

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 1ST MARCH 2023
REPORT OF: TREASURER
AUTHOR: PAUL VAUGHAN

SUBJECT: FINANCE REPORT – QUARTER 3, 2022-23

Purpose of report

1. The report provides an overview of the Service's forecast revenue financial outturn at the end of Quarter 3, 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 3 with some of the key reasons for variances shown in subsequent paragraphs. Further details may be found in Appendix 1. Proposed movements to and from reserves in the year are itemised in Appendix 2. At the end of the third quarter there is an anticipated underspend of £73k, but as explained in the paragraph 4 this does not fully include the potential impact of uniformed staff grey book pay awards.

Table 1 - Summary for Quarter 3 2022-23	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Firefighting and Rescue Operations	29,614	29,830	216
Protection	1,887	1,896	9
Prevention	2,465	2,520	55
Support Services	11,044	10,945	(99)
Unitary Performance Groups	100	100	0
Centrally held costs & contingencies	(800)	(861)	(61)
Pay and Pension costs	873	832	(41)
Capital Financing (incl. investment income)	1,308	1,168	(140)
S.31 Grants	(2,104)	(2,116)	(12)
Corporate Finance Resources			
- Contribution to / from capital reserves	2,199	2,199	0
Net Revenue Position	46,586	46,513	(73)
Funding	(46,586)	(46,586)	0
Total (under)/overspend	0	(73)	(73)

4. The Authority included an allowance for a 3% pay award for all staff in its 2022-23 budget. Members will be aware that an initial pay offer of 5% for 2022-23 was made in relation to Grey Book staff but that was rejected by the Fire Brigades Union. This offer has now been increased to 7%, to take effect from July 2022. An additional 1% on the Authority's Grey Book pay budget costs around £260k per annum, so if this offer is accepted, it will cost the Authority around £780k above the budgeted amount in 2022-23. As the offer has not been accepted at the time of writing, this is not reflected in the estimated outturn figures in this report. No additional funding has been made available to the Authority to cover any additional costs arising from the pay award, and whilst every effort will be made to contain the cost within existing budgets, the impact is likely to mean a significant call on reserves.

5. An offer of a flat £1,925 per person has been accepted in respect of Green Book staff for 2022-23 and is now in payment. This equates to an average of 7.6% across the Green Book payroll, so 4.6% above the budgeted amount, and the additional costs for Green Book staff are accounted for in the numbers contained in this report.

6. 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. The use of overtime and payment for some of the Covid reward days has led to an overspend but this is offset by continuing underspend against on-call budgets. A review of Business Rate demands following challenges to Local Authorities in respect of stations has led to a reduction in Business Rates payable of £36k. Members are reminded of the uncertainty remaining around the Grey Book pay award described in paragraph 4, the outcome of which will significantly increase costs.
7. Operational Policy and Assurance is projected to overspend by £252k. This is as the result of a number of factors, in particular the department is fully staffed which means that it is unlikely that the budgeted vacancy provision will be met, an overspend of £135k; the impact of the green book pay rise, an overspend of £35k; additional uniforms for the new Firefighter apprentice cohort, an overspend of £40k; income previously expected for the Emergency Services Mobile Communications Programme work which has reduced, an overspend of £35k; and additional costs arising from North West Fire Control relating to the Manchester Arena Public Enquiry, an overspend of £29k. Offsetting these additional costs are projected underspends on non-pay costs relating to training of £40k and Covid related equipment 55k. Other factors include the previously reported additional costs of driver training and other pay costs, and the cost of the trip to Ukraine.
8. Protection is projected to spend close to budget.
9. Prevention is projected to overspend by £53k largely as a result of previously reported pension strain costs in relation to early retirements through ill health, an overspend of £67k, offset by reduced smoke alarm usage, an underspend of £30k. The additional impact of the green book pay rise is estimated to be £42k, offset by some additional income from Respect courses, an underspend of £16k. Safety Central is projected to spend close to budget.
10. Support Services comprise the departments of the Fire Authority that support the work of the Operational teams, and projected outturn figures for these departments are discussed in the following paragraphs.
11. Executive Management is projecting an overspend of £88k as a result of changes to the Service Leadership Team including the costs of recruiting the new Chief Fire Officer and Chief Executive, the departure of the Assistant Chief Fire Officer, and the addition of a temporary Station Manager post to help with the fire cover review work.

12. Corporate Communications is projecting an underspend of £26k. It has been directly managed by the Authority since February 2022, having previously been supplied through the Blue Light Collaboration arrangement. When the budget was set for 2022-23 there were still some costs to be finalised. The team has now bedded in and on-going savings of £54k have been identified. Offsetting this are overspends on the additional impact of the green book pay rise of £11k, and additional spend on corporate events of £12k.
13. Property Management is projecting an underspend of £172k. The revaluation of the business rates for the Sadler Road site since the building of the new training centre, including back dated demands from the initial revaluation has led to an underspend of £228k, and there has been additional rental and co-location income £44k. This is offset by overspends on the restaurant of £22k, additional works on the Sadler Road site to accommodate the People and Development Team of £20k. and Biomass costs of £20k.
14. ICT is projecting an underspend of £82k, with underspends of £53k relating to telephone network providers, £41k on BLC support services recharges, £20k on radios and £15k on hardware costs, offset by the loss of Firelink grant of £37k.
15. People and Development is projecting an overspend of £53k. A report to the Staffing Committee on 29th June 2022 indicated that the return of the People and Development Team to direct management would incur one-off costs in respect of technology, furniture and equipment, and these are now estimated to be £28k. PDRpro software development is projected to overspend by 20k, offset by underspends on the BLC recharge for the first seven months of £10k, and Corporate Training of £20k.
16. Fleet Services is projecting an overspend of £95k, with additional lease costs of £40k, partly due to timings of leases and partly due to the increased costs of new vehicles, and additional fuel costs of £50k, As the latter is due to inflationary pressure, it is anticipated that these costs will be met out of the corporate inflation provision.
17. The recent increase in interest rates has increased the estimated income receivable from cash balances by £140k. Because the Authority only has fixed rate loans, there is no estimated increase of interest payable this year. However increased interest rates will make borrowing in the future to support the capital programme more expensive. Members will be aware that such income is used to offset the revenue cost of supporting the capital programme so will be transferred to capital reserve at year end.
18. The funding position remains uncertain but at this stage there is no variation to report.

Reserves

19. Table 2 below shows the level of revenue reserves held on 1 April 2022. Details of reserve movements are shown in Appendix 2, but all relate to the first quarter. Further reserve movements will be made during the financial year as appropriate with most anticipated to occur in the last quarter as the year's outturn position is finalised.

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	8,476	343	8,819
Community Risk Reductions	371	-	371
Unitary Performance Groups	226	-	226
Total	11,283	343	11,626

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 December 2022, the Authority's approved capital programme is £27.712m with a forecast outturn spend of £27.137m, an underspend of £0.575m. Details of all the capital schemes are in Appendix 3.
22. Included in spend to date is the purchase of five properties in Wilmslow. Agreement has now been reached on the purchase of the remaining four properties and the Authority intends to complete on these before the end of this financial year. The full impact of this on the capital programme will be reported as the purchase of these properties is completed, but the cost will be within the approved capital budget.
23. The 2020-21 MDTs project was completed in December 2022 £60k under budget, due to a reduction in the number of terminals required.
24. The Capital scheme for a new vehicle with a hooklift is no longer required as an existing vehicle has been modified using revenue funds.
25. The 2022-23 support vehicles replacement £60k capital scheme is no longer required as electrical vehicles have been ordered using revenue funds.

26. The welfare and contaminants unit is under review as the most cost-effective method of delivering outcomes are explored. It is unlikely that the full capital allocation of £140k will be required.

Financial Health Targets

27. The Authority agreed three Financial Health Targets at its meeting on 9th February 2022. Performance against those targets is shown below.
28. The first target is that the Authority reviews and approves its Reserves Strategy on an annual basis. This should be supplemented by consideration of the level of reserves at mid-year review. The Authority approved an updated reserves strategy at its meeting on 15th February 2023. Although there was no formal review of the strategy reported at Mid-Year, consideration was given to the reserves position during the budget process and capital and revenue expenditure was identified which will be supported out of reserves during 2023-24. Further reviews will be regularly undertaken, particularly in the light of the potential impact of the pay award reported in paragraph 4 of this report and the continuing cost pressures in relation to the capital programme.
29. The second target is that the Authority maintains its revenue spending within 1% of budget following the mid-year and three-quarter review. The original budget is for 2022-23 £46,586k, so 1% is £466k. The current projection contained in this report shows an underspend of £73k, which is well within the target. The potential overspend identified in paragraph 4 of this report will be funded from reserves if necessary.
30. The third target is that the Authority reduces slippage to 25% of the total capital programme. The capital programme for 2023-24 is £16.2m. The latest estimate for capital expenditure in 2023-24 is £9.3m, so the slippage is estimated to be £6.8m, exceeding the target. Members will be aware that fire station modernisations were paused early in the financial year whilst the impact of inflationary pressures was considered, and this is the principal reason for the slippage. The modernisations are expected to resume in 2023-24.

Financial implications

25. 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 3 2022-23

	Original Budget £000	Forecast Outturn £000	Variance £000
Firefighting and rescue operations			
Service Delivery	24,467	24,431	(36)
Operational Policy and Assurance	5,147	5,399	252
Protection	1,887	1,896	9
Prevention			
Community Safety	2,022	2,075	53
Safety Centre	443	445	2
Support Services			
Executive Management	1,222	1,310	88
Communications and engagement	702	676	(26)
Property Management	1,905	1,733	(172)
Finance	456	478	22
ICT	1,888	1,806	(82)
Legal and Democratic Services	565	556	(9)
People and Development	1,924	1,955	31
Planning & Performance	525	466	(59)
Procurement and Stores	302	315	13
Fleet services	1,555	1,650	95
Unitary Performance Groups	100	100	0
Corporate Finance costs			
Centrally held costs & contingencies	(800)	(861)	(61)
Pension costs	873	832	(41)
Capital Financing (incl. investment income)	1,308	1,168	(140)
S.31 Grants	(2,104)	(2,116)	(12)
Total Service Expenditure	44,387	44,314	(73)
Contribution to Capital Reserve	2,199	2,199	0
	46,586	46,513	(73)
Funding:			
Revenue Support Grant (RSG)	(4,136)	(4,136)	0
Business Rate Retention Scheme	(9,302)	(9,302)	0
Council Tax Precept	(31,956)	(31,956)	0
Business rates S.31 grant	(1,595)	(1,595)	0
Collection Fund Deficit (business rates)	1,042	1,042	0
Collection Fund deficit (council tax)	14	14	0
Service Grant Allocation	(653)	(653)	0
Total Funding	(46,586)	(46,586)	0
Forecast net overspend			(73)

Appendix 2

MOVEMENT IN RESERVES 2022-23

<u>Department</u>	<u>Description</u>	TOTAL £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 3 2022-23

		2022-23 Capital Budget	Total Programme Budget	2022-23 Expenditure to end of Dec22	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	1,296	1,668	7,375	-
	Fire Station Modernisation Programme	4,350	11,500	-	7,131	11,500	-
	Fire Houses Refurbishment programme (3 year programme)	250	1,130	252	1,111	1,130	-
2020-21 Schemes	Rapid Response Rescue Units (13 units)	-	520	41	442	482	(38)
	Water carrier unit	-	140	5	52	80	(60)
	Saffire IT system – Community Fire Risk Mgt Information	-	100	52	52	52	(48)
	Mobile Data terminals (MDT) replacement programme	-	370	1	297	310	(60)
	Technical rescue vehicle	50	50	56	56	56	6
2021-22 Schemes	Two New Appliance 2021-22 Programme	-	540	221	522	522	(18)
	Support vehicles replacement 2021-22 programme	-	60	14	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	-	-	813	3
	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 Houses	4,500	4,500	2,231	2,231	4,500	-
	Total	16,552	27,712	4,195	13,625	27,137	(575)