

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 4TH SEPTEMBER 2019
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCIAL REVIEW - QUARTER 1 2019-20

Purpose of report

1. The report provides a review of the Service's forecast financial performance and reports on the progress of the 2019-20 capital projects.

Recommended: That Members

- [1] note the forecast outturn position; and
- [2] approve the movement in reserves as set out in Appendix 2.

Background

2. The Authority's vision, plans, policies, and organisational structures are all focused on ensuring the Service can deliver the improvements in safety outcomes that matter to the communities of Cheshire East, Cheshire West and Chester, Halton and Warrington.
3. On 13th February 2019 the Authority approved the 2019-20 revenue budget of £43.461m together with a 2019-20 capital programme of £17.488m. This report provides an early indication of the forecast level of expenditure when compared to the approved revenue budget and capital programme.

Information

Funding position

4. The original budget for 2019-20 approved by the Authority reported a figure for the Collection Fund surplus for council tax would be £382k. The Collection Funds are managed by the four unitary authorities. The Fire Authority has since been notified that one of the amounts will be £20k less than original amount notified.

Forecast Revenue Spending

5. At this early stage of the financial year there are no significant issues that have emerged that will impact on the forecast to the year end. Based on this early assessment, there is a net forecast underspend of £75k as shown in the table below with further details of each service area's forecast outturn set out in Appendix 1.

	Original Budget £000	Forecast Spend £000	Variance £000
<u>Summary for 2019-20 First Quarter</u>			
Firefighting and rescue operations	27,460	27,507	47
Protection	1,883	1,938	55
Prevention	2,463	2,449	(14)
Support Services	9,599	9,832	233
Unitary Performance Groups	100	100	-
Finance Resources	1,384	656	(728)
Contributions to/(from) reserves	572	884	312
Net Revenue Position	43,461	43,366	(95)
Funding:			
Business Rates S31 grants	(653)	(653)	-
Council Tax	(29,084)	(29,084)	-
Collection Fund Surplus (council tax)	(382)	(362)	20
Business Rates Retention scheme	(9,501)	(9,501)	-
Collection Fund Deficit (business rates)	86	86	-
RSG	(3,927)	(3,927)	-
Overall Net Underspend	-	(75)	(75)

6. The following details cover the key variances shown in the above table.
- 6.1. Finance Resources shown above includes a budget of £285k for the Local Government Pension Scheme (LGPS) secondary rate – the increase in employer's contribution required as a result of the last triennial actuarial review. An upfront payment for this additional cost was made in April 2017 to cover the three year period providing a saving on the level of interest charged. As a result, the budget included in Finance Resources has not been used during this period. However, the current triennial review was carried out in March 2019 and the results are due this autumn. In between these two reviews, the annual budget has been transferred to a reserve to provide funding for any additional contribution required from April 2020.
- 6.2. In June 2019, the Authority received the fire pension grant from the Home Office. The Authority had built into its budget this specific grant to compensate for the increase in employers pension contributions. The actual amount distributed has been increased following the higher than anticipated rate for the firefighters pension schemes employers contributions. Notification was received after the budget was set in February 2019. Grant received £2,104k compared to the budget of £1,803k; an additional £301k. This will be reported on further at mid-year review.

- 6.3. The Authority approved the costs of the Training Centre to be funded by new borrowing. The actual timing of the borrowing is dependent on the timing of spend, interest rates and cash flow requirements. No borrowing has taken place during the Quarter 1 and the budget for interest charges of £77k have not been required. This, along with additional income of £22k received on external investments, have been transferred to the capital reserve to contribute to the funding of the capital programme. As fire authorities no longer receive any Government funding towards capital investments, additional capital reserves help reduce future borrowing requirements and their associated demand on the revenue spend.
- 6.4. Under Operational Policy and Assurance there is a responsibility to install, repair and maintain hydrants. This is carried out by some of the utilities companies who then recharge the Authority accordingly. The utilities companies are finally invoicing for this work with this year's recharges significantly higher than the budget of £5k. Current forecast is for a total spend of £55k. This will be monitored and reported on further at mid-year.
- 6.5. The Authority's decision to place on hold the joining of the Multi-force Shared Service as part of the Blue Light Collaboration programme has resulted in a few one-off costs – the upgrading of Agresso (the financial/procurement system currently used); a new payroll contract; and extension of the Business Improvement post until September 2019. The initial two are to be funded from reserves, the latter has resulted in some budget pressure and will be monitored going forward.
- 6.6. The Blue Light recharge from Cheshire Constabulary for the Estates joint service will be £55k higher than budget due to the approved extra project manager resource required to deliver the Authority's fire station modernisation programme.
- 6.7. Fleet services are forecasting an underspend partly due to lower than anticipated insurance costs (£25k) and the sale of obsolete vehicles (£8k).
7. A breakdown of the movement in reserves is set out in Appendix 2.
8. In summary, the overall position at Quarter 1, when the expenditure and the slight reduction in funding are brought together, is for a forecast underspend to the year end of £75k (or 0.17%) when compared to the budget approved by the Authority. The position will continue to be monitored during the year.

Capital Programme

9. At the end of June 2019, the Authority had an overall capital programme of £32.505m; the forecast outturn spend is £32.494m – on underspend of £0.011m (minimal variance). Details of all the capital schemes are in Appendix 3.

10. Contractors are now on site at Sadler Road with the build of the new Training Centre. Planning permission was approved on 4th June for new Chester fire station and work is expected to commence shortly. Work has started at Bollington and Tarporley Fire stations as part of the Fire Station Modernisation Programme. At the time of writing a formal decision is awaited about the project to create a joint fire and police facility on the site of Crewe Fire Station.
11. Funding for the Training Centre was approved through borrowing, the timing of which is being kept under review in consultation with the Authority's Treasury Management Advisors. At the end of Quarter 1, no new borrowing has occurred. Dependent on the outcome of discussions about the Crewe project, a revised funding proposal for the capital programme may be brought to the Authority as part of the mid-year review.

Financial implications

12. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

CHESHIRE FIRE AUTHORITY QUARTER 1 2019-20

Appendix 1

	Original Budget £000	Forecast Spend £000	Income/ expenditure variance £000	Original reserve movement £000	Forecast reserve movement £000	Reserve movement variance £000	Total variance £000
Firefighting and rescue operations							
Service Delivery	22,085	22,086	1	-	-	-	1
Operational Policy and Assurance	5,375	5,421	46	-	5	5	51
Protection	1,883	1,938	55	-	(36)	(36)	19
Prevention							
Community Safety	2,042	2,030	(12)	-	3	3	(9)
Safety Centre	421	419	(2)	-	-	-	-
Support Services							
Executive Management	1,011	1,011	-	-	-	-	-
Workforce Transformation	183	205	22	-	(2)	(2)	20
Property Management	1,609	1,663	54	-	30	30	84
Finance	395	423	28	-	(31)	(31)	(3)
ICT	1,539	1,520	(19)	-	34	34	15
Legal and Democratic Services	524	572	48	-	-	-	48
People and Development	1,673	1,775	102	-	(59)	(59)	43
Planning, Performance & Communications	949	982	33	-	-	-	33
Procurement and Stores	234	232	(2)	-	-	-	(2)
Fleet services	1,482	1,449	(33)	-	-	-	(33)
Unitary Performance Groups	100	100	-	-	-	-	-
Finance Resources	1,384	656	(728)	572	940	368	(360)
Total Service Expenditure	42,889	42,482	(407)	572	884	312	(95)
Council Tax	(29,084)	(29,084)	-	-	-	-	-
Collection Fund Surplus (council tax)	(382)	(362)	20	-	-	-	20
Business Rates Retention scheme	(9,501)	(9,501)	-	-	-	-	-
Collection Fund Deficit (business rates)	86	86	-	-	-	-	-
Business rates S31 grant	(653)	(653)	-	-	-	-	-
RSG	(3,927)	(3,927)	-	-	-	-	-
Total Funding	(43,461)	(43,441)	20	-	-	-	20
Forecast Net Underspend	(572)	(959)	(387)	-	-	-	(75)

Appendix 2

MOVEMENT IN RESERVES 2019-20

<u>Department</u>	<u>Description</u>	TOTAL £000
Finance Resources	Annual Contribution to Capital	572
	Approved as part of 2019-20 Budget	572
Property Management	Annual contribution of RHI Income to Environment Reserve	25
Property Management	Annual contribution Poynton Maintenance	5
ICT	Annual contribution MDTs	34
	Annual Contributions	64
 <i><u>Q1 Contributions to/(from) Reserves (reported to P&O, 4 Sept 2019)</u></i>		
Finance Resources	Funding for new loan costs - not required in Qtr1	77
Finance Resources	Additional Investment Income	22
Finance Resources	Repayment of LGPS actuarial costs funded from reserves	285
Finance Resources	Ill Health pension costs	(16)
OPA	New Dimensions Grant - transfer to reserves	6
OPA	Vet fees funded from reserve	(1)
Protection	Contribution to one retro fit of sprinklers	(36)
Prevention	Road safety - transfer to reserve	7
Prevention	Cadets - temporary storage container	(4)
Workforce Transformation	Contribution from reserve to staff survey - bi-annual	(11)
Workforce Transformation	Pilot Health & wellbeing advisor post costs falling into 2020-21	9
Finance	Agresso upgrade funded from reserve	(31)
People & development	Operational staff recruitment drive	(15)
People & development	Payroll contract extension then set up costs	(44)
	First Quarter Transfers	248
	Sub-total	884
	Add: First Quarter Review underspend to capital reserve	75
	TOTAL POTENTIAL NET CONTRIBUTION TO/ (FROM) RESERVES	959

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 1 2019-20

Service Area	Description	2019-20 Capital Budget £000	Total Programme Budget £000	Total Expenditure to end Jun19 £000	Total Expenditure to date £000	Expected Scheme Outturn £000	Variance £000
Prior year schemes:	ERP Programme - final fees and retention adjustments	-	-	19	19	25	25
	ICT Review/Server Replacement Programme	-	557	-	311	557	-
	2 x cadets vehicles	-	20	-	-	20	-
	Three New Appliances 2018-19 programme	-	810	441	744	744	(66)
	Support vehicles replacement 2018-19 programme	-	60	63	63	63	3
	New Drill Tower - Poynton Fire Station	-	60	1	1	87	27
	Sub-total	-	1,507	524	1,138	1,496	(11)
2019-20 Schemes	New Operational Training Facility	8,800	11,000	287	891	11,000	-
	Chester Fire Station	4,400	5,510	11	406	5,510	-
	Crewe Joint Fire/Police Facility (CFA Share of Cost)	1,300	5,000	16	29	5,000	-
	Fire Station Modernisation Programme	2,000	8,500	39	39	8,500	-
	Three New Appliances	810	810	-	-	810	-
	support vehicles replacement programme	60	60	-	-	60	-
	Animal Rescue Unit	30	30	-	-	30	-
	2 x Rapid Response Units	60	60	-	-	60	-
	Replacement thermal image cameras (phased replacement)	28	28	26	26	28	-
	Sub-total	17,488	30,998	379	1,391	30,998	-
In-year approvals:	None						
	Total	17,488	32,505	903	2,529	32,494	(11)