

SOUTH YORKSHIRE FIRE & RESCUE AUTHORITY

Meeting	FIRE AND RESCUE AUTHORITY
Meeting Date	20 NOVEMBER 2023
Report of	CHIEF FIRE OFFICER / CHIEF EXECUTIVE AND CLERK AND TREASURER
Report Sponsor(s)	DIRECTOR OF FINANCE AND PROCUREMENT
Subject	FINANCIAL PERFORMANCE REPORT QUARTER 2 2023/24

FORMAT OF REPORT

The format of this report has been revised so it provides a holistic overview of the financial position. Not all Annexes can be reported at Q2 and more will be added as reporting mechanisms allow. The word report has been reduced in size by moving explanation of variances to Annex A and by moving tables to other Annexes. There is no reduction in detail of the content. Fire and Rescue Authority (FRA) feedback is welcomed.

EXECUTIVE SUMMARY

At September 2023, the forecast outturn for 2023/24 financial year is a surplus of £0.919m, a favourable movement compared to the approved budget deficit for the year of £1.420m. The budget deficit was approved to be funded from the Emerging Risk reserve, the forecast surplus will be a contribution to this reserve. The main reasons for the reduced deficit are £1.206m higher Section 31 grant funding for business rates relief and inflation and more from the collection fund than budgeted and a reduced wholetime pay forecast £1.253m.

The approved capital budget for 2023/24 was £9.651m, increased in Q1 for underspends in 2022/23 to £12.964m. In Q2, capital plans have been re-profiled for the medium term financial plan (MTFP), and the 2023/24 budget a forecast have been revised to £8.931m.

Reserves are forecast to decrease to £18.551m by March 2024 (£18.003m excluding capital), less of a reduction than budgeted.

RECOMMENDATION(S)

Members are recommended to:-

- a) Approve the forecast outturn surplus of £0.919m which is a reduction of £2.257m compared to revised budget (Section A);
- b) Note the underlying and significant financial risks and uncertainties facing the Service and Sector during the remainder of this financial year (Section A) and into 2024/25 and beyond (Section C);
- c) Note the latest estimated change in General and Earmarked Reserves (Section C); and
- d) Note the current position of the capital programme for the financial year ending 2023/24 (Section E).

Main Report

Annexes A - G to the Financial Performance Report Q2 2023/24

BACKGROUND

SECTION A - FINANCIAL PERFORMANCE (Annex A)

Budget and adjustments

1. The [approved budget deficit](#) of £1.420m for 2023/24 was to be funded from the Emerging Risk reserve. The Service committed to identify efficiencies to address this and future deficits in the [Medium Term Financial Plan \(MTFP\)](#).
2. The budget has been adjusted by reserves as set out in table 1. The net impact is a deficit reduction of £0.081m (see Annex A), and the revised budget deficit is £1.339m. A breakdown of all the adjustments/ virements and approvals is shown at Annex G. All adjustments have sufficient approval. No additional Fire and Rescue Authority (FRA) approval is required.

Table 1 - Original budget, budget revisions and the revised budget

	£m
Original Net Expenditure Budget	64.280
Contribution to MRP Reserve	-0.657
Contribution from Rates Reserve	0.048
Contribution from Carry Forward Reserve	0.169
Contribution from Stronger Safer Comm	0.164
Contribution from Immediate Detriment	0.194
Revised Net Expenditure Budget	64.199

Forecast outturn

3. At the end of quarter 2 we **forecast a £0.919m surplus for 2023/24 outturn**. This is favourable variance of £2.257m compared to the revised budget deficit (£1.339m) and a favourable variance of £2.339m compared the original budget deficit (£1.420m).
4. There are 3 main variances causing this improved outturn. As reported in Q1 we have received £1.206m more Section 31 funding relating to Business Rates and an increase in the collection fund and inflation above our budget assumptions. In addition to Q1, there are variances reported on Wholetime pay £1.253m and capital financing costs £0.4m. The Wholetime basic pay forecast is based on pay to September plus known recruitment plans. The forecast basic pay underspend for Wholetime £1.681m, is due to vacancies at firefighter level after backfilling vacancies on temporary promotion. This underspend is offset by an expected Wholetime overspend against budget in overtime of £0.8m, the forecast overtime for the year is £1.3m which is less than the outturn in 2022/23 of £1.5m. A project has commenced to review overtime usage. The vacancy and the overtime spend levels for Wholetime have driven a revised forecast underspend in pension costs of £0.3m. The capital financing costs are forecast to be £0.4m lower than budget in Q2 as less loans have been taken out to fund capital.

Variances to forecast

5. The explanations for variances to forecast can be seen at Appendix A. The variances over £0.1m in order are shown in Table 2.

Table 2 - Showing variances between forecast outturn and revised budget over £0.1m

£m	Fav/Adv.	Explanation
£1.254m	Favourable	£1.7m underspend on basic pay based on pay in post and planned recruitment. Overtime overspend £0.8m, pension underspend £0.3m
£1.206m	Favourable	Increase in S31 funding for business rates relief, collection fund and inflation against budget
£0.400m	Favourable	Reduction in interest forecast due to less capital loans
£0.242m	Adverse	Reduction in government grants for new dimensions, Princes Trust and protection grant due to low levels of spend.
£0.164m	Favourable	Reduction in vehicle running costs due to lower petrol prices
£0.144m	Adverse	Increase in ICT and network due Airwave and Systel contracts and increased maintenance costs
£0.142m	Adverse	Increase in laundry contract and uniform costs
£0.105m	Adverse	Increase in miscellaneous including Lifewise contribution and canteen costs at TDC
£0.100m	Favourable	Increase interest rate income from investments

6. Forecasts at Annex A include estimates for all known and expected costs for the financial year. Table 3 below details some of the risks which may change that forecast or impact the final outturn.

Table 3 - Risks to the forecast outturn 2023/24

Area of Spend	Estimated value of risk	Description of identified risks not in Forecast
Employee costs (c83% of budgeted expenditure)	Up to £1m	<ol style="list-style-type: none"> 1) Support staff pay deal could be higher than current offer in the forecast. 2) Risk of Green book Industrial Action remains but is not reflected in the forecast. 3) Increase use of Operational overtime. 4) Additional on costs above budget- incl. Bear Scotland legal case holiday pay forecast impact could change in negotiations. 5) On Call forecast may be impacted by work to increase availability of crews and engines. 6) Corporate recruitment challenges – may require retention payments for key roles but vacancies could also provide opportunity for savings. 7) Indirect pay includes pensions McCloud remedy. (expected to be covered by reserves provisions). May be funded by central government. 8) Changes to assumed workforce planning profiles including retirements, sickness and other absences/modified duties and unplanned leavers.
Premises costs	Up to £100k	<ol style="list-style-type: none"> 9) Inflation may impact contract costs and utilities above forecast assumptions. We are mitigating risks through procurement and contract management.

		10) Fluctuation in rates expenditure can be mitigated from the rates reserve. 11) Sustainability savings forecast may not materialise. New building management system to control usage and mitigate this risk.
Transport costs	Up to £100k	12) Risk of Fuel and spare part inflation.
Supplies and Services	Up to £100k	13) Risk of continued inflation impacts not yet in forecast.
BMBC services/ Central costs/ Capital financing	Up to £100k	14) Capital financing costs could change if capital spend profile changes or interest rates change.
Income	Up to £250k fav	15) Individual government grants e.g. Firelink could be lower than expected. Protection grants funding available is dependent on ability to spend against this grant.
Funding	Up to £1.5m fav	16) May receive additional grant funding from central government as in 2022/23 e.g. business rates relief.

7. The above risks and will be monitored and if appropriate reflected in subsequent forecasts.

SECTION B – BALANCE SHEET (Annex B)

8. A balance sheet forecast is not available in Q2 but is being developed for future reporting.

SECTION C – RESERVES (Annex C)

9. The Total Reserves was predicted to reduce to £12.148m by 31 March 2024 in the 2023/24 budget paper approved by FRA. Annex C shows the Total Reserves are now predicted to be £18.003m (£18.551m including capital). The £5.855m variance includes £3.016m more in the emerging risk reserve, £1.009m more in the immediate detriment reserve and higher balances remaining on service improvement and grants unapplied reserve. The movement on emerging risk reserve is due to a favourable variances in 2022/23 and forecast in 2023/24. The immediate detriment reserve will be reviewed as part of the 2024 to 2027 MTFP as the pension fund is now expected to cover the remaining costs of remedy.

Longer Term Risks

10. In addition to the risks identified above, there are risks which may impact the longer term financial position of the SYFRA (see table 4). These risks are considered when setting reserves levels.

Table 4 - Long Term risks to consider when setting reserves.

Risks	Potential Financial impact
Industrial Action	Could lead to additional contracted resource being required (Non-Pay).
Pay Inflation	Future pay costs may increase.
Pension contributions	Employer's contributions for the firefighters pension are expected to increase significantly from April 2024 following a Government Actuarial Department (GAD) valuation.

	Local Government Pension Scheme (LGPS) contributions are known.
Non- Pay Inflation	Non pay may continue to increase or be volatile.
Interest Rates	Funding the capital programme may cost more and returns on investments may improve.
Funding	One-year funding settlement and future settlements not expected to cover all costs.
Economy	Current climate could potentially affect the level of funding from both government and local authorities.
Employment Law – pay and pensions	McCloud and Matthews pension case remedy is now being processed – costs are expected to be funded. Immediate Detriment paid to date have cost less than anticipated but it is unclear if cost can be recouped.
Capital Investment requirements	Investment is required to ensure the service has the assets it needs and to meet net zero requirements. Opportunities for funding are being explored but much of this may need to be financed from reserves or loans.

SECTION D – EFFICIENCIES (Annex D)

11. £1.061m (1.8% of revenue expenditure) of efficiencies was targeted for 2023/24 in the medium term financial plan (MTFP). A log of efficiencies budgeted and achieved is not available in Q2 but is being developed for future reporting.

SECTION E – CAPITAL PROGRAMME (Annex E)

12. The original approved capital programme for 2023/24 was £9.651m. Following the 2022/23 outturn reported to the Authority in July 2023 this was increased to £12.964m. In Q2 in preparation for the MTFP, the capital programme has been re-profiled and the 2023/24 capital budget and forecast reduced to £8.930m. The most significant changes to the profile were on the property budget as the Elm Lane project (£2.5m) and major refurbishment works (£1.4m) have been moved into 2024/25.
13. The commitments for appliances are higher and the forecast has a negative adjustment reflecting commitment to pay instalments for vehicles which will be delivered (and so costs will be recognised) in 2024/25. Finance will continue to work closely with spending departments to revise and refine capital spend forecasts as project progress.

SECTION F – CASHFLOW AND TREASURY (Annex F)

14. Annex F will be developed for future reporting to FRA.

SECTION G – VIREMENTS (Annex G)

15. Annex G shows the virements and reserves adjustments to budget since the original budget was approved and what approvals are in place. All required approvals are held for these adjustments. No further approvals are required from FRA.

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

CONTRIBUTION TO SERVICE IMPROVEMENT

(tick all that apply to your report and add supporting information for each in the box below)

- [HMICFRS Inspection Framework e.g. Diagnostic area and/ or diagnostic questions](#)
- [SYFR Inspection report Areas for Improvement \(AFIs\)](#)
- [Fit for the Future Improvement Objectives](#)
- [Professional Standards for Fire & Rescue Services in England](#)
- [SYFR Service Plan 2023-24 Priorities](#)
- [SYFR Community Risk Management Plan 2021-24](#)

Contribution to managing resources effectively and efficiently.

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:

CORPORATE RISK ASSESSMENT AND BUSINESS CONTINUITY IMPLICATIONS

16. Delivering the MFTP and annual budget is a strategic risk that is proactively managed by the Executive and the Authority 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:

There are no Equality issues arising from this report

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

17. 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 and reserves management.

IMPLICATIONS

18. 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

Medium Term Financial Plan – 2023-2026 – November 2022
2022/23 Outturn Financial Performance report – July 2023
2023/24 Annual Revenue Budget and Council Tax Setting report – February 2023
Efficiency and Productivity Pan – March 2023
2023/24 Financial Performance Report Quarter 1

Report Author:	Name:	Linda Haigh, Director of Finance & Procurement Sara Slater, Financial Services Manager
----------------	-------	---

	e-mail:	LHaigh@syfire.gov.uk / Sslater@syfire.gov.uk
--	---------	---

	Tel no:	0114 253 2204 / 0114 253 2330
--	---------	-------------------------------