

# CHESHIRE FIRE AUTHORITY

**MEETING OF:** PERFORMANCE AND OVERVIEW COMMITTEE  
**DATE:** 6<sup>TH</sup> MARCH 2024  
**REPORT OF:** TREASURER  
**AUTHOR:** JAMES CUNNINGHAM

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**SUBJECT:** FINANCE REPORT – QUARTER 3, 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 3, 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.
- 3) The Qtr 3 finance report follows from detailed review between the relevant Head of Department and finance to understand variances and forecasts in the year.
- 4) A summary of each key area is provided below with a detailed report from page 3 onwards.

## Forecast Revenue Spending

- 5) The key points are:
  - a) There is an anticipated underspend of £114k for the full year based on our position at the end of Qtr 3. This is despite National Pay awards settled above our budgeted position;
  - b) The underspend is driven by staffing across Service Delivery and Prevention & Protection. Within Service Delivery the Authority is running over establishment, to mitigate risks on retirements and replacements (as previously approved), in addition to the impact of the 21-22 pay settlement. The effect of this has been more than covered by the underspend from the on-call budget; and

- c) Capital financing has delivered a significant saving which will be transferred to reserves to help fund future capital expenditure, and so has a net nil impact on the forecast spending. This been driven by the higher interest rates on deposits coupled with the lower than budget capital expenditure funded through loans (i.e. saving on interest).
- 6) Table 1 summarises the forecast position and subsequent paragraphs provide further details on the anticipated unders and overs.

Appendix 1 breaks down the summary figures presented in Table 1 to a departmental level.

## **Reserves**

- 7) Total Reserves are unchanged at £25,489 from the original estimate. There have been some transfers to the capital reserves to help manage future capital programme funding.

## **Capital**

- 8) Capital projects overall remain within total capital budget. Appliance vehicle programme has slipped and has seen increased cost due to supply issues, although this is offset by a reduction in the RRRU programme.

## **Treasury Management**

- 9) Increased interest earnings coupled with lower than planned external borrowings, has resulted in significant positive cashflows.
- 10) There have been no breaches in the Authority's approved Annual Investment strategy.

## **Performance against Financial Health Indicators**

- 11) The Authority agreed Financial Health Targets at its meeting on 15th February 2023.
- 12) We are operating within these targets.

## Detailed Quarter 3 Outturn Analysis

### Revenue Spend

<b>Table 1 – Summary for Quarter 3, 2023-24</b>	<b>Original Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	£000	£000	£000
Firefighting and Rescue Operations	32,030	31,895	(135)
Protection	2,042	1,980	(62)
Prevention	2,695	2,575	(120)
Support Services	11,914	11,740	(174)
Unitary Performance Groups	40	40	-
Centrally held costs & contingencies	118	557	439
Pay and Pension costs	562	529	(33)
Capital Financing (incl. investment income)	1,405	278	(1,127)
S.31 Grants	(2,104)	(2,104)	-
Corporate Finance Resources			
- Contribution to / from capital reserves	3,042	4,167	1,125
- Contribution to / from revenue reserves	-	-	-
<b>Net Revenue Position</b>	<b>51,744</b>	<b>51,657</b>	<b>(87)</b>
Funding	(51,744)	(51,771)	(27)
<b>Total (under)/overspend</b>	<b>-</b>	<b>(114)</b>	<b>(114)</b>

- 13) Higher than budgeted nationally agreed pay awards for Grey and Green Book staff have impacted all departmental costs and budgets this year.
- 14) Grey Book – when the 2023-24 budget was set by the Authority the operational pay award for 2022-23 had not been settled, as such we were effectively budgeting for 2 years of outstanding pay settlements- 22-23 & 23-24. The budget included a 5% allowance for the 23-24 settlement, which matched the nationally agreed settlement. However, the 22-23 pay settlement (also agreed in 23-24) was for 7%, and we had budgeted at 6%. This has created a £290k budget pressure in the year, as no additional funding was made available to the Authority to cover the additional cost of this settlement. The knock-on effect of the higher 22-23 settlement has been built into the cost base of the 2024-25 budget.
- 15) Green Book - the 2023-24 budget was set prior to any settlement with 5% being budgeted for the pay award. The NJC agreed to a mix of lump sum (£1,925) or 3.88%, dependent on staff grade, this gives an average pay increase of almost 7%. The impact of this has been included in the forecast outturn.
- 16) **Firefighting and Rescue Operations** encompasses Service Delivery and Operational Policy and Assurance (OPA).
- 17) **Service Delivery** - £109k underspend. To mitigate staffing risks due to retirements and retention against timing of recruitment and training, it

was agreed to run slightly over establishment. There have been two cohorts of new firefighters, one in April and another in September. Each cohort has 16 weeks in training before they go operational on the stations. Within the budget we build in a vacancy provision, which reduces the cost base, part of the purpose of which is to account for the differences in pay levels between those in development and competent. It is also intended to cover other factors such as personnel not being in the pension scheme, maternity pay and paternity pay, as well as genuine vacancy. However, we are seeing a higher number of personnel at the competent level, which has led to an overspend. The adverse variances have been managed and offset by underspend on overtime (£65k) and on-call pay (£700k) budgets. The issue will be addressed in the 2024-25 budget.

The original budget also included £354k additional expenditure relating to cardiac response, which it had been hoped would commence in 2023-24. It was agreed that this one-off cost was to be funded from reserves.

- 18) **Operational Policy and Assurance** - £26k underspend. Additional expenditure was incurred on North West Fire Control (£58k) as well as on hydrant repairs and installations. This was offset by a 31k saving on the Gartan staff planning system, as the planned upgrade was deferred pending the results of a broader system review. Pay costs were also underspent (£58k) on the Health & Safety team and the Admin support team, mainly due to vacant posts in the year.
- 19) **Protection** - £62k underspend - this is driven by the receipt of the uplift grant which is helping to fund market supplement payments. 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.
- 20) **Prevention** - £120k underspend. as in 2022-2023 Prevention is underspent mainly on staffing. The department is currently carrying out a review and any impact will be built into the 2024-25 budget.

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 £47k. This is partly offset by income from Respect courses of £10k, and a slight underspend on cadets.

- 21) **Support Services** comprise the departments of the Fire Authority that support the work of the operational teams. Support Services are forecasting an underspend of £174k. The main reasons for this are covered in the following paragraphs.
  - a) 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. As services delivered from Sadler Road increase there will be some financial impact because of the remodelling of the building. The details of this are still being considered. Ongoing budgets for running the services are also being considered, and it 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.

- b) **Executive Management** has a small overspend due to exit costs and some back pay cost, offset by the loss of the Director of Transformation post, and some underspends on supplies and services budgets.
- c) **Communications and Engagement**, Members will be aware that the Authority undertook a pre-consultation exercise in addition to the usual consultation on the Comprehensive Risk Management Plan for 2024-28. The extensive involvement of the Consultation Institute to help provide assurance that the processes around consultation are robust has led to an overspend of around £30k. There has been an overspend on the choir budget, partly due to late invoicing, which will be funded from reserves.
- d) **Property Management** 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. There are some costs relating to principal officers moving back from Clemonds Hey to Sadler Road site and the need to reconfigure the offices; these costs are more than offset by underspend on pay costs, biomass fuel and utilities costs for the site.
- e) **Finance** overspend is because of additional costs associated with the move from BLC 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.
- f) **People & Development** - £210k underspend. The overspend on pay is due to the Green Book settlement mentioned above and some BLC related costs. There is also a corporate requirement for additional DBS checks. This is offset with savings on the Apprentice budget and the corporate training budget.

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.

- g) **Customer Services** are anticipating an underspend of £20k on printing, £3k on photocopying and £2k on postage.
  - h) **Corporate Finance** - Whilst interest rates have risen significantly the PWLB loans the Authority holds are on fixed interest rates. The Authority is also benefiting from interest income on our cash deposits. The additional income is being transferred to the capital reserve to help fund the capital programme. It should be noted the higher interest rates will make future borrowing more expensive, currently the Authority is delaying any long term borrowing (required to support the capital programme) until rates are expected to drop.
- 22) There are two small adjustments to funding, the service grant allocation was confirmed at £383k, which is £15k more than budgeted. A late notification in relation to collection fund surplus for council tax has given an additional £12k. These amounts will be transferred to the collection fund reserve to fund any future funding deficits.

## Reserves

- 23) Table 2 below shows the level of revenue reserves held by the Authority on 1st April 2023 and 31st December 2023. Reserve levels are regularly reviewed in detail by the Authority's Senior 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, any surplus amounts have been transferred to the Capital Reserve, which will be used to support the funding of the Authority's capital programme.
- 24) Budgeted reserve movements for the year are shown in Appendix 2. Transfers relating to one-off items shown in the Appendix are undertaken as they become necessary to match expenditure; 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.
- 25) 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.

<b>Table 2 - Reserve balances</b>	<b>At 1 Apr 2023 £000</b>	<b>At 31 Dec 2023 £000</b>
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
<b>Total</b>	<b>24,589</b>	<b>24,589</b>

## Capital Programme

- 26) At the end of December 2023, the Authority's approved capital programme is £27.863m with a forecast outturn spend of £27.886m, an overspend of £0.023m. The forecast outturn has increased by £130k since Qtr2, reflecting land purchase next to Stockton Heath Fire Station (see next paragraph). Details of all the capital schemes are shown in Appendix 3.
- 27) In September 2016, the Authority approved an option to purchase a piece of land adjacent to Stockton Heath Fire Station, the sale is expected to complete in January 2024 and has now been included in the forecast outturn.
- 28) The rebuild of Crewe station is now almost complete.
- 29) In relation to the Fire Station Modernisation Programme work is ongoing at Congleton Fire Station with an anticipated finish date at the end of February 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.
- 30) The Medium Term Financial Plan now includes the potential costs for the schemes at Warrington and Ellesmere Port. This will inform the Capital requirement and funding, which will be from a combination of capital receipts, reserves and borrowings. Detailed plans and full costings are yet to be developed for these stations.
- 31) With regard to the appliance replacement programme, supply chain issues have delayed delivery of the 2022-23 and 2023-24 appliance replacement projects (three in each year), and there are expected overspends as a result of increased manufacturing and fit out 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

- 32) The Authority's Treasury Management Strategy requires quarterly updates.
- 33) The Bank of England base rate at 2 April 2023 was 4.25% and steadily rose in the year to 5.25% (2 Aug 2023). Despite some forecasts that it would rise further to 5.5%, the Bank has chosen to hold this rate in light of current economic indicators, confirming this on 1<sup>st</sup> February 2024. The longer term forecast remains that interest rates will start to fall later in 2024 as inflation comes under control.
- 34) Given the higher interest rates, CFRS has chosen not to fund capital programmes through external borrowing in the short term. A PWLB 40 year loan taken now would have a fixed interest rate of 5.4%: it would be more prudent to manage funding in the short term until interest rates fall before committing to a long term fixed interest rate loan.
- 35) Capital programmes currently are being funded through recycling the Minimum Revenue Provision (MRP), ie money set aside to repay the PWLB 50 yr loans. This is an acceptable practice (under CIPFA code) to minimise the Authority's (and the taxpayers') exposure to fixed high interest payments. However, the MRP does need to be maintained in the future, once acceptable lower interest rate long term borrowing is secured.
- 36) Cash investments are held with NatWest, Santander, Federated Hermes, Aberdeen Liquidity Money Market Fund, all of which are used to manage day to day cashflows, the table below shows the balances at 2<sup>nd</sup> Jan 2024.

Institution	value	Type	notice
NatWest	990,043	current	Instant
Federated Hermes	4,650,000	Money market fund	Overnight
Aberdeen	1,710,000	Money market fund	Overnight
<i>day access total</i>	7,350,043		
Santander	6,000,000	notice	35 day
<b>Total</b>	13,350,043		

- 37) There have been no instances of non-compliance with the approved Annual Investment Strategy during the year.
- 38) The following table compares the estimated performance on key prudential indicators in 2023/24 against those approved by the Authority in February 2023.
- 39) One PWLB loan is due for repayment on 31 March 2024 for £ 426,000.



<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	10,284	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	25,454	
Annual change in capital financing requirement	3,301	3,719	
Gross borrowing requirement: (Under) / Over borrowing	(10,339)	(13,868)	External borrowing delayed & Wilmslow project under spend.
Ratio of financing costs to net revenue stream	2.07%	1.89%	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 - Borrowing - Other long term liabilities Total	15,586 0 15,586	11,586 0 11,586	Current borrowing £12.012m less £0.426m to be repaid 2023/24 = £11.586m. Short term borrowing of £4m planned in 2023/24 deferred
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.

## **Performance against Financial Health Targets**

- 40) The Authority agreed Financial Health Targets at its meeting on 15th February 2023. Performance against them is shown below:
- 41) The Authority should review and approve its Reserves Strategy on an annual basis. This should be supplemented by consideration of the level of reserves at mid-year review.

*The Authority receives an updated reserves strategy each February with the budget papers. Anticipated movement and the levels of reserves are regularly reported to Performance and Overview Committee, and officers regularly review the level of reserves.*

- 42) The Authority maintains its revenue spending within 1% of budget following the mid-year and three-quarter review.

*The Authority does not update its budget after the mid-year and three-quarter reviews. The latest anticipated outturn position in this report is less than 1% of the authority's revenue budget, and the outturn for 2022-23 was also within 1% of the budget. This indicator will be reviewed as part of the 2024-25 budget process.*

- 43) The Authority reduces slippage to 25% of the total capital programme (the total capital programme includes the existing capital programme and slippage brought forward from previous years).

*The anticipated outturn for 2023-24 shows anticipated slippage of less than 25%. In 2022-23 slippage was significantly more than 25%, but Members will recall that this was as a result of a decision to pause the modernisation programme as a result of cost inflation.*

## **Financial implications**

- 44) This report considers financial matters.

## **Legal Implications**

- 45) There are no legal implications arising from the report.

## **Equality and diversity implications**

- 46) There are no equality and diversity implications arising from this report.

## **Environmental implications**

47) 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 3 2023-24

	Original Budget £000	Forecast Outturn £000	Variance £000
Firefighting and rescue operations			
Service Delivery	26,341	26,232	(109)
Operational Policy and Assurance	5,689	5,663	(26)
Protection	2,042	1,980	(62)
Prevention			
Community Safety	2,188	2,080	(108)
Safety Centre	507	495	(12)
Support Services			
Executive Management	980	1,001	21
Service Improvement	800	774	(26)
Communications and engagement	757	794	37
Property Management	2,122	2,080	(42)
Finance	509	586	77
ICT	2,100	2,101	1
Legal and Democratic Services	591	592	1
People and Development	2,014	1,804	(210)
Customer Services	106	81	(25)
Procurement and Stores	322	343	21
Fleet services	1,613	1,584	(29)
Unitary Performance Groups	40	40	-
Corporate Finance costs			
Centrally held costs & contingencies	118	557	439
Pay and Pension costs	562	529	(33)
Capital Financing (incl. investment income)	1,405	278	(1,127)
S.31 Grants	(2,104)	(2,104)	-
Contribution to Capital Reserve	3,042	4,167	1,125
Contribution to/(from) Revenue Reserve	-	-	-
<b>Total Service Expenditure</b>	<b>51,744</b>	<b>51,657</b>	<b>(87)</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)	(215)	(12)
Business rates S.31 grant	(2,388)	(2,388)	-
Service Grant Allocation	(368)	(383)	(15)
<b>Total Funding</b>	<b>(51,744)</b>	<b>(51,771)</b>	<b>(27)</b>
<b>Forecast net underspend</b>			<b>(114)</b>

## Agenda Item 2, 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
		<b>3,106</b>

#### **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)
		<b>(542)</b>

#### **2023-24 budgeted transfers to / from reserves**

**2,564**

#### **Additional anticipated reserve movements**

Corporate finance resources	Additional investment income to Capital	1,125
Service Delivery	Cardiac Response pilot – (not now required)	354
Protection	Protection Uplift Grant	42
Protection	Prosecutions reserve	12
Safety Centre	Set updates	75
Fleet	Fleet	55
Operational Policy and Assurance	Operational Equipment	(2)
People and Development	Pensions issues(McCloud / Matthews)	(94)
People and Development	HPDS - laptop	(1)
Corporate Communications	Staff Survey	(13)
Corporate Communications	Choir	(10)
Property	Year end slippage on projects	(79)
Property	Environmental projects	(22)
Property	BLCX	(6)
Executive Management	Pension costs	(201)
BLC	BLCX	(3)
Customer Services	Digital sign in (slippage on project)	(4)
Additional reserve movements		<b>1,228</b>

## Agenda Item 2, Appendix 3

### CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 3 2023-24

	Description	2023-24 Capital Budget £000	Total Programme Budget £000	2023-24 Expenditure to end of Dec23 £000	Total Expenditure to date £000	Expected Scheme Outturn £000	Variance £000
Prior year schemes:	Crewe Fire Station	3,804	7,375	3,928	7,093	7,375	-
	Fire Station Modernisation Programme	4,000	17,500	1,144	8,162	17,500	-
	Rapid Response Rescue Units (2020-21)	-	520	-	440	440	(80)
	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	18	18	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	112	112	250	-
In year approvals	Land next to Stockton Heath Fire Station	130	130	-	-	130	-
<b>Total</b>		<b>9,222</b>	<b>27,863</b>	<b>5,754</b>	<b>16,719</b>	<b>27,886</b>	<b>23</b>