

## CHESHIRE FIRE AUTHORITY

**MEETING OF:** PERFORMANCE AND OVERVIEW COMMITTEE  
**DATE:** 20<sup>TH</sup> SEPTEMBER 2023  
**REPORT OF:** TREASURER  
**AUTHOR:** PAUL VAUGHAN

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**SUBJECT:** FINANCE REPORT – QUARTER 1, 2023-24

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### Purpose of report

1. The report provides an overview of the Service's forecast revenue financial outturn at the end of Quarter 1 2023-24 and an update on progress against the capital programme.

### Recommended: That

[1] Members note the forecast outturn position.

### Background

2. On 15<sup>th</sup> February 2023, the Authority approved the 2023-24 revenue budget of £51.7m and a capital budget of £9.6m.

### Forecast Revenue Spending

3. Table 1 summarises the forecast position at the end of Quarter 1 with some of the key reasons for variances shown in subsequent paragraphs. Further details may be found in Appendix 1. As can be seen from the Table, at the end of Quarter 1 there is an anticipated overspend of £378k. The position will continue to be monitored and every effort will be made to meet overspend from existing budgets.

<b>Table 1 - Summary for Quarter 1 2023-24</b>	<b>Original Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	£000	£000	£000
Firefighting and Rescue Operations	31,969	32,295	326
Protection	2,042	2,042	-
Prevention	2,694	2,694	-
Support Services	11,966	12,018	52
Unitary Performance Groups	40	40	-
Centrally held costs & contingencies	128	128	-
Pay and Pension costs	562	562	-
Capital Financing (incl. investment income)	1,405	1,405	-
S.31 Grants	(2,104)	(2,104)	-
Corporate Finance Resources			
- Contribution to / from capital reserves	3,042	3,042	-
<b>Net Revenue Position</b>	<b>51,744</b>	<b>52,122</b>	<b>378</b>
Funding	(51,744)	(51,744)	-
<b>Total (under)/overspend</b>	<b>-</b>	<b>378</b>	<b>378</b>

4. At the time the 2023-24 budget was set by the Authority, the Grey Book (operational staff) pay award for 2022-23 had not been settled. The 2023-24 budget included an estimated 6% to cover the impact of the settlement, but the actual settlement was 7%. This means that there is a budget pressure of an estimated £290k in 2023-24 and the impact of this is included in Table 1 and Appendix 1. No additional funding has been made available to the Authority to cover any additional costs arising from the pay award.
5. This additional impact of the 2022-23 pay award will be built into the 2024-25 budget.
6. The 2023-24 budget included an allowance for a 5% pay award for all staff. The grey book award has been agreed at 5% from July 2023. The green book (non-operational staff) pay award for 2023-24 has not yet been agreed. An offer representing more than 5% has been rejected. As soon as agreement has been reached the estimated impact will be reported to the Committee. A 1% addition to pay for green book staff is estimated to cost around £64k.
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. The overspend reported reflects the impact of the grey book pay award for 2022-23 (see paragraph 4 above).
8. Operational Policy and Assurance is projected to overspend by £36k. This relates to additional contributions to North West Fire Control relating to both 2022-23 and 2023-24.

9. Protection is projected to spend close to budget, although there are some additional pay costs (an additional post and payment of market supplements for some protection staff), which are to be funded from the protection uplift grant. The Authority has been notified that the Protection uplift grant earmarked for Cheshire for the current year is £167k.
10. Members will be aware that due to staffing issues Prevention underspent against its budget in 2022-23. A review of the team is being undertaken but it is too early to fully estimate the impact of the review and the projection at this stage is that spend will be close to budget.
11. Support Services comprise the departments of the Fire Authority that support the work of the operational teams. At this stage most departments are estimated to spend in line with their original budget, although there are some small estimated variances resulting from additional pay cost in the Service Improvement Team; additional net contract cost in ICT; additional employee related cost in People and Development; and the cost of fitting blue lights to new officer vehicles. These costs are offset by an estimated variance on Property Maintenance relating to a delay in filling a vacancy and other property related costs.
12. Members will be aware of the reviews currently being undertaken of services being delivered jointly with the Police under the Blue Light Collaboration arrangements. This will result in some of the services being disaggregated this year, in particular Finance and Information Management. At this stage it is too early to estimate any one-off or continuing financial impacts of disaggregation, but as soon costs become clearer any impact will be reported to the Committee.
13. A new valuation list came into effect for business rates in April 2023. The full impact of this on the Authority is being assessed by external consultants with a view to challenge if appropriate.
14. The recent increase in interest rates has increased the estimated income receivable from cash balances. Members will be aware that such additional income is used to offset the revenue cost of supporting the capital programme. 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.
15. To date no estimated variation in funding has been identified.

## Reserves

16. Table 2 below shows the level of revenue reserves held on 1 April 2023. The general reserve reflects the overspend in 2022-23 of £282k and will be increased during the year by a transfer from an earmarked revenue reserve to increase it nearer to the recommended level of 5% of the Authority's recommended revenue budget. Budgeted reserve movements are shown in Appendix 2. Transfers relating to one-off items shown in the Appendix will be undertaken as they become necessary to match expenditure and movements to and from capital reserves will be undertaken at year end.

<b>Table 2 - Reserve balances</b>	<b>At 1 Apr 2023 £000</b>
General Fund	1,926
Resource Centre Managers	7,778
Community Risk Reductions	366
Unitary Performance Groups	286
Capital Reserve	14,233
<b>Total</b>	<b>24,589</b>

## Capital Programme

17. At the end of June 2023, the Authority's approved capital programme is £27.733m with a forecast outturn spend of £27.794m, an overspend of £0.061m. Details of all the capital schemes are shown in Appendix 3.
18. Work is ongoing on the new fire station at Crewe, with an anticipated completion date of November 2023.
19. The Fire Station Modernisation Programme includes the work at Congleton Fire Station approved at the Authority meeting in June. This will start in August with an anticipated completion date of January 2024.
20. Both the 2022-23 and 2023-24 appliance replacement projects are expected to overspend as a result of increased costs. These cost increases will be considered in developing the capital programme budget for 2024-25.
21. The best method of delivering the welfare and contaminants unit is under review, but it is now considered unlikely that the full capital allocation of £140k will be required.

## Treasury Management Activities

22. The updated CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members are updated on treasury management activities at least quarterly. The following update therefore ensures best practice in accordance with the Code.
23. In view of the sharp rise in interest rates rises over recent months, the Authority's new long-term borrowing requirement resulting from projects on the Authority's estate is currently being deferred until market rates return to more favourable levels. The approved strategy currently forecasts up to £4m short term borrowing to support this position during late 2023/24, and this will be kept under review.
24. On 11 May 2023 the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% to 4.50%, and on 22 June 2023 increased rates by a further 0.5% to 5.00%. Latest forecasts indicate that interest rates will remain elevated for some time, as the Bank of England seeks to squeeze inflation out of the economy.
25. As at 30 June 2023, the Authority's investments are with Santander, Aberdeen Liquidity Money Market Fund and NatWest (flexible call account), all of which are used regularly to manage day to day cashflows.
26. Increasing interest rates and proactive cashflow management have enabled the Authority to secure significantly increased investment income over recent months and as discussed in paragraph 14 above this will be used to fund capital expenditure and therefore reduce the need for borrowing. It is however anticipated that the opportunity to generate ongoing investment returns at current levels will reduce significantly towards the end of 2023/24 as planned capital expenditure, and the deferral of approved borrowing, has a significant impact upon cashflow balances available for investment.
27. There have been no instances of non-compliance with approved Annual Investment Strategy limits during the year.

## Prudential and Treasury Indicators

28. The following table compares the estimated performance on key prudential indicators in 2023/24 against those approved by the Authority in February 2023.

<b>Table 3: Prudential and Treasury Indicators</b>			
<b>Prudential Indicators</b>	<b>2023/24 Indicator £000</b>	<b>2023/24 Estimate £000</b>	<b>Comment</b>
Capital expenditure	9,592	10,803	Re-profiling of expenditure relating to Crewe new build and Fire Station Modernisation programme, along with slippage relating to planned vehicle purchases from 2022/23 into 2023/24.
Capital financing requirement	25,925	25,455	
Annual change in capital financing requirement	3,301	3,719	
Gross borrowing requirement: (Under) / Over borrowing	(10,339)	(9,868)	Lower borrowing requirement due to £0.5m underspend re: Wilmslow project.
Ratio of financing costs to net revenue stream	2.07%	1.97%	Temporary deferral of new borrowing reduces in year financing costs.
<b>Treasury Indicators</b>	<b>2023/24 Indicator £000</b>	<b>2023/24 Estimate £000</b>	
Authorised limit for external debt	20,636	20,636	Set 15/2/23, no change during 2023/24.
Operational boundary for external debt	18,636	18,636	
Actual external debt			Current borrowing £12.012m less £0.426m to be repaid 2023/24 = £11.586m. New short term borrowing of £4m planned 2023/24 to support cashflow position (see paragraph 23 above)
- Borrowing	15,586	15,586	
- Other long term liabilities	0	0	
Total	15,586	15,586	
Upper limit of fixed interest rate exposure	100%	100%	
Upper limit of variable interest rate exposure	25%	Nil	No variable rate loans held or planned
Upper limit for principal sums invested for over 364 days	£nil	£nil	No longer term investments held or planned.

## **Financial implications**

29. This report considers financial matters.

## **Legal Implications**

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

## **Equality and diversity implications**

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

## **Environmental implications**

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

**BACKGROUND PAPERS: NONE**

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## Agenda Item 2, Appendix 1

### CHESHIRE FIRE AUTHORITY QUARTER 1 2023-24

	Original Budget £000	Forecast Outturn £000	Variance £000
Firefighting and rescue operations			
Service Delivery	26,341	26,631	290
Operational Policy and Assurance	5,628	5,664	36
Protection	2,042	2,042	-
Prevention			
Community Safety	2,187	2,187	-
Safety Centre	507	507	-
Support Services			
Executive Management	980	980	-
Service Improvement	800	815	15
Communications and engagement	757	757	-
Property Management	2,121	2,106	(15)
Finance	496	496	-
ICT	2,096	2,112	16
Legal and Democratic Services	592	592	-
People and Development	2,074	2,087	13
Customer Services	106	106	-
Procurement and Stores	331	331	-
Fleet services	1,613	1,636	23
Unitary Performance Groups	40	40	-
Corporate Finance costs			
Centrally held costs & contingencies	128	128	-
Pay and Pension costs	562	562	-
Capital Financing (incl. investment income)	1,405	1,405	-
S.31 Grants	(2,104)	(2,104)	-
Contribution to Capital Reserve	3,042	3,042	-
<b>Total Service Expenditure</b>	<b>51,744</b>	<b>52,122</b>	<b>378</b>
<b>Funding:</b>			
Revenue Support Grant (RSG)	(4,556)	(4,556)	-
Local Business rates Income	(4,488)	(4,488)	-
Business Rate Top Up Grant	(5,288)	(5,288)	-
Council Tax Precept	(34,396)	(34,396)	-
Collection Fund surplus (business rates)	(57)	(57)	-
Collection Fund surplus (council tax)	(203)	(203)	-
Business rates S.31 grant	(2,388)	(2,388)	-
Service Grant Allocation	(368)	(368)	-
<b>Total Funding</b>	<b>(51,744)</b>	<b>(51,744)</b>	<b>-</b>
<b>Forecast net overspend</b>			<b>378</b>



## Agenda Item 2, Appendix 2

### **MOVEMENT IN RESERVES 2023-24**

<b><u>Department</u></b>	<b><u>Description</u></b>	TOTAL £000
<b>Base Budget</b>		
Property Management	Annual contribution Poynton Maintenance	4.5
Property Management	Invest to save	25.0
ICT	Annual contribution MDTs	34.0
		<hr/> <b>63.5</b>
<b>One-off for 2023-24</b>		
Service Delivery	Cardiac Response pilot	(354.0)
Safety Central	Refreshment and replacement kit / scenes	(110.0)
Operational Policy and Assurance	Operational Equipment	(48.5)
Community Safety	Portable Fire Suppression Unit	(28.8)
		<hr/> <b>(541.3)</b>
<b>Capital</b>		
Corporate finance resources	2023-24 Contribution to capital	<hr/> <b>3,042.0</b>
		<hr/> <b>2,564.2</b>

**CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 1 2023-24**

		2023-24 Capital Budget	Total Programme Budget	2023-24 Expenditure to end of June23	Total Expenditure to date	Expected Scheme Outturn	Variance
	Description	£000	£000	£000	£000	£000	£000
Prior year schemes:	Crewe Fire Station	3,804	7,375	1,499	4,664	7,375	-
	Fire Station Modernisation Programme	4,000	17,500	189	7,207	17,500	-
	Rapid Response Rescue Units (2020-21)	-	520	-	440	480	(40)
	ICT Review/Server Replacement Programme	-	100	-	-	100	-
	Three New Appliance 2022-23 Programme – 3 vehicles	-	810	170	511	885	75
	Welfare and contaminants unit (2022-23)	-	140	-	-	140	-
2023-24 Schemes	Three New Appliance 2023-24 Programme – 3 vehicles	870	870	-	-	917	47
	Intermediate command support vehicle – modification of existing vehicle.	75	75	-	-	75	-
	Flatbed Sled	15	15	-	-	15	-
	Replacement thermal image cameras.	28	28	-	-	7	(21)
	ICT Review/Server Replacement Prog.	50	50	-	-	50	-
	Fire Houses Refurbishment Programme	250	250	-	-	250	-
In year approvals	None to date						
<b>Total</b>		<b>9,092</b>	<b>27,733</b>	<b>1,858</b>	<b>12,822</b>	<b>27,794</b>	<b>61</b>