

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 26TH JUNE 2024
REPORT OF: HEAD OF FINANCE & TREASURER
AUTHOR: JAMES CUNNINGHAM

SUBJECT: FINANCE REPORT END OF YEAR 2023-24

Purpose of Report

1. This report provides Members with a summary of the Authority's revenue outturn financial position and progress against the capital programme at the end of the financial year 2023-24.

Recommended: That Members

- [1] note the outturn position on revenue and capital expenditure (subject to audit);
- [2] approve the movement in reserves set out in Table 1 and Appendix 1; and
- [3] approve the transfer of the net underspend for 2023-24 to the capital reserve (which is subject to audit).

Background

2. On 15th February 2023, the Authority approved the 2023-24 revenue budget of £51.7m and the capital programme of £9.6m. Performance against the revenue budget and capital programme during the year has been reported quarterly to the Performance and Overview Committee.

Information

3. A summary of the revenue outturn position is shown in Table 1. There is an underspend against the revenue budget of £1,192k. Appendix 2 shows the estimated capital outturn against the capital programme. There is an estimated overspend of £23k.
4. The external audit of the Authority's accounts is planned to commence in July and to be completed in time for the Audit Committee to approve the accounts in September. Any changes to the outturn position as a result of the audit will

be reported to that meeting. If any significant changes are required, the information will be shared with all Members.

Revenue Spending

5. Table 1, below, shows the variance against budget for 2023-24 after taking reserve movements into account. Explanations for the variances are shown in the paragraphs following the table. A more detailed breakdown of the position is shown in Appendix 1, which presents the figures at a departmental level.

Table 1 – Summary revenue outturn position

Item	2023-24 Original Budget £000	2023-24 Actual £000	Reserve Move- ments £000	Variance £000
Firefighting and Rescue Operations	32,030	31,448	125	(457)
Protection	2,042	2,060	(24)	(6)
Prevention	2,694	2,377	20	(297)
Support Services	11,916	11,467	(227)	(676)
Unitary Performance Groups	40	32	-	(8)
Centrally held costs and contingencies	118	481	-	363
Pay and Pension costs	562	465	-	(97)
Finance resources – S31 grants	(2,104)	(2,124)	-	(20)
Capital Financing (including investment income)	1,405	242	1,159	(4)
Finance resources - Contribution to capital reserve	3,042	-	4,061	1,019
Finance resources - Contribution to revenue reserve	-	-	(973)	(973)
Funding	(51,745)	(51,873)	92	(36)
2023-24 surplus transferred to capital.	-	-	1,192	1,192
Total	-	(5,425)	5,425	-

General

6. Key points to note are:
- a. Underspend is driven by staffing across Service Delivery and the Prevention and Protection Departments. Service Delivery operated slightly over establishment, to mitigate risks on retirements and

replacements (as previously approved), but this is more than covered with underspends from the on-call budget and overtime budget.

- b. Capital financing has delivered a significant saving - but is all being taken to reserves to fund future capital - so has net nil impact on the 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 that would have been payable).
7. Higher than budgeted nationally agreed pay awards for Grey and Green book staff have impacted all departmental costs and budgets this year.
- a. 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 the Authority was effectively budgeting for 2 years' of outstanding pay settlements (2022-23 and 2023-24). The budget included a 5% allowance for the 2023-24 settlement, which fortunately matched the nationally agreed settlement. However, the 2022-23 pay settlement (also agreed in 2023-24) was for 7%, which had been included in the budget. This has created a £290k budget pressure in the year, as no additional funding was provided to the Authority to cover the additional cost of this settlement. The knock-on effect of the higher 2022-23 settlement was built into the cost base of the 2024-25 budget.
 - b. Green book- the 2023-24 budget was set prior to any settlement, 5% had been budgeted for the pay award. The NJC agreed to a mix of lump sum (£1,925) or 3.88%, dependent on staff grade, which gave an average pay increase of 6%. This was estimated to increase costs by £65k for the year, based on full establishment, but was more than offset by vacancies.

Firefighting and Rescue Operations.

8. This comprises Service Delivery and Operational Policy & Assurance (OPA).
9. **Service Delivery** - £387k underspend, just under 1.5% of the Service Delivery budget. To mitigate staffing risks due to retirements and retention challenges, it was agreed to run slightly over establishment, but within a manageable overspend. There have been two cohorts of new firefighters, one in April and another in September. Each cohort has 16 weeks in training before they become operational on the fire stations. Within the budget a “vacancy provision” is included, which reduces the cost base; the purpose bares to account for the differences in pay levels between those “in development” and “competent”, as well as vacancies. However, we are seeing a higher number of personnel at the “competent” level, which has given an overspend. These additional costs have been managed and offset by underspend on overtime (£172k) and on-call pay (£967k) against original budgets.

10. The original budget also included £354k additional expenditure relating to cardiac response, which it had been hoped would commence in 2023-24. It was anticipated that this one-off cost would be funded from reserves.
11. **Operational Policy and Assurance** - £70k underspend. Additional expenditure was incurred on North West Fire Control (£57k) as well as hydrants repairs and installations having additional costs of £41k. 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 (£30k) on the Health & Safety team and the Admin support team (£48k), mainly due to vacant posts.

Protection

12. Protection is slightly underspent due to vacancies.

Prevention

13. £262k underspend. The Prevention team undertook a review of its structure in 2023-24 and held several vacant positions which contributed to the underspend. The review has been completed and a consultation on the new department structure commenced in 2024-25. In addition, there has been a significant underspend on equipment (137k) namely smoke alarms. A large stock is currently held, which will be reduced significantly before re-ordering.

Support Services

14. Support Services comprise the departments that support the work of the operational teams. Support Services overall show an underspend of £676k. 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 & Performance, Strategic Change, Information Management and Finance. This follows the successful disaggregation of Communications, and People and Organisational Development. To-date the changes 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 required remodelling of the building. The impact of this is still not clear. The disaggregated departments are now budgeted wholly within the Fire service budget 2024-25.
 - b) **Executive Management** - £44k underspend. Some additional expenditure relating to exit costs and some back pay cost, this has been offset by the removal of the Director of Transformation post, and use of a reserve to cover pension strain costs and some underspends on supplies and services budgets.

- c) **Communications and Engagement** - £29k underspend. 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. There was extensive involvement of the Consultation Institute to help provide assurance that the processes around consultation were robust; this has led to an overspend of around £30k. Despite this savings were found to generate the overall underspend.
 - d) **Property Management** – £ 75k underspend. The Authority continues to benefit from underspending on business rates and water rates already agreed at Sadler Road, leading to an underspend on Property Management. There were some costs relating to the principal officers move back from Clemonds Hey to the Sadler Road site (some office reconfiguration); these costs were more than offset by underspend on pay, biomass fuel and utilities for the Sadler Road site.
 - e) **Finance** - £55k overspend. There were some additional costs following the team’s move from Clemonds Hey to Sadler Road. In addition, the creation of a new full time Head of Finance post and redundancy of the previous part time Treasurer involved additional costs. The overspend was reduced as the team ran with some vacancies.
 - f) **People & Development** - £251k underspend. Pay was overspent due to unbudgeted excess Green book settlement, TUPE protected pay for staff transferred from Police, additional DBS checks, all of which has been 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 £117k which has been met from reserves.
 - g) **Customer Services** - £33k underspend. £26k on printing, £4k on photocopying and £3k on postage.
 - h) **Corporate Finance** - £1,159k underspend. The underspend is made of two parts, higher than budgeted interest earned on cash held on deposit and savings against budget interest loan costs. We have a significant capital financing requirement, which we plan to satisfy through PWLB loans. As discussed through the Treasury Management Strategy the current rates on the PWLB loans are very high, as such we have actively deferred taking on the required loans, instead we are temporarily funding from “internal borrowing” and cash. The result of this has been an underspend on the interest cost that was budgeted. As this saving has been generated from items that would be used to fund the capital programme the underspend should be allocated toward the Capital reserve.
15. As previously reported earlier in the year, there were two small adjustments to funding, the service grant allocation was confirmed at £383k, the 2023-24 budget was based on £368k, an additional £15k. A late notification re collection fund surplus re council tax giving an additional £12k.

16. On the business rates side, towards year end £79k was received re levy distribution for 2023-24, as well as additional S31 funds for Green PM grant for 2022-23 & 2023-24 £12k; both these amounts distributed from DLUHC and these amounts would be transferred to the collection fund reserve to fund any future funding deficits, if approved by the Fire Authority.
17. At year end, the Authority must show its share of the collection fund deficit / surplus for both council tax and business rates relating to the four collection Authorities, this is offset by appropriation to the collection fund adjustment account (so net nil in the Authority's accounts). This is a movement of £340k.
18. The year end position for the S31 grants in relation to business rates is shown with an additional £8.5k due for 2023-24.

Contributions to / from Reserves

19. The Authority's Reserves Strategy approved along with the Service Leadership Team budget in February 2024 explains that the Authority holds earmarked revenue reserves to enable future expenditure commitments to be funded from those reserves as required.
20. 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. If approved by the Fire Authority, wherever this is the case, any surplus amounts would be transferred to the Capital Reserve, which would be used to support the funding of the Authority's capital programme.
21. Reserve transfers relating to one-off items shown in the Table 1 and Appendix 1 are undertaken as they become necessary to match expenditure during 2023-24. As previously agreed by the Authority, the funding of the Station Modernisation Programme and some vehicle purchases would be funded from capital reserves; this is £4,087k. The full spend in 2023-24 on the Capital programme was £8,484k; the balance of funding being met by borrowings.
22. In general, reserve movements in departments during the year have been used to support agreed expenditure or to reserve funds for future year's expenditure. During the Coronavirus epidemic a lot of projects were delayed and funds were temporarily put into reserve if the project wasn't completed by year end, the majority of these project have been completed now.
23. The overall surplus for the year of £1,192k, post audit would be transferred to the capital reserve to help fund the Authority's capital programme, if approved by the Authority.

Capital Programme

24. At the end of 2023-24, the Authority's capital programme showed an outturn spend of £27.886m, an overspend of £23k. The main driver of this overspend has been in the Vehicle Replacement Programme, as with other spend we have seen the impact of significant inflation. Due to Covid delays two vehicle replacement schemes were paid in the year: the 2022-23 scheme £810k budget with actual of outturn £887k, the 2024-25 scheme budget was increased to £870k, but there has been continued increases in costs with projected costs now £917k.
25. Savings have been made by: cancelling the remaining order for a Rapid Response Vehicle; and only purchasing two Thermal Imaging Cameras rather than the budgeted eight as the current compliment across the Service was deemed sufficient.
26. In September 2016, the Authority approved an option to purchase a piece of land adjacent to Stockton Heath Fire Station for £130k. The land transfer was finally completed in Jan 2024.
27. The new station at Crewe became operational late 2023 and the temporary structure at Crewe has been removed.
28. The Fire Station Modernisation Programme work at Congleton Fire Station was completed. The approved schemes at Macclesfield and Wilmslow Fire Stations started before the end of the financial year and will be completed in 2024-25. Pre-construction surveys are being carried out to determine the contract costs for Knutsford, Winsford and Frodsham modernisation in 2024-25.
29. The Medium Term Financial Plan outer years now includes the potential costs for the schemes at Warrington and Ellesmere Port. This will inform the Capital requirement and funding method (reserves and borrowings). Detailed plans and full costings are yet to be developed for these stations.
30. Table 2 below summarises capital expenditure in 2023-24 by type and shows how the capital expenditure was funded.

Table 2 - Capital Expenditure 2023-24

Type	£000
Property	7,547
Equipment	7
Vehicles	930
	8,484
Funded by	
Capital Receipts	-
Use of reserves	4,087
Borrowing	4,397
	8,484

31. Details of all the capital schemes are shown in Appendix 2.

Summary

32. Overall, there was an underspend against the revenue budget in 2023-24 of £1,192k. This would be moved to the Authority's capital reserve to fund future capital spend, if approved by the Authority.

33. Officers take account of variances from budget for 2023-24 (£1,192k underspend) as they monitor the budget for 2024-25 and prepare the budget for 2025-26. The settlement of the pay award for firefighters for 2024-25 has been confirmed at 4%, in line with budget. The Green Book pay rise has yet to be agreed.

34. In accordance with the approved Reserve Strategy, there has been no change in the General Reserve in 2023-24 at £1.9m, which is broadly equivalent to 3.7% of the net revenue budget for 2023-24.

Financial Implications

35. The report considers financial matters.

Legal Implications

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

Equality and Diversity Implications

37. There are no equality and diversity implications arising from the report.

Environmental Implications

38. There are no environmental impacts arising from the report.

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