

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 2 MARCH 2022
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCE REPORT – QUARTER 3, 2021-22

Purpose of report

1. The report provides a review of the Service's forecast financial outturn and reports on the progress against 2021-22 capital projects.

Recommended: That Members

- [1] note the forecast outturn position; and
- [2] approve the movement in reserves set out in Appendix 2.

Background

2. On 10th February 2021, the Authority approved the 2021-22 revenue budget of £46.2m together with a 2021-22 capital programme of £8.2m. This report provides a forecast of the level of expenditure when compared to the approved revenue budget and capital programme.

Forecast Revenue Spending

3. The next table summarises the forecast position with some of the key reasons for variances shown in the following narrative and with further details in Appendix 1. Proposed movements to and from Reserves are itemised in Appendix 2.

<u>Summary for 2021-22 Quarter 3</u>	Original Budget £000	Forecast Spend £000	Variance £000
Firefighting and Rescue Operations	28,236	29,125	889
Protection	1,826	1,748	(78)
Prevention	2,374	2,168	(206)
Support Services	10,539	10,489	(50)
Unitary Performance Groups	100	100	-
Centrally held costs & contingencies	628	548	(80)
Pension costs	716	508	(208)
Capital Financing (incl. investment income)	1,136	838	(298)
S.31 Grants	(2,104)	(2,104)	-
Movement in Reserves – capital	1,544	1,870	326
Movement in Reserves – capital (services)	-	447	447
Movement in Reserves – revenue	1,151	722	(429)
Movement in Reserves – revenue (services)	57	(936)	(993)
Net Revenue Position	46,203	45,523	(680)
Funding:			
Revenue Support Grant (RSG)	(4,013)	(4,013)	-
Business Rate Retention Scheme	(9,698)	(9,698)	-
Council Tax Precept	(30,787)	(30,789)	(2)
Business rates S.31 grant	(1,341)	(806)	535
Collection Fund Deficit (business rates)	2,031	2,031	-
Collection Fund deficit (council tax)	84	84	-
Collection Fund deficit S31 grant	(1,974)	(1,974)	-
Local Council Tax support grant	(505)	(505)	-
Total Funding	(46,203)	(45,670)	533
Total forecast underspend			(147)

4. At the end of the Quarter 2, it was reported that there was a forecast cumulative underspend of £17k. The latest position is for a forecast cumulative underspend of £147k: i.e. a further underspend of £130k during Quarter 3, as shown below:

<u>Revenue Budget Forecast</u>	<u>Outturn</u>	<u>£000</u>	<u>P&O Committee</u>
Quarter 1 - 30th June 2021		709	8th September 2021
Quarter 2 - 30th September 2021		(726)	24th November 2021
Quarter 3 – 31st December 2021		(130)	23rd February 2022
Cumulative amount for 2021-22		<u>(147)</u>	

Firefighting and Rescue Operation variations

5. Within Firefighting and Rescue Operations at Quarter 3, Service Delivery is forecasting an additional £243k pay costs in 2021-22 following the 1.5% pay award for Grey Book staff from July 2021 that was not anticipated in the original budget for 2021-22. The full year cost of the Grey Book pay award will be included in the 2022-23 base budget. There also additional overtime costs of £19k, roughly a third of which is Covid-19 related.
6. In addition, business rate refunds during this Quarter 3 have benefitted the Authority amounting to £12k. The cost of securing these refunds, following the actions of external consultants, is met from the Property Management budget, as the Estates team has coordinated the exercise. There are still a few stations where the business rates are in the process of been challenged.
7. Also within Firefighting and Rescue Operations, the Operational Policy and Assurance (OPA) department is reporting an overall underspend at Quarter 3, made up of various elements. OPA pay costs are expected to be £104k above budget, due to a number of issues including the Grey Book pay rise from July 2021; maternity leave; long-term sickness cover; and the non-achievement of the budgeted vacancy provision. The budgeted vacancy provision recognises the estimated savings made because there is a time lag between the person leaving and the new person starting.
8. The cost of maintaining the breathing apparatus has increased by £12k to £48k following the decision to provide operational staff with personal issue breathing masks; this has been built into the 2022-23 budget.
9. One of the key elements approved as part of Integrated Risk Management Plan (IRMP) 2020-24 was to review water response and provision. This will ensure that the Authority can meet emerging risks e.g. attending and successfully dealing with flooding events. A budget bid of £95k was presented to Budget Management Board (essentially this is the Service Management Team sitting and considering the budget) in November 2021. This budget bid was for: a two-piece flood suit with storage bag; gloves; a thermal under layer; and additional wading poles for each appliance. The technical and practical training will be done from within existing training budgets. The aim is to purchase this kit in the Quarter 4 of 2021-22 and fund the purchase from the earmarked revenue reserve held for such equipment.
10. Operational Training within OPA is expecting a £20k underspend on scrap cars used for training and a £5k underspend on trauma actors used for exercises mainly due to Covid-19. As part of the Training Centre business case, one of the many benefits included savings on external training courses. At Q3, a £120k annual underspend on training courses is reported, £20k above the original forecast saving.

Protection variations

11. Overall at Quarter 3, Protection is anticipating a further underspend, as detailed below.
- 11.1 The Protection Uplift Programme is to drive improvement in fire protection capability, aligning with locally agreed and risk based inspections. At Quarter 2, it was proposed that £55k of this funding was transferred to a reserve to meet costs that are anticipated to occur in 2022-23. At Quarter 3, it is proposed that a further £27k goes to the reserve, due to the delay in the Protection restructure being completed. £4k of the grant funding has been utilised for the purchase of equipment.
- 11.2 Partly due to Covid-19, within the Fire Safety team there has been an underspend on mileage, travel and supplies and services of £19k.
- 11.3 Within Protection, the Business Safety team still has a couple of vacant posts while staff are on secondment to other posts within the Service saving a further £11k on top of the £27k reported at Quarter 2.
- 11.4 The SAFFIRE management information system (CFRMIS replacement system) has resulted in a further saving of £8k in addition to the £19k budget savings reported at Quarter 2.
- 11.5 It is proposed that £11k is transferred to a reserve to enable the Heritage Officer post to be funded for the whole of 2022-23 (an extra three months) and then a budget bid will be put forward for 2023-24.

Prevention variations

12. For Prevention, savings from vacant Advocate, Home Safety Advisors posts and Partnership posts of £22k, are partially offset by maternity leave cover increased costs of £4k and making the Policy and Projects post back up to full time (£3k).
13. Smoke alarm expenditure is lower due to the reduced number of Safe and Well visits and this adds a further £12k to the £73k underspend reported at Quarter 2
14. RESPECT courses are undergoing a review and the Service Management Team (SMT) will consider a report in due course. To date there has been no income, mainly due to the Pandemic, with a further £9k loss at Quarter 3.
15. Safety Central has a £7k forecast underspend made up of pay and training savings. Additionally, there is an anticipated underspend of £10k made up of lower than expected premises costs and utilities costs.

Support Service variations

16. Executive Management is reporting a £13k underspend at Quarter 3, mainly through savings from mileage, conference and travel costs, partly due to the pandemic.
17. Workforce Transformation is forecasting overall underspend of £4k, the main components of which are set out in the following paragraph.
18. The Proud to Provide event (in Quarter 4) was delivered virtually due to the pandemic and attendance was free of charge, costing the Authority £5k. Pay costs show an additional £6k together with a number of costs for engagement activity, e.g. a £1k donation to the Firefighters charity for each completed staff survey; distribution costs of IRMP leaflets £3k, and additional room hire costs of £2k for staff engagement events. These are offset by £22k underspend on equipment, seminars, and campaigns mainly due to the pandemic. Included in the forecast underspend is an assumed £15k transfer to reserves following the decision to host the Asian Fire Service Association Annual Conference in 2022.
19. People and Development's overall overspend of £13k is due to additional costs of £8k relating to the introduction of Fire Family Fun days and £13k expenditure on Coronavirus pandemic commemorative items for staff. The temporary allowance for agile working during Covid-19 started again mid-December following the Government's guidance to 'work from home'.
20. Corporate training have forecast further savings of £28k, as well as the £50k savings reported last quarter. Expenditure on the payroll contract is likely to be £10k under budget.
21. The biomass boiler at the Sadler Road site has not been operational for the majority of the year (it was recommissioned before Christmas 2021), so there has been no Renewable Heat Incentive (RHI) income. This would have been £15k. This reduces, by £10k, the amount that can be transferred to reserves to fund future environmental projects. The Non-Domestic RHI is a government environmental programme that provides financial incentives to increase the uptake of renewable heat by organisations. Eligible installations receive quarterly payments over 20 years based on the amount of heat generated. Although savings have been made on wood pellets, these have been used to support the additional gas costs arising from the biomass boiler being offline for a period this year.
22. The Authority no longer pays council tax for all of the service houses, with responsibility for its payment sitting with the occupiers in all but the day crewed houses. This has led to a reduction in spend on council tax of £20k.

23. Two projects slipped from 2020-21 to 2021-22 – firstly the new chairs in the recreation rooms at the fire stations delivered over the Christmas period, at a cost of £20k. Secondly, the solar photovoltaic (PV) installation at Widnes community building at a cost of £13k. It is proposed to transfer the funding for these of £18k for the chairs and £13k for the PV installation, from reserves.
24. During 2020-21, £50k was allocated to the project that was aimed at creating a joint Emergency Services Facility in Wilmslow. The project slipped into 2021-22, with £5k expenditure incurred in Quarter 3. The project is now closed allowing the release of the remaining funds of £27k. Since then £20k has been allocated to the Warrington Fire Station feasibility study (modernise or replace).
25. Overall Fleet anticipate an overspend of £20k. This is due to: £16k additional pay costs, with no vacancies within the team during 2021-22; an extra £18k relating to leased vehicle costs with vehicles retained to help staff engaged in the vaccination effort; and additional tyres were required, £6k. There was also an additional cost to hire a Hilux vehicle for training purposes at a cost of £5k prior to receipt of the Rapid Response Rescue Units (RRRU). There have been fuel savings during Quarter 3, of £5k, with £3k saved on road fund licences following reclassification of some support vehicles, £8k less was spent on repairs and a £10k reduction in the cost of the transport insurance policy.
26. The cost of the catering contract for the restaurant at Sadler Road is a further £9k above budget; and an additional £2k is required for restaurant equipment. The utilities costs at the Sadler Road site are overall £5k below budget.

Joint Corporate Services

27. These are the support services delivered by staff employed by Cheshire Constabulary to both fire and police, e.g. finance, human resources, IT. The overall budget for these Services in 2021-22 is £3.1m. There are a range of small variances across the different Joint Corporate Services, some over and some under the anticipated recharge that was used to build the overall budget figure. The current forecast is for the actual cost to be slightly higher than the overall budget figure by £23k. The most significant reason for this is the lower than normal turnover in staff in the Joint Corporate Services. The overall budget figure assumes a saving from staff turnover as wages are obviously not payable during the period when posts are not filled between one member of staff leaving and a replacement taking up their position. It is believed that Covid has had an impact on staff turnover, though this position appears to be changing, with staff turnover now returning to anticipated levels.

Centrally held cost variations

28. Included in the Medium Term Financial Plan was a general 2% inflationary increase on non-pay budgets for 2021-22. After a detailed review of individual budgets, a further £40k of this funding was not required on top of the £80k saving reported at Quarter 2.
29. At the end of Quarter 3, there is a further underspend of £56k in capital financing interest. Borrowing was approved as part of the budget process and loans have been secured when interest rates have been the most favourable. In November 2021 the final element of the new external borrowing of £11m to finance the Training Centre project, was secured from PWLB at favourably low fixed rate £3m loan at 1.63%, in addition to £4m in March 2021 at 1.99% and £4m in July 2021 at 1.65%.
30. The provision for credit liabilities (funds set aside to repay the loans), is calculated on the balance sheet position at the end of 2020-21. The charge for 2021-22 is £120k less than originally budgeted, due to the slight slippage in the capital programme in 2020-21, which delayed the need to borrow.
31. Interest received on investments is expected to be £12k higher than the original budget of £10k.
32. It is proposed to transfer underspend on capital financing costs and the extra investment income to the capital reserve to ultimately aim to reduce future borrowing and provide savings to the revenue budget.
33. During the budget process for 2021-22, £8k growth was built into the revenue budget for additional external audit fees and at Quarter 1 an additional £4k was reported based on the 2020-21 fees giving a revised budget of £38k. The Authority was notified that it would receive a share, estimated at £12k of the £15m Local Bodies Audit Grant towards additional audit fees for 2021-22.
34. The Fire & Rescue Indemnity Company Limited (FRIC), which provides the Authority's insurance arrangements, has required increased contributions, with an increase of £39k. This is partly due to the new builds increasing the value of the Authority's estate and also the unsettled insurance view of fire market about the liability components of the cover, some of which is due to the Grenfell Tower fire.

Pension cost variations

35. During 2021-22, an additional ill health pension strain cost has gone through resulting in costs £18k above budget, offset partly by a reduction in the on-going injury pension payments for 2021-22 of £5k.

Contributions to/from Reserves

36. The overall total of proposed movements in Reserves at the end of Quarter 3 amount to a net contribution from Reserves of £109k. A full list of the proposed contributions is set out in Appendix 2.

Capital Programme

37. At the end of September 2021, the Authority's approved capital programme is £39.675m with a forecast outturn spend of £41.100m – an overspend of £1.425m, mainly in relation to the major schemes as previously reported. Details of all the capital schemes are in Appendix 3.
38. Planning permission for the new Crewe Community Fire Station at Macon Way in Crewe station was received in November 2021. The updated anticipated completion date now being June 2023.
39. As part of the current IRMP plan for Cheshire, the Service has procured a wildfire unit; an all-terrain vehicle, an Argocat 8x8 with an all-terrain trailer and on-board fogging system. The vehicle will allow transport of crews and equipment over all areas of a wildfire incident that would be inaccessible for the Service's existing fleet of vehicles.
40. A number of the Rapid Response Rescue Units have now been delivered and are currently being kitted out. As part of on-going fleet investment, two additional appliances ordered in June are now expected to be delivered in March 2022 (a month later than previously reported); these two Scania pumping appliances are part of the 2021-22 capital scheme. As for the project for support vehicles replacement in 2021-22, two Berlingo vans were delivered at the beginning of January and there are two hybrid cars on order.

Financial implications

41. This report considers financial matters.

Legal Implications

42. There are no legal implications arising from the report.

Equality and diversity implications

43. There are no equality and diversity implications arising from this report.

Environmental implications

44. There are no environmental implications arising from this report.

BACKGROUND PAPERS: NONE

Agenda Item 2, Appendix 1

CHESHIRE FIRE AUTHORITY QUARTER 3 2021-22

	Original Budget £000	Forecast Spend £000	Income/ expenditure variance £000
Firefighting and rescue operations			
Service Delivery	23,196	23,590	394
Operational Policy and Assurance	5,040	5,535	495
Protection	1,826	1,748	(78)
Prevention			
Community Safety	1,946	1,778	(168)
Safety Centre	428	390	(38)
Support Services			
Executive Management	1,174	1,155	(19)
Workforce Transformation	227	225	(2)
Property Management	1,713	1,830	117
Finance	440	457	17
ICT	1,908	1,915	7
Legal and Democratic Services	582	548	(34)
People and Development	1,753	1,636	(117)
Planning, Performance & Communications	939	971	32
Procurement and Stores	311	311	-
Fleet services	1,492	1,441	(51)
Unitary Performance Groups	100	100	-
Corporate Finance costs			
Centrally held costs & contingencies	628	548	(80)
Pension costs	716	508	(208)
Capital Financing (incl. investment income)	1,136	838	(298)
S.31 Grants (incl. Covid-19)	(2,104)	(2,104)	-
Total Service Expenditure	43,451	43,420	(31)
Movement in Reserves	2,752	2,103	(649)
	46,203	45,523	(680)
Funding:			
Revenue Support Grant (RSG)	(4,013)	(4,013)	-
Business Rate Retention Scheme	(9,698)	(9,698)	-
Council Tax Precept	(30,787)	(30,789)	(2)
Business rates S.31 grant	(1,341)	(806)	535
Collection Fund Deficit (business rates)	2,031	2,031	-
Collection Fund deficit (council tax)	84	84	-
Collection Fund deficit S31 grant	(1,974)	(1,974)	-
Local Council Tax support grant	(505)	(505)	-
Total Funding	(46,203)	(45,670)	533
Forecast net underspend			(147)

Agenda Item 2, Appendix 2

MOVEMENT IN RESERVES 2021-22

<u>Department</u>	<u>Description</u>	TOTAL £000
Corporate Finance Costs	Contribution to capital	1,544.0
Corporate Finance Costs	Business Rates Collection Fund deficits reserve	1,151.0
OPA	Operation Equipment replacement carbon monoxide alarms	(7.1)
Property Management	Annual contribution of RHI Income to Environment Reserve	25.0
Property Management	Annual contribution Poynton Maintenance	4.5
ICT	Annual contribution MDTs	34.0
Approved as part of 2021-22 Budget		2,751.4

Qtr1 Contributions to/(from) Reserves

Corporate Finance Costs	Covid-19 grant received 2020-21	(257.0)
Pension Costs	Ill Health pension costs	(160.0)
Pension Costs	LGPS secondary rate – employers contribution	291.0
OPA	Operational Equipment - second thermal fleece	(26.8)
OPA	Operational Equipment - compressed air regulators 2020-21	(10.0)
OPA	Operational Equipment - Foam inductors 2020-21	(15.0)
OPA	Operational Equipment - alcohol resistant film-forming foam	(15.0)
OPA	Wildfire capability – equipment and PPE 2020-21	(44.0)
OPA	Reserve – Manchester Airport training facility	(45.2)
OPA	Transfer to capital reserve	45.2
OPA	New Dimensions Grant - transfer to reserves	6.8
Protection	Two Grant towards Sprinklers	(72.0)
Protection	Protection work grant	(17.3)
Protection	Protection uplift programme grant	72.5
Prevention	External analysis Fire Safe profiles in Cheshire	(5.0)
Prevention	Road safety – temporary structure	(7.9)
Prevention	On the street project – phase 2	(5.2)
Safety Central	Set refresh	(18.5)
People and development	Pension Admin grant funding post	(61.2)
People and development	Training centre artwork	(10.0)
Workforce Transformation	Forum membership	(2.5)
Property Management	Environmental projects/ PV installations	(22.6)
Democratic Services	Executive Support Apprentice	23.0
ICT	Implementation of office 365	(74.8)
Fleet	Telehandler training costs	(1.0)
First Quarter Proposed Transfers		(432.5)

Agenda Item 2, Appendix 2 (cont)

MOVEMENT IN RESERVES 2021-22

Qtr 2 Contributions to/(from) Reserves

<u>Department</u>	<u>Description</u>	<u>£000</u>
Corporate Finance Costs	Covid-19 grant received 2020-21	(276.5)
Corporate Finance Costs	Transfer to capital (underspend on capital financing interest)	110.1
OPA	Operational training – Wildfire capability training	(3.0)
OPA	Operational training – Fire Service College	(105.0)
OPA	ESN / NOGS roles – funded from reserves	(28.3)
OPA	High rise project officer WMB – funded from reserve	(14.1)
OPA	High rise project equipment – funded from reserve	(48.2)
OPA	Operational Equipment – lifting bags (2019-20 budget bid)	(34.1)
Protection	Protection uplift programme	54.9
Prevention	Temporary cadet co-ordinator role (part 2022-23)	8.7
People and development	Apprentices schemes	120.0
Workforce Transformation	Staff survey (every other year)	(12.0)
Property Management	Transfer to capital - BA compressors at Congleton & Ellesmere Port (now part of Station Modernisation scheme)	40.0
Property Management	Wilmslow Emergency Services facility - costs	(3.8)
Democratic Services	Executive Support Apprentice	2.1
Corporate Communications	Furniture for office at Sadler Road	(6.1)
Corporate Communications	IT equipment for office at Sadler Road	(8.0)
Corporate Communications	Corporate events deferred from 2020-21	(5.3)
ICT	Next Generation WAN install costs	(13.2)
ICT	Upgraded communication equipment at stations-revenue	(48.6)
ICT	Upgraded communication equipment at stations-capital	(123.7)
ICT	Revenue contribution to capital scheme- station modernisation	123.7
ICT	Replacement MDTS (funds set aside in revenue reserve)	(238.0)
ICT	Revenue contribution to capital scheme replacement MDTS	238.0
Second Quarter Proposed Transfers		(270.4)

Qtr 3 Contributions to/(from) Reserves

<u>Department</u>	<u>Description</u>	£000
Corporate Finance Costs	Transfer to capital (underspend on capital financing interest)	56.0
Corporate Finance Costs	Transfer to capital (underspend on provision for borrowing)	120.0
Corporate Finance Costs	Transfer to capital (additional investment income)	12.0
OPA	IRMP project – Issue of flood suits	(95.0)
Protection	Heritage Officer	10.9
Protection	Prosecutions income	0.6
Protection	HDPS – training costs	(2.7)
Protection	Protection uplift programme	27.2
Protection	Protection uplift programme	(4.1)
Prevention	Road Safety team	9.5
People and development	Pension Admin Grant	32.3
Workforce Transformation	Hosting Asian Fire Service Association annual conference	15.0
Property Management	Replacement recreational chairs for stations	(18.0)
Property Management	Annual contribution of RHI Income to Environment Reserve	(10.0)
Property Management	Wilmslow Emergency Services facility	(32.3)
Property Management	PV installations Widnes community building	(12.6)
	Third Quarter Proposed Transfers	108.8
	Summary	£000
	Approved as part of 2021-22 Budget	2,751.4
	First Quarter Proposed Transfers	(432.5)
	Second Quarter Proposed Transfers	(270.4)
	Third Quarter Proposed Transfers	108.8
	2021-22 TOTAL POTENTIAL NET CONTRIBUTION TO RESERVES	2,157.3

Agenda Item 2, Appendix 3

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 3 2021-22

		2021-22 Capital Budget	Total Programme Budget	Total Expenditure to end of Dec21	Total Expenditure to date	Expected Scheme Outturn	Variance
	Description	£000	£000	£000	£000	£000	£000
Prior year schemes:	New Operational Training Facility	-	11,000	14	12,195	12,329	1,329
	Chester Fire Station	-	5,810	7	6,204	6,215	405
	Crewe Fire Station	900	7,000	246	319	7,000	-
	Fire Station Modernisation Programme	5,800	11,500	2,351	7,130	11,500	-
	Fire Houses Refurbishment programme (3 year programme)	350	880	191	813	880	-
2020-21 Schemes	Telehandler (to move materials and training equipment)	-	85	84	84	85	-
	New vehicle & specialist water delivery equipment (Coldcut)	-	72	24	24	24	(48)
	Three New Appliances 2020-21 programme	-	780	308	769	769	(11)
	Support vehicles replacement 2020-21 programme	-	60	13	63	63	3
	Rapid Response Rescue Units (13 units)	-	520	326	340	430	(90)
	Water carrier unit	-	140	47	47	90	(50)
	Rapid Response Rescue Unit – wildfire unit kit out	-	25	-	-	-	(25)
	Wildfire unit – all terrain vehicle (ATV) and trailer	-	55	50	50	50	(5)
	Saffire IT system – Community Fire Risk Mgt Information	-	100	-	-	100	-
	ICT Review/Server Replacement Programme	-	50	-	-	50	-
	Mobile data terminals (MDTs)	-	370	83	83	300	(70)
	Technical rescue vehicle	-	50	-	-	50	-
2021-22 Schemes	Replacement thermal image cameras (phased replacement)	28	28	26	26	26	(2)
	Two New Appliance 2021-22 Programme	540	540	208	208	540	-
	One High Reach Extending Turret appliance	550	550	539	539	539	(11)
	Support vehicles replacement 2021-22 programme	60	60	22	22	60	-
	Sub-total	8,228	39,675	4,490	28,916	41,100	1,425
In-year approvals:	None	-	-	-	-	-	-
Total		8,228	39,675	4,490	28,916	41,100	1,425