

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE : 1ST MARCH 2017
REPORT OF : HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: 2016-17 QUARTER 3 REVIEW – FINANCIAL

Purpose of report

1. To present the 2016-17 Quarter 3 financial position of the Authority.

Recommended: That

- [1] Members note the Quarter 3 financial position and anticipated financial outturn.

Background

2. The estimated revenue budget and capital programme outturn positions are reported to Members on a quarterly basis.

Information

Revenue Budget

3. Appendix 1 to this report shows the Quarter 3 financial position and estimated revenue outturn of the Authority compared to the budget as revised after the 16th November meeting of the Performance and Overview Committee. Appendix 1a to this report is a more detailed analysis for Members' information. A brief explanation of the variances is included in Appendix 1 with further explanations included in Appendix 1a. Key variances are explained more fully in the following paragraphs.
4. It is anticipated that there will be an outturn underspend of around £264k on Service Delivery. The main reasons for this are lower than anticipated pay costs partly offset by the costs of a pilot on call support officer and payments relating to the On Call Attendance Reward Scheme (OCARS).
5. There are estimated underspends on Protection of around £87k and on Prevention of around £115k, both mainly as a result of continuing staff vacancies.
6. The estimated overspend on Property Management of £266k has occurred because funds have been earmarked for fire safety

requirements in the Authority's properties. Some additional maintenance work identified during the third quarter will also be accommodated, because of savings on business rates after successful appeals relating to some fire stations. Additional maintenance work has also been undertaken, with more planned, which will be funded from reserves. A new boiler (changing from oil to gas) is to be installed at Northwich and lighting is to be installed at Birchwood, Macclesfield and in the workshops at HQ (total cost estimated at £103k). It is the intention to install traffic calming measures at the entrance to Penketh (estimated cost £20k), and work on the feasibility of new station arrangements at Chester, Crewe and Ellesmere Port is also being undertaken (£20k).

7. The estimated underspend of £36k on ICT is as a result of reduced telephony costs and some additional income from a partner fire authority.
8. The anticipated underspend of £148k on Finance Resources (which is budget held centrally), reflects the use of reserves to fund the anticipated contribution the Authority is making to the BLC implementation costs. In addition, there are anticipated underspends as a result of lower than budgeted inflationary increases.
9. It is not anticipated that the funding of the Authority will differ from the estimates agreed by the Authority in the original budget.
10. Overall the anticipated underspend at third quarter is £505k. This is in addition to a £119k underspend anticipated at Quarter 1, and £192k at Mid Year Review as previously reported to the Committee. The fourth quarter financial review is reported to the June meeting of the Authority. It is likely that there will be further underspends reported then as two contingency budget items, the general service contingency (£125k) and the provision against in year funding variances from local authorities (£250k) are unlikely to be spent this year.
11. Any underspend for the year will be transferred to a suitable reserve (for example the Capital Reserve or the Community Risk Reduction Reserve) in accordance with the reserves strategy when the final accounts for 2016-17 are approved by the Fire Authority.

Capital Budget

12. Appendix 2 to the report shows the expected outturn on the capital programme. Key variances are explained more fully in the following paragraphs.
13. The first section of Appendix 2 deals with the Emergency Response Programme. As can be seen there is a projected overspend of £761k. This overspend compares with a projected overspend of £343k at Mid Year Review. The reasons for the overspend can be categorised as follows:

	Omissions /Re-measurement	Unforeseen issues/ Costs	Scope changes/ Additions	Total
Alsager	-8	0	0	-8
Lymm	15	35	566	616
Penketh	14	93	6	113
Powey Lane	9	6	25	40
	30	134	597	761

14. The main items in each these categories are (with a number of smaller changes making up the balance):

a. Omissions/Re-measurements:

- Inclusion of a petrol interceptor at Penketh (£16k)
- Lighting and services to the training tower at Penketh (£13k)
- Reduction in cost of environmental mitigation at Penketh (-£17k)
- Change in surface to the drill tower base at Powey Lane (£11k)

There have been no significant changes in this category since Mid Year Review.

b. Unforeseen issues/Costs:

- Cable diversion at Penketh (£51k)
- Additional landscaping at Penketh (£31k)
- Site security at Penketh (£21k)
- BT infrastructure at Lymm (£21k)
- Ground conditions at Lymm (£17k)
- Repairs to culvert at Powey Lane (£17k)
- Highways work at Powey Lane (£15k)

These items are broadly in line with the items reported at Mid Year Review

In addition, since Mid Year Review:

- Reduction in ICT infrastructure at Lymm (-£10k)
- Reduction in station fit out at Lymm (-£10k)
- Reduction in station fit out at Powey Lane (-£10k)

c. Scope changes/Additions

- Treatment to wood cladding at Lymm (£31k)
- Specialist changing facility at Lymm (£27k)
- Safety Centre cable ducts at Lymm (£13k)
- Additional store and office at Powey Lane (£12k)
- Changes to finishes at Lymm (£10k)

These items are broadly in line with the items reported at Mid Year Review

In addition, since Mid Year Review:

- Safety Centre fit out at Lymm (£394k)
 - Conversion of basement void to store at Lymm (£39K)
 - Additional changes to finishes at Lymm (£15k)
15. Members were updated on the position on the programme at the Members Planning Day in January 2017. The main reason for the increased overspend as now reported compared to Mid Year is that the estimated cost agreed with the contractor who is to deliver the fit out of the Safety Centre has increased.
 16. Given the advanced stage of the development of the sites it is unlikely that there will be significant changes to the costs at Penketh or Powey Lane before the final accounts are agreed. The overall overspend on ERP remains within the contingency agreed by Members when they approved the final capital expenditure.
 17. Of the prior year schemes reported in Appendix 2, the purchase of the two hydraulic platforms is now complete. The amount approved for new servers remains subject to BLC. Other schemes are either on track or completed, with the exception of the Line Rescue Vehicle. The original estimate to purchase this vehicle has proved to be inadequate and an additional amount was included in the draft capital programme which was considered by the Authority on 14th February 2017. It is hoped that the three new appliances approved in 2015-16 will be complete before the 2016-17 financial year end.
 18. Of the 2016-17 schemes, it is hoped that the 4 new appliances in the programme will be delivered early in the 2017-18 financial year. One less four wheel drive vehicle than expected has been purchased in year, and the amount approved will be removed from the programme. The remaining schemes are on track or complete.
 19. Overall, the anticipated outturn on the capital programme shows only a slight overspend (£207k), despite the anticipated position on the Emergency Response Programme. However, the overspend remains within the Member approved contingencies agreed in December 2015 for the Emergency Response Programme (£871k) and also the Capital Programme for 2016-17 (£123k)

Financial implications

20. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE