

## CHESHIRE FIRE AUTHORITY

**MEETING OF:** PERFORMANCE AND OVERVIEW COMMITTEE  
**DATE:** 11<sup>TH</sup> SEPTEMBER 2024  
**REPORT OF:** HEAD OF FINANCE & TREASURER  
**AUTHOR:** JAMES CUNNINGHAM

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**SUBJECT:** FINANCE REPORT – QUARTER 1 2024-25

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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 2024-25 and an update on progress against the capital programme.

**Recommended:** That Members

[1] note the forecast outturn position for 2024-25.

### Background

2. On 14<sup>th</sup> February 2024, the Authority approved the 2024-25 revenue budget of £56.5m and a capital programme for 2024-25 of £5.2m.

### Forecast Revenue Spending

3. Table 1 below 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 revenue underspend of £68k. The position will continue to be monitored and reported to members at the end of each quarter.

<b>Table 1 - Summary for Quarter 1 2024-25</b>	<b>Original Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	£000	£000	£000
Firefighting and Rescue Operations	36,260	36,147	(113)
Protection	2,188	2,188	-
Prevention	2,841	2,841	-
Support Services	12,472	12,408	(64)
Unitary Performance Groups	40	40	-
Centrally held costs & contingencies	615	615	-
Pay and Pension costs	616	567	(49)
Capital Financing (incl. investment income)	1,704	838	(866)
S.31 Grants	(1,919)	(1,623)	296
Corporate Finance Resources			
- Contribution to / from revenue reserves	(34)	(34)	-
- Contribution to / from capital reserves	1,696	2,561	865
<b>Net Revenue Position</b>	<b>56,479</b>	<b>56,548</b>	<b>69</b>
Funding	(56,479)	(56,616)	(137)
<b>Total (under)/overspend</b>	<b>-</b>	<b>(68)</b>	<b>(68)</b>

4. The 2024-25 budget included an allowance for a 4% pay award for all staff. The grey book (operational staff) award has been agreed at 4% from July 2024. The green book (non-operational staff) pay award for 2024-25 has not yet been agreed. An offer which equates to between 2.5% to 5.77%, representing an average very slightly less than the 4% in budget is currently being consulted upon. 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 £83k.
5. 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. At the end of the first quarter, expenditure is within budget and nothing significant to report at this point.
6. **Operational Policy and Assurance** is projected to underspend by £113k. This relates to a few changes in forecast; firstly; Cheshire Resilience forum team contracts have been extended to end of 2024-25, salary expenditure offset by income. A member of staff continued on secondment to the Home Office until early August 2024, salary costs offset by income. There is ISAR team expenditure (training and equipment) funded from £15k slippage from 2023-24. ISAR team have also received contributions towards their 2024-25 insurance and vaccination costs. The forecast also includes funding for new part time Business continuity Officer (a temporary 12-month contract). NWFC annual service charge, is coming in £69k more than £1,467k budget. Additional income anticipated re drawing down Apprentice levy for the apprentice firefighters.

7. **Protection** dept is currently projecting to be on budget. **Prevention** strategic review is almost complete, and staffing will be in place, at this stage in the year the department is projecting to remain on budget. Although the Prince's Trust teams will not be operating in Chester during 2024-25, the saving in expenditure and is netted out by no income for these teams.
8. The increase in the rateable value for the Lymm site, has resulted in increased business rates costs for the site. The £10k overspend for Safety Central is forecasted to be offset by a reduction in grounds maintenance costs. An external consultant will be challenging the increase in April 2023 rateable value on behalf of Cheshire Fire.
9. Support Services comprise the departments of the Fire Authority that support the work of the operational teams. At this stage most departments are forecasting to spend in line with their original budget. Exceptions are: -
10. Service Improvement, forecasting £51k underspend on pay due to the new structure settling in, posts are now being filled.
11. Property predicting £40k additional costs relating to fitting out the stations following the station modernisation capital works, these costs relate to insurance / moving costs, furniture and fittings at Congleton, Macclesfield and Wilmslow fire stations. It is anticipated this will be offset by underspend on the revenue property repairs and maintenance budget lines.
12. ICT have a forecasted overspend of £10.7k, £2.6k installation of extra speakers and beacons at Bollington on-call station. Additionally, the firelink grant actual allocation for Cheshire for this year is £65.3k, which is £8.1k below the original budget of £73.4k.
13. Additional cost in People and Development, some relating to on-going costs for the team, predicted £12k for professional subscriptions, mileage, corporate subscriptions, and supplies and services costs. There are currently no budgets for these items but following the teams exit from the joint services arrangement with police these are now on-going for the team and will have to be built into the future budget.
14. Higher level DBS checks as all staff now required one to be completed, resulting in additional £31k costs over the £11k original budget. Further costs related to McCloud & Matthews remedies £66k, funded from reserve. Giving an overall forecast of a £47k overspend for People and Development.
15. Customer Services anticipated savings of £16k resulting from £20k saving forecasted on printing costs, offset partly by £4k of costs on overlapping period relating to franking machine.

16. Within Fleet there is an underspend against the corporate fuel budget, due to increasing use of electrical vehicles and more fuel-efficient vehicles, this is partly offset by the increase in fuel prices. Saving of £55k on fuel is likely.
17. Interest rates have remained at the higher level a little longer than expected, resulting in increased income receivable from cash balances. As well as cash balances being slightly more than expected because of the 2023-24 underspend and some slippage in one-off projects and the capital programme. Because the Authority only has fixed rate loans, there is no estimated increase of interest payable on the current loans. However, interest rates have increased significantly since our previous round of borrowing in 2020-21, this will make borrowing in the future to support the capital programme more expensive. The approved level of borrowing is being deferred through utilising internal cash reserves. Such additional income from investments and reduced borrowing costs against the approved budget will be used to offset the capital programme costs.
18. In the funding area, there have been some updates since the budget for 2024-25 was set. Actual Revenue Support grant £2k more than the draft notification. Section 31 grants relating to business rates, an update on the weighted multiplier applied to reflect that there was a freeze in the small business rates for 2024-25 but an increase to the other properties; for Cheshire Fire an extra £129k is expected. As well as notification in May 2024 of the Section 31 NNDR amount of £6k due related to green plant and machinery. These total an anticipated extra £137k funding for 2024-25.

## Reserves

19. Table 2 below shows the level of revenue reserves held on 1 April 2024, and comparative figures at 1 April 2023. The general reserve reflects the underspend in 2023-24 of £1,192k (amount subject to audit). Budgeted reserve movements for 2024-25 are shown in Appendix 2. The budget management board (BMB) is in the processing of reviewing the Resource centre managers reserves, to ensure the original requirement is still there, if not the funds will be realigned to the capital reserve, to fund the capital programme.

<b>Table 2 - Reserve balances</b>	<b>At 1 Apr 2023 £000</b>	<b>At 1 Apr 2024 £000</b>
General Fund	1,926	3,120
Resource Centre Managers	7,778	6,966
Community Risk Reductions	366	157
Unitary Performance Groups	286	318
Capital Reserve	14,233	15,366
<b>Total</b>	<b>24,589</b>	<b>25,927</b>

## Capital Programme

20. At the end of June 2024, the Authority's approved capital spend is £19.988m with a forecast outturn spend of £20.059m, an overspend of £0.071m. Details of all the capital schemes are shown in Appendix 3.
21. The Fire Station Modernisation Programme, work has been completed at Macclesfield, is ongoing at Wilmslow and the order for work at Knutsford has been raised. Work at Winsford and Frodsham is expected to start before the end of 2024.
22. The 2023-24 appliance replacement project is nearing completion, with delivery of the three vehicles expected at the beginning of August 2024. As reported in 2023-24 this project is expected to overspend by £47k and come in at £917k; £306k per appliance.
23. For the 2024-25 appliance replacement project, the cost experience from the prior year scheme was built into the original budget with £630k been approved, £315k per appliance. But there is still an expected overspend of £14k, outturn expected at £322k per appliance, £644k for the project. The chassis cabs have been ordered from Scania which should be delivered to Emergency one for the appliance build in September.
24. The major rescue unit (MRU) vehicle has been ordered and is currently in build with expected delivery in September. There is an anticipated slight overspend here.

## TREASURY MANAGEMENT ACTIVITIES

25. 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.
- 25.1 During 2023 the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate from 4.00% to 5.25% on the 22 June 2023. The rate has remained at this level until the review on the 1 August 2024, when it dropped to 5%. The next review is on the 19 September 2024. Latest forecasts indicate a quarterly drop of 0.5% until the end of 2024-25, as the Bank of England seeks to squeeze inflation out of the economy.
- 25.2 As interest rates remain high, 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 current cashflow suggests the need for short term borrowing (approx. £4m) to support this position during late 2024-25, and this will be kept under review.
- 25.3 As at 30 June 2024, the Authority's investments are with Federated Hermes, Aberdeen Liquidity Money Market Fund, UK Debt Management Office (DMO) and NatWest (flexible call account), all of which are used regularly to manage day to day cashflows.
- 25.4 Current high interest rates and proactive cashflow management have enabled the Authority to secure significantly increased investment income over recent months, and as discussed in paragraph 17 the additional income 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 latter half of 2024-25 as planned capital expenditure is incurred. In addition the deferral of approved borrowing, has a significant impact upon cashflow balances available for investment.
- 25.5 There have been no instances of non-compliance with approved Annual Investment Strategy limits during the first quarter of 2024-25.

## Prudential and Treasury Indicators

25.6 The following table compares the estimated performance on key prudential indicators in 2024-25 against those approved by the Authority in February 2024.

<b>Table 3: Prudential and Treasury Indicators</b>			
<b>Prudential Indicators</b>	<b>2024-25 Indicator £000</b>	<b>2024-25 Estimate £000</b>	<b>Comment</b>
Capital expenditure	5,190	5,190	Capex spend is to be discussed with CFA members given estimated costs for station modernisation
Capital financing requirement	24,817	25,008	
Annual change in capital financing requirement	(637)	(651)	
Gross borrowing requirement: (Under) / Over borrowing	(6,698)	(6,698)	We will continue to make use of internal borrowing to save on interest costs
Ratio of financing costs to net revenue stream	2.36%	2.33%	
<b>Treasury Indicators</b>	<b>2024-25 Indicator £000</b>	<b>2024-25 Estimate £000</b>	
Authorised limit for external debt	23,319	23,319	Set 14/02/24, no change during 2024-25.
Operational boundary for external debt	21,319	21,319	
Actual external debt - Borrowing - Other long term liabilities Total	18,119 0 18,119	15,586 0 15,586	Current borrowing £11.586m less £0.467m to be repaid 2024-25 = £11.119m. New short term borrowing of £4m planned 2024-25 to support cashflow position (see paragraph 25.2 above)
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	Consider longer term deposit form house sales to match to Warr/EP build

## **Financial implications**

26 This report considers financial matters.

## **Legal Implications**

27 There are no legal implications arising from the report.

## **Equality and diversity implications**

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

## **Environmental implications**

29 There are no environmental implications arising from this report.

**BACKGROUND PAPERS: NONE**

**CONTACT: KIRSTY JENNINGS, GOVERNANCE OFFICER  
TEL [01606] 868814**



# Item 2, Appendix 1

## CHESHIRE FIRE AUTHORITY QUARTER 1 2024-25

	Original Budget £000	Forecast Outturn £000	Variance £000
Firefighting and rescue operations			
Service Delivery	29,816	29,816	-
Operational Policy and Assurance	6,444	6,331	(113)
Protection	2,188	2,188	-
Prevention			
Community Safety	2,305	2,305	-
Safety Centre	536	536	-
Support Services			
Executive Management	948	948	-
Service Improvement	817	766	(51)
Communications and engagement	722	722	-
Property Management	2,246	2,246	-
Finance	628	628	-
ICT	2,386	2,397	11
Legal and Democratic Services	647	647	-
People and Development	1,965	2,012	47
Customer Services	103	87	(16)
Procurement and Stores	343	343	-
Fleet services	1,667	1,612	(55)
Unitary Performance Groups	40	40	-
Corporate Finance costs			
Centrally held costs & contingencies	615	615	-
Pay and Pension costs	616	567	(49)
Capital Financing (incl. investment income)	1,704	838	(866)
S.31 Grants	(1,919)	(1,623)	296
Contribution to Capital Reserve	1,696	2,561	865
Contribution to / (from) Revenue Reserve	(34)	(34)	-
<b>Total Service Expenditure</b>	<b>56,479</b>	<b>56,548</b>	<b>69</b>
<b>Funding:</b>			
Revenue Support Grant (RSG)	(6,960)	(6,962)	(2)
Local Business rates Income	(4,717)	(4,717)	-
Business Rate Top Up Grant	(5,562)	(5,562)	-
Council Tax Precept	(35,798)	(35,798)	-
Collection Fund surplus (business rates)	19	19	-
Collection Fund surplus (council tax)	81	81	-
Business rates S.31 grant	(2,596)	(2,731)	(135)
Service Grant Allocation	(66)	(66)	-
Funding Guarantee Grant	(880)	(880)	-
<b>Total Funding</b>	<b>(56,479)</b>	<b>(56,616)</b>	<b>(137)</b>
<b>Forecast net overspend</b>			<b>(68)</b>

## Item 2, Appendix 2

### **MOVEMENT IN RESERVES 2024-25**

<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
		<b>63.5</b>
<b>One-off for 2024-25</b>		
Finance Resources	Service grant to Funding Reserve	66.0
Finance Resources	Collection fund deficit	(100.0)
Service Delivery	CRMP	(56.0)
People & development	Extra resources	(24.0)
Safety Central	Refreshment of scenes	(24.0)
Operational Policy and Assurance	Operational Equipment	(81.0)
Operational Policy and Assurance	NWFC	(488.4)
		<b>(707.4)</b>
<b>Capital</b>		
Corporate finance resources	2024-25 Contribution to capital	<b>1,696</b>
		<b>1,052.1</b>
<b>2024-25 budgeted transfers to / from reserves</b>		<b>1,052.1</b>

**CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 1 2024-25**

		2024-25 Capital Budget	Total Programme Budget	2024-25 Expenditure to end of June24	Total Expenditure to date	Expected Scheme Outturn	Variance
	Description	£000	£000	£000	£000	£000	£000
Prior year schemes	Fire Station Modernisation Programme	3,000	17,500	1,320	11,358	17,500	-
	ICT Review/Server Replacement Programme	-	150	-	-	150	-
	Three New Appliance 2023-24 Programme – 3 vehicles	-	870	137	523	917	47
	Intermediate command support vehicle	368	443	4	4	443	-
2024-25 schemes	ICT Review/Server& equipment Replacement Programme	50	50	-	-	50	-
	Two New Appliance 2024-25 Programme – 2 vehicles	630	630	-	-	644	14
	Driver Training vehicle	35	35	-	-	35	
	Major Rescue Unit	60	60	-	-	70	10
	Fire Houses Refurbishment Programme	250	250	-	-	250	-
In year approvals	None to date	-	-	-	-	-	-
	<b>Total</b>	<b>4,393</b>	<b>19,988</b>	<b>1,461</b>	<b>11,885</b>	<b>20,059</b>	<b>71</b>