

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 22ND NOVEMBER 2023
REPORT OF: TREASURER
AUTHOR: PAUL VAUGHAN

SUBJECT: FINANCE REPORT – QUARTER 2, 2023-24

Purpose of report

1. The report provides an overview of the Service's forecast revenue financial outturn at the end of Quarter 2 2023-24 and an update on progress against the capital programme.

Recommended: That Members

[1] note the forecast outturn position.

Background

2. On 15th 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 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 may be found in Appendix 1. As can be seen from the Table, at the end of Quarter 2 there is an anticipated overspend of £458k (at the end of Quarter 1 the estimated overspend was £378k). The position will continue to be monitored and every effort will be made to meet the overspend from existing budgets.

Table 1 - Summary for Quarter 2 2023-24	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Firefighting and Rescue Operations	32,029	32,335	306
Protection	2,042	2,042	-
Prevention	2,694	2,730	36
Support Services	11,906	12,022	116
Unitary Performance Groups	40	40	-
Centrally held costs & contingencies	128	118	(10)
Pay and Pension costs	562	562	-
Capital Financing (incl. investment income)	1,405	1,105	(300)
S.31 Grants	(2,104)	(2,104)	-
Corporate Finance Resources			
- Contribution to / from capital reserves	3,042	3,352	310
Net Revenue Position	51,744	52,202	458
Funding	(51,744)	(51,744)	-
Total (under)/overspend	-	458	458

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 now been agreed, at an average increase of around 6% (backdated to 1st April 2023). This will cost an estimated additional unbudgeted £65k. This potential overspend is not included in the forecast at this stage, but as soon as agreement has been reached the full estimated impact will be reported to the Committee.

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). There is a potential underspend of £600k relating to on call pay, but this will offset a likely underachievement of the vacancy provision built into the Authority's budgets. The original budget also included £354k additional expenditure relating to cardiac response which it was hoped would commence in 2023-24. This expenditure was anticipated to be funded from reserves, so that funding will not now be necessary in 2023-24.
8. Operational Policy and Assurance is projecting a slight overspend, which is mainly due to additional expenditure of £49k on North West Fire Control. This is offset by a £31k saving on the Gartan staffing system, mainly because a planned upgrade project being deferred pending the results of a broader systems review.
9. Protection is projected to spend close to budget. Members will be aware of the ongoing prosecution case involving Beechmere. The Authority holds an earmarked reserve to which it allocates awards of costs by the Court. It is planned to use this reserve to fund the prosecution costs of the Beechmere case as far as possible.
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. During 2023-24 staff vacancies in the Prince's Trust team have led to a reduction in courses run in Crewe. In addition, the costs of minibus hire for Prince's Trust courses have increased significantly, leading to an estimated overspend of £458k. This is offset by income from Respect courses.
12. Support Services comprise the departments that support the work of the operational teams. Support Services are forecasting an overspend of £116k. The main reasons for this are covered in the following paragraphs.
13. Members will be aware of the ongoing reviews of services being delivered jointly with the Police under the Blue Light Collaboration arrangements. The results of the reviews in 2023-24 have so far led to the disaggregation of Planning and Performance, Strategic Change, Information Management and Finance. This follows the successful disaggregation of Communications and People and Organisational Development last year. To date the moves have not incurred significant costs, but some relating to Finance are reported below in paragraph 17. As services delivered from Sadler Road increase there will be some

financial impact as a result of the remodelling of the building. The details of this are still being considered and proposals will be reported to Members as soon as possible. Ongoing budgets for running the services are also being considered, and it is likely that Finance and Information Management will incur additional costs. The impact of this will be considered as part of the budget proposals for 2024-25.

14. The anticipated overspend on Executive Management is as a result of exit costs and some back pay cost, offset by the deletion of the Director of Transformation post.
15. In relation to Communications and Engagement, Members will be aware that the Authority undertook a pre-consultation exercise in addition to the usual consultation on the Community Risk Management Plan for 2024-28. The extensive involvement of the Consultation Institute to help ensure that the processes around consultation are robust has led to an overspend of around £30k.
16. A new valuation list came into effect for business rates in April 2023. The full impact of this on the Authority will be assessed by external consultants with a view to challenge if appropriate. The Authority continues to benefit from underspending on business and water rates already agreed at Sadler Road, leading to an underspend on Property Management.
17. The overspend in Finance is as a result of additional costs associated with the move to Sadler Road and the transition from the existing management structure to the new Head of Finance. It is possible that some of these costs will be met from reserves.
18. The impact of additional software and administration charges in respect of the McCloud remedies is estimated to be around £94k which will be met from reserves.
19. In respect of Corporate Finance Costs, 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.

Reserves

20. Table 2 below shows the level of revenue reserves held by the Authority on 1st April 2023 and 31st October 2023. Reserve levels are regularly reviewed in detail by the Service Leadership Team, and the results of reviews undertaken this year have identified that some Resource Centre Manager reserves (earmarked reserves designed to support a variety of activities across the Authority) are no longer needed at the level at which previous estimates have indicated. Where this is the case, surplus amounts have been transferred to the Capital Reserve, which will be used to support the funding of the Authority's capital programme (it has increased by just over £1m).
21. Budgeted reserve movements for the year 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. Movements from capital reserve will be used to fund capital expenditure not funded from borrowing and the amount will be determined when the actual spend on the capital programme is known. No movements relating to these are included in Table 2.
22. Also shown on Appendix 2, is a list of further anticipated movements for 2023-24 which will be actioned as necessary. No movements relating to these are included in Table 2.

Table 2 - Reserve balances	At 1 Apr 2023 £000	At 31 Oct 2023 £000
General Fund	1,926	1,926
Resource Centre Managers	7,778	6,913
Community Risk Reductions	366	186
Unitary Performance Groups	286	318
Capital Reserve	14,233	15,246
Total	24,589	24,589

Capital Programme

23. At the end of September 2023, the Authority's approved capital programme is £27.733m with a forecast outturn spend of £27.796m, an overspend of £0.063m. Details of all the capital schemes are shown in Appendix 3.
24. The new fire station at Crewe is nearing completion, with the operational crews moving back in during November 2023.
25. Members will be aware that under the Fire Station Modernisation Programme work is ongoing at Congleton Fire Station with an anticipated completion date at the end of January 2024. The Fire Authority recently approved schemes at Macclesfield and Wilmslow Fire Stations, and it is anticipated that these schemes will commence before the end of the financial year. Scoping work is now being undertaken on the remaining stations included in the Programme. The estimated cost of the work will be considered in the context of the remaining budget, and reports will be brought to Members offering options for the funding of the next of the Programme.
26. Consideration continues to be given to the fire stations at Warrington and Ellesmere port. No detailed plans have yet been developed, and funding for potential schemes has not yet been identified.
27. Both the 2022-23 and 2023-24 fire appliance replacement projects (three each year) 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, which will also consider the need for new appliances in the context of the Fleet Strategy.

Treasury Management activities

28. The Authority's Treasury Management Strategy requires a mid-year report on treasury activity. This report is on the agenda for the Authority meeting in December.

Financial implications

29. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

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Appendix 1

CHESHIRE FIRE AUTHORITY QUARTER 2 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	5,688	5,704	16
Protection	2,042	2,042	-
Prevention			
Community Safety	2,187	2,223	36
Safety Centre	507	507	-
Support Services			
Executive Management	980	1,010	30
Service Improvement	800	816	16
Communications and engagement	757	790	33
Property Management	2,121	2,073	(48)
Finance	496	556	60
ICT	2,096	2,096	-
Legal and Democratic Services	592	594	2
People and Development	2,014	2,039	25
Customer Services	106	96	(10)
Procurement and Stores	331	331	-
Fleet services	1,613	1,621	8
Unitary Performance Groups	40	40	-
Corporate Finance costs			
Centrally held costs & contingencies	128	118	(10)
Pay and Pension costs	562	562	-
Capital Financing (incl. investment income)	1,405	1,105	(300)
S.31 Grants	(2,104)	(2,104)	-
Contribution to Capital Reserve	3,042	3,352	310
Total Service Expenditure	51,744	52,202	458
Funding:			
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)	-
Total Funding	(51,744)	(51,744)	-
Forecast net overspend			458

Appendix 2

MOVEMENT IN RESERVES 2023-24

Budgeted reserve movements

		£000
Property Management	Annual contribution Poynton Maintenance	5
Property Management	Invest to save	25
ICT	Annual contribution MDTs	34
Corporate finance resources	Contribution to earmarked capital reserve	3,042
		3,106
One-off transfers from reserves		
Service Delivery	Cardiac Response pilot	(354)
Safety Central	Refreshment and replacement kit / scenes	(110)
Operational Policy and Assurance	Operational Equipment	(49)
Community Safety	Portable Fire Suppression Unit	(29)
		(542)
2023-24 budgeted transfers to / from reserves		2,564

Additional anticipated reserve movements

Movements to reserves.

Corporate finance resources	Additional investment income to Capital	300
Corporate finance resources	Realign £10k from revenue to capital	10
Service Delivery	Cardiac Response pilot – (not now required)	354
Protection	Protection Uplift Grant	42
Protection	Prosecutions reserve	6
		712

Movements from reserves

Operational Policy and Assurance	Operational Equipment	(5)
People and Development	Pensions issues (McCloud / Matthews)	(94)
People and Development	HPDS - laptop	(1)
Corporate Communications	Staff Survey	(13)
Corporate Communications	Choir	(7)
Property	Year end slippage on projects	(79)
Executive Management	Pension costs	(201)
BLC	BLCX	(3)
Customer Services	Digital sign in	(5)
		(408)
Additional reserve movements		304

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 2 2023-24

		2023-24 Capital Budget	Total Programme Budget	2023-24 Expenditure to end of Sept23	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	3,114	6,279	7,375	-
	Fire Station Modernisation Programme	4,000	17,500	225	7,243	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	545	887	887	77
	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	7	7	(21)
	ICT Review/Server Replacement Prog.	50	50	-	-	50	-
	Fire Houses Refurbishment Programme	250	250	-	-	250	-
In year approvals	None to date						
	Total	9,092	27,733	3,891	14,856	27,796	63