

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 23RD NOVEMBER 2022
REPORT OF: TREASURER
AUTHOR: PAUL VAUGHAN

SUBJECT: FINANCE REPORT – QUARTER 2 2022-23

Purpose of report

1. This report provides an overview of the Service's forecast revenue financial outturn at the end of Quarter 2 2022-23 and contains a high-level view of the capital programme.

Recommended: That Members

[1] note the forecast outturn position.

Background

2. On 9th February 2022, the Authority approved the 2022-23 revenue budget of £46.6m together with an addition to the capital programme of £16.2m. This report provides an indication of the forecast level of expenditure in 2022-23 when compared to the approved budget and capital programme.

Forecast Revenue Spending

3. Table 1 below summarises the forecast position at the end of Quarter 2 with some of the key reasons for variances shown in subsequent paragraphs. Further details can be found in Appendix 1. Proposed movements to and from reserves in year are itemised in Appendix 2. None are proposed at the end of Quarter 2. At the end of the Quarter 2 there is an anticipated overspend of £235k, but as explained in paragraphs 5 to 7 below this does not include the potential impact of pay awards. At the end of Quarter 1 the Authority was anticipating an overspend of £68k. The position will continue to be monitored and every effort will be made to ensure that the final outturn is contained within budget.

Table 1 - Summary for Quarter 2, 2022-23

	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Firefighting and Rescue Operations	29,614	29,990	376
Protection	1,887	1,865	(22)
Prevention	2,465	2,477	12
Support Services	11,044	10,993	(51)
Unitary Performance Groups	100	100	-
Centrally held costs & contingencies	(800)	(800)	-
Pay and Pension costs	873	873	-
Capital Financing (incl. investment income)	1,308	1,228	(80)
S.31 Grants	(2,104)	(2,104)	-
Contribution to / from capital reserves	2,199	2,199	-
Net Revenue Position	46,586	46,821	235
Funding	(46,586)	(46,586)	-
Total (under)/overspend	-	235	235

4. The Authority included an allowance for a 3% pay award for all staff in its 2022-23 budget. Members will be aware that a pay offer of 5% has been made to Grey Book staff. An additional 1% on the Authority's Grey Book pay budget costs around £260k, so if this offer became the pay award, it would cost the Authority around £520k above budget.
5. An offer of a flat £1,925 per member of staff has been accepted in respect of Green Book employees. It is estimated that offer will cost the Authority around £276k above budget.
6. These additional costs for staffing are not included in the figures contained in this report. As can be seen the costs are substantial and will lead to a considerable overspend against the Authority's budget, with the minimum cost likely to be £796k as shown above. It is not considered likely that any funding will be available to offset this cost. The final estimated impact will be reported to the Committee when the position is confirmed.

7. Firefighting and Rescue Operations encompasses Service Delivery and Operational Policy and Assurance (OPA). Service Delivery continues to run at slightly over establishment to mitigate risk in relation to recruitment and retention, but not to the extent which is likely to cause significant overspending. There continues to be some use of overtime but this is offset by an underspend against on-call budgets. The main reason for the anticipated overspend of £109k is additional bank holiday costs. This has also been impacted by the timing of COVID reward days for operational staff.
8. Operational Policy and Assurance is projected to overspend by £267k. This is as the result of a number of factors, but in particular it is unlikely that the budgeted vacancy provision will be met (£135k). Vacancy provisions are factored into budgets as a means of reducing them to allow for the likelihood that, at times, departments will not be fully staffed or that staff in some posts will be paid less than the budgeted amount. Uniforms will overspend as a result of the impact of the new Firefighter apprentice cohort (£40k). Other factors include the previously reported additional costs of driver training and other pay costs, and the cost of the trip to Ukraine.
9. At the end of Quarter 1, Prevention projected an overspend of £60k largely as a result of pension strain costs in relation to early retirements through ill health. This will be offset by a projected underspend as a result of lower than budgeted smoke alarm usage identified during Quarter 2 which at present is projected to be around £30k.
10. Support Services comprise the departments of the Fire Authority that support the work of the operational teams.
11. Executive Management is projecting an overspend of £50k as a result of changes to the Service Leadership Team and the costs of recruiting the new Chief Fire Officer and Chief Executive.
12. Corporate Communications has been delivered by staff employed by the Authority since February 2022, having previously been supplied through Blue Light Collaboration. When the budget was set for 2022-23 there were still some costs to be finalised. The team has now bedded in and savings of £49k have been identified.
13. In addition to a one-off saving on Business Rates reported in Quarter 1, Property Management is reporting a further £28k underspend as a result of a business rates reduction at Sadler Road and additional rental and co-location income (£44k). This is offset by overspends on the restaurant (£20k) and additional works on the Sadler Road site (£16k). The latter work relates to changes to accommodate the People and Organisational Development Department.

14. A report to the Staffing Committee on 29th June 2022 indicated that the return of the People and Organisational Development Department would incur one-off organisational costs in respect of technology, furniture, and equipment and to date this has cost around £28k. PDRpro software development will increase costs by £20k but this is offset by a saving on Corporate Training of a similar amount.
15. Fleet Services has an additional lease cost of an estimated £40k, partly due to timings of leases and partly due to the increased costs of new vehicles.
16. The current financial turmoil impacts on the Authority's own financial position in a number of ways. The potential impact of pay awards is covered earlier. The recent increase in interest rates has increased the estimated income receivable from cash balances by £80k. Members will be aware that such income is used to offset the revenue cost of supporting the capital programme. Because the Authority only has fixed rate loans, there is no increase of interest payable this year. However increased interest rates will make borrowing in the future to support the capital programme more expensive.
17. The Authority budgets centrally for inflation. The level of the inflation provision in 2022-23 will allow a recent increase in fuel costs for vehicles estimated to be £50k in the current year to be absorbed. For electricity and gas, the 2022-23 budget included growth of £69k and £45k respectively, which represented increases of about 22% and 43% on the 2021-22 budgets. This, combined with the contract the Authority has with its energy supplier, means that at this stage no significant overspends in year are anticipated. The situation will continue to be closely monitored. The Authority is likely to require significant growth in its budget in 2023-24 to accommodate predicted future energy costs.
18. At this stage there is no variation to report on funding. The Authority will continue to liaise with the constituent authorities in respect of collection rates of Business Rates and Council Tax, as if those collection rates do not meet their targets this will reduce funding payable to the Authority.

Reserves

19. Table 2 shows the level of revenue reserves held on 1 April 2022. Details of reserve movements are shown in Appendix 2, but all relate to Quarter 1 and no further reserve movements have been made at the end of Quarter 2. Further reserve movements will be made during the financial year as appropriate with most anticipated to occur in Quarter 4 as the outturn position becomes clearer.

Table 2 - Reserve Movements

	At 1 Apr 2022 £000	Quarter 1 Movement £000	At 30 Sept 2022 £000
General Fund	2,210	-	2,210
Resource Centre Managers ¹	8,476	343	8,819
Community Risk Reduction ²	371	-	371
Unitary Performance Groups	226	-	226
Total	11,283	343	11,626

1. This reserve has been earmarked to meet future identified commitments across the Authority.
2. This reserve has been earmarked to support the costs of Home Safety Assessments and other community related activity.

20. The Authority also holds capital reserves and these are used to help fund the capital programme. Movements to and from capital reserves are undertaken at the end of the financial year.

Capital Programme

21. At the end of Sept 2022, the Authority's approved capital programme is £27.71m with a forecast outturn spend of £27.33m, an underspend of £0.38m. Details of all the capital schemes are contained in Appendix 3.
22. Included in the spend to date is the purchase of four properties at Wilmslow. Agreement has now been reached on the purchase of the remaining five. The full impact of this on the capital programme will be reported after the purchase of all these properties is completed, but the cost will be within the approved capital budget.
23. The conversion of the remaining chassis cab to a hook lift capability is to be considered as part of the wider welfare and contaminants unit project which is ongoing. The project will deliver the most efficient and cost effective method of providing the capability in conjunction with other demountable assets the service holds. The requirement for a new breathing apparatus unit has been deferred at this time and will be the subject of a new capital programme bid as part of the next Community Risk Management Plan.

Financial implications

24. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

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Appendix 1

CHESHIRE FIRE AUTHORITY QUARTER 2 2022-23

	Original Budget	Forecast Outturn	Income/ expenditure variance
	£000	£000	£000
Firefighting and rescue operations			
Service Delivery	24,467	24,576	109
Operational Policy and Assurance	5,147	5,414	267
Protection	1,887	1,865	(22)
Prevention			
Community Safety	2,022	2,050	28
Safety Centre	443	443	-
Support Services			
Executive Management	1,222	1,272	50
Communications and engagement	702	653	(49)
Property Management	1,905	1,763	(142)
Finance	456	456	-
ICT	1,888	1,882	(6)
Legal and Democratic Services	565	565	-
People and Development	1,924	1,977	53
Planning & Performance	525	525	-
Procurement and Stores	302	302	-
Fleet services	1,555	1,582	27
Unitary Performance Groups	100	100	-
Corporate Finance costs			
Centrally held costs & contingencies	(800)	(800)	-
Pension costs	873	873	-
Capital Financing (incl. investment income)	1,308	1,228	(80)
S.31 Grants	(2,104)	(2,104)	-
Total Service Expenditure	44,387	44,622	235
Contribution to Capital Reserve	2,199	2,199	-
	46,586	46,821	235
Funding:			
Revenue Support Grant (RSG)	(4,136)	(4,136)	-
Business Rate Retention Scheme	(9,302)	(9,302)	-
Council Tax Precept	(1,956)	(31,956)	-
Business rates S.31 grant	(1,595)	(1,595)	-
Collection Fund Deficit (business rates)	1,042	1,042	-
Collection Fund deficit (council tax)	14	14	-
Service Grant Allocation	(653)	(653)	-
Total Funding	(46,586)	(46,586)	-
Forecast net overspend			235

Appendix 2

MOVEMENT IN RESERVES 2022-23

<u>Quarter 1</u>		TOTAL
<u>Department</u>	<u>Description</u>	£000
Corporate Finance-Pension	LGPS secondary rate – employers contribution	321.0
Corporate Finance Costs	Business Rates Collection Fund deficits reserve	(17.0)
Property Management	Annual contribution Poynton Maintenance	4.5
ICT	Annual contribution MDTs	34.0
		<hr/> 342.5 <hr/>

Appendix 3

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 2 2022-23

		2022-23 Capital Budget	Total Programme Budget	2022-23 Expenditure to end of Sept22	Total Expenditure to date	Expected Scheme Outturn	Variance
	Description	£000	£000	£000	£000	£000	£000
Prior year schemes:	Crewe Fire Station	5,975	7,375	551	922	7,375	-
	Fire Station Modernisation Programme	4,350	11,500	-	7,131	11,500	-
	Fire Houses Refurbishment programme (3 year programme)	250	1,130	246	1,105	1,130	-
2020-21 Schemes	Rapid Response Rescue Units (13 units)	-	520	9	410	475	(45)
	Water carrier unit	-	140	1	48	90	(50)
	Saffire IT system – Community Fire Risk Mgt Information	-	100	52	52	100	-
	Mobile Data terminals (MDT) replacement programme	-	370	-	296	300	(70)
	Technical rescue vehicle	50	50	55	56	56	6
2021-22 Schemes	Two New Appliance 2021-22 Programme	-	540	211	512	522	(18)
	Support vehicles replacement 2021-22 programme	-	60	15	37	51	(9)
2022-23 Schemes	Replacement thermal image cameras (phased replacement)	28	28	26	26	26	(2)
	Three New Appliance 2022-23 Programme	810	810	-	-	810	-
	Chassis cab and hook lift	159	159	-	-	159	-
	Breathing Apparatus unit	130	130	-	-	-	(130)
	Welfare and contaminants unit	140	140	-	-	140	-
	Support vehicles replacement 2022-23 programme	60	60	-	-	-	(60)
	ICT Review/Server Replacement Prog. (incl. £50k 2020-21)	100	100	-	-	100	-
	Wilmslow	4,500	4,500	1,881	1,881	4,500	-
	Total	16,552	27,712	3,047	12,476	27,334	(378)