fully defined, only indicative expectations have been factored into the 2022/23 budget.

SECTION D – Capital Programme Monitoring

26. The original approved Capital Programme for 2021/22 was £7.704m. Taking into account, the 2020/21 capital outturn reported to the Authority on 21 June 2020 the profiled capital programme for 2021/22 remains at £9.487m.
27. As stated at quarter two, spend in quarter three has been re-profiled, with some projects delayed until 2022/23 as a result of the continued effects of the pandemic. Further details of future years' forecasts are included in the Council Tax and Budget Report 2022-2023, also presented at this meeting:

CAPITAL PROGRAMME	CAPITAL PROGRAMME 2021/22 £m	LATEST CAPITAL PROJECTION 2021/22 £m	CHANGE £m
Property	4.145	3.620	-0.525
Transport	2.111	0.066	-2.045
ICT and Communications	0.879	0.276	-0.603
Operational Equipment	2.352	1.647	-0.705
TOTAL	9.487	5.609	-3.878

28. Most of the spend in 2021/22 is to be financed from the remaining Capital Investment Reserve and new approved borrowing, except for funding which is forecast from external grants, capital receipts, agreed funding from other earmarked reserves:

CAPITAL FINANCING	CAPITAL PROGRAMME 2021/22 £m	LATEST CAPITAL PROJECTION 2021/22 £m	CHANGE £m
Capital Receipts	0.250	0	-0.250
Capital Grants	0.359	0	-0.359
Grenfell Grant	0.005	0.005	0
Covid-19 Grant	0.022	0.044	0.022
Invest to Save Reserve	0.068	0.068	0
Capital Reserve	3.097	3.097	0
Direct Revenue Funding	0.400	0.400	0
Borrowing	5.286	1.995	-3.291
TOTAL	9.487	5.609	-3.878

PROPERTY

29. Investment to maintain the fabric and integrity of the building assets as specified as part of the Estates Condition and Fire Risk Assessment surveys is ongoing. This includes the provision of the multi-purpose building within the curtilage of the new Barnsley Fire Station and the estates strategy renewal works, which has provided a long-term plan for each building. Delays in some of these projects, as a result of the pandemic will see completion in the next financial year.

TRANSPORT

30. In line with the transport strategy 8 new rescue pump appliances have been ordered, and as a result of the pandemic there are supply chain delays affecting not only appliances but other planned replacement vehicle purchases. These will now come into service during 2022/23 as well as a professional conditions survey to assess the feasibility for extending the operational life of certain current appliances.

ICT AND COMMUNICATIONS

31. The approved programme for ICT includes the ongoing upgrade replacement of equipment, network, software, applications and infrastructure, the continuation of the digital transformation roadmap (DT2 and beyond) and the ongoing agile working provision. Work continues on the national control collaboration project and the Citrix Management review with some costs delayed until 2022/23.

OPERATIONAL EQUIPMENT

32. The Structural Person Protective Fire Kit (£1.3m) is now in service following a slight delay. A number of projects approved to improve operational effectiveness and firefighter safety are ongoing with some now delayed until 2022/23.

CONTRIBUTION TO OUR ASPIRATIONS

- Be a great place to work- we will create the right culture, values and behaviours to make this a brilliant place to work that is inclusive for all
- Put people first- we will spend money carefully, use our resources wisely and collaborate with others to provide the best deal to the communities we serve
- Strive to be the best in everything we do- we will work with others, make the most of technology and develop leaders to become the very best at what we can be

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:

The report makes reference to joint working with South Yorkshire Police and joint regional procurement of Personal Protective Equipment

CORPORATE RISK ASSESSMENT AND BUSINESS CONTINUITY IMPLICATIONS

33. Delivering the Medium Term Financial Plan and annual budget is a strategic risk that is proactively managed by the Executive, and the FRA, as is the delivery of the Capital Programme.

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:

Financial Report based on the income and expenditure of the Service

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 risks in relation to Health and Safety.

SCHEME OF DELEGATION

34. 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, carry forward requests, reserves management.

IMPLICATIONS

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

List of background documents		
<ul style="list-style-type: none">• Medium Term Financial Plan 2021-2024• Medium Term Financial Plan 2022 - 2025• 2021/22 Council Tax and Budget Report• 2022/23 Council Tax and Budget Report• Year-end Outturn Report 2020/21• 2021/22 Financial Performance Report Quarter 1 and Quarter 2		
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