

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 27TH NOVEMBER 2019
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCIAL REVIEW - QUARTER 2, 2019-20

Purpose of report

1. This report provides Members with a review of the Service's forecast of financial performance at mid-year and reports on the progress against 2019-20 capital projects.

Recommended: That Members

- [1] note the forecast outturn position;
- [2] approve the movement in reserves as set out in Appendix 2; and
- [3] recommend to the Fire Authority the change of funding for the training centre and the cost of borrowing from the revenue budget from April 2020.

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. At Performance and Overview Committee on the 4th September the position at the end of the first quarter was reported – an estimated £75k underspend. This report provides an updated forecast when compared to the approved budget and capital programme as at 30th September 2019.

Information

Forecast Revenue Spending

4. At mid-year there are no significant issues identified that will impact on the forecast to the year end. Based on this assessment, there is a further net forecast underspend of £102k as shown in the next table with further details of each service area's forecast outturn set out in Appendix 1.

<u>Summary for 2019-20 Mid-Year Review</u>	Original	Forecast	Variance
	Budget	Spend	
	£000	£000	£000
Firefighting and Rescue Operations	27,363	27,330	(33)
Protection	1,942	1,937	(5)
Prevention	2,463	2,402	(61)
Support Services	9,657	9,747	90
Unitary Performance Groups	100	126	26
Finance Resources	1,364	166	(1,198)
Contributions to/(from) reserves	572	1,631	1,059
Net Revenue Position	43,461	43,339	(122)
Funding:			
Council Tax (Precept)	(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	-
Business Rates S31 grants	(653)	(653)	-
RSG	(3,927)	(3,927)	-
Overall Net Underspend	-	(102)	(102)

5. The following details cover the key variances shown in the above table.
- 5.1. The Operational Training Group is anticipating an underspend due to the swift water training not taking place in 2019-20 saving £28k as current skill levels are sufficient; alternative venue costs while the training centre at Sadlers Road is being built is £50k less than expected; and apprentice income of £72k has been received to offset some of the training costs incurred. These savings are mainly offset by appointing to a post to work on the implementation of the national operational guidance (NOG) programme for 12 months together with an overspend on operational uniform and equipment, part of which relates to issuing a second pair of gloves for firefighters as well as continuing the roll out of the technical rescue jackets.
- 5.2. Prevention pay costs are currently underspending in community safety; 'On the Streets' project; and at the Safety Central. During 2019-20 the Prince's Trust Team will not be undertaking courses at Chester due to the new fire station build, which reduces an equal amount of expenditure and income.
- 5.3. Support Services have a projected underspend on pay partly due to staff vacancies in a number of areas including Equality and Diversity, Democratic Services and non-appointment to the 'high potential' scheme. In addition, ICT is estimating a saving of £60k on telephone infrastructure and mobiles after reviewing contracts and connections; partially offset by North West Fire Control no longer contributing towards the network link - additional cost of £7k and increased software licence costs of £23k.

- 5.4. Unitary Performance Groups are reporting a budget strain of £10k due to the payment of an old outstanding funding bid for work in partnership with the local council for CCTV provision in the Halton area.
- 5.5. Within Finance Resources there a number of variations to report resulting in a £468k underspend on net expenditure for the second quarter, which is more than offset by anticipated transfers to reserves (see appendix 2 for details).
- 5.6. In detail, Finance Resources incurred additional costs of £17k relating to the Fire Authority's recharge from Cheshire Constabulary for the Bluelight project relating to the entrance sign; pedestrian gate; hearing loop; and work at the joint headquarters at the Clemonds Hey site. Following the Fire Authority's decision not to proceed with the MFSS element of the Blue Light project, there is still the need to pay for the oracle licences which had been purchased upfront for the next 3½ years at an estimated cost of £299k.
- 5.7. When the Authority approved the building of the new Operational Training Centre the proposed funding was through borrowing with the actual timing of the borrowing dependent on the timing of spend; interest rates; and cash flow requirements. No actual borrowing has taken place and with the changes to the capital programme in respect of Crewe Fire Station, funding of the capital programme is being revised. As such the remaining budget for interest charges of £231k, in addition to £77k reported for quarter 1 will not be required. This, along with additional income of £50k received on external investments and the additional Section 31 grant to cover the increase in the employer's contributions to the firefighter's pension costs (reported quarter 1), is to be transferred to the capital reserve to contribute to the funding of the capital programme and reduce the future need to borrow.
- 5.8. For 2019-20 the pay budgets allowed for all the grey book employees to be in the 2015 firefighter's pension scheme at an estimated cost of £6m. Finance Resources had a budget for the additional costs relating to some operational staff being in the 1992 pension scheme, which is 30% more expensive for the Authority. At mid-year this budget is not deemed necessary as service areas have been able to absorb the additional costs within their own pay budgets resulting in £400k saving to date.
- 5.9. Finally, it is proposed to transfer £26.4k from the operational equipment earmarked revenue reserve to the capital reserve for funding of the approved capital scheme for thermal image cameras.
6. In summary, the overall position at the end of the quarter 2, when forecast expenditure and funding are brought together, is for a further forecast underspend to the year end of £102k (or 0.2%) when compared to the quarter 1 forecast reported to Performance and Overview Committee in September 2019. This represents a cumulative forecast underspend of £177k. The position will continue to be monitored during the remainder of the financial year.

Capital Programme

7. At the end of September 2019, the Authority had an overall capital programme of £32.5m; the forecast outturn spend is £32.3m, an underspend of £0.2m (minimal variance). Details of all the capital schemes are in Appendix 3.
8. The Authority, at its meeting on the 18th September 2019, acknowledged that a joint facility with the police at Crewe was no longer feasible given the high costs involved. Members unanimously agreed that the project should be ended and officers should begin developing a fire-only proposal for the Crewe Fire Station site. This will be brought back to Members in due course.
9. Progress on the Operational Training Facility continues at a pace with costs being monitored by officers at the Land and Property Group. As mentioned at first quarter review, with the level of reserves held and the release of reserves set-aside for the joint facility at Crewe, it is more cost effective to utilise these reserves for the Operational Training Facility and revisit how Crewe will be funded when a new project has been developed. Therefore, it is recommended that Members approve this change of funding and release the cost of borrowing from the revenue budget from 2020-21.

Financial implications

10. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

CHESHIRE FIRE AUTHORITY QUARTER 2 2019-20

	Original Budget £000	Forecast Spend £000	Income/ expenditure variance £000
Firefighting and rescue operations			
Service Delivery	21,979	21,984	5
Operational Policy and Assurance	5,384	5,346	(38)
Protection	1,942	1,937	(5)
Prevention			
Community Safety	2,042	1,989	(53)
Safety Centre	421	413	(8)
Support Services			
Executive Management	1,015	1,043	28
Workforce Transformation	197	213	16
Property Management	1,609	1,679	70
Finance	395	421	26
ICT	1,539	1,490	(49)
Legal and Democratic Services	527	550	23
People and Development	1,677	1,705	28
Planning, Performance & Communications	945	946	1
Procurement and Stores	234	216	(18)
Fleet services	1,519	1,484	(35)
Unitary Performance Groups	100	126	26
Finance Resources	1,364	166	(1,198)
Contributions to/(from) reserves *	572	1,631	1,059
Total Service Expenditure	43,461	43,339	(122)
Funding:			
Council Tax (Precept)	(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	-
Business rates S31 grant	(653)	(653)	-
RSG	(3,927)	(3,927)	-
Total Funding	(43,461)	(43,441)	20
Forecast Net Underspend	-	(102)	(102)

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 Mobile Data Terminals	34
	Annual Contributions	64
<u>Q1 Contributions to/(from) Reserves (reported to P&O, 4 Sept 2019)</u>		
Finance Resources	Transfer to capital reserve - loan costs - not required in Qtr1	77
Finance Resources	Transfer to capital reserve - 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 * reversed Q2	(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 * reversed Q2	(44)
Quarter 1 Review	First Quarter Review underspend to capital reserve	75
	First Quarter Transfers	323
<u>Q2 Contributions to/(from) Reserves (reported to P&O, 11 November 2019)</u>		
OPA	Funding for NOGs post 2019-20 period 1 - 6	(27)
OPA	Funding for NOGS post 2020-21 period 1 - 6	32
Protection	Prosecution income to reserve	14
Protection	Whole Service Review project	31
Protection	ISO1720 accreditation delayed	18
Prevention	Cadets - temporary storage container * reversal of Q1 transfer	4
Prevention	Safety Central website funded from reserve	(11)
People & development	Payroll contract extension then set up costs * reversal of Q1	44
People & development	Payroll contract extension then set up costs	(1)
Unitary Performance Groups	Schemes committed to in previous years, paid in 2019-20	(16)
Finance Resources	Transfer to capital reserve - loan costs – no longer required	231
Finance Resources	Transfer to capital reserve - Additional Investment Income	50
Finance Resources	Transfer to capital reserve – Additional pension grant	301
	Second Quarter Transfers	670
	Sub-total	1,629
Quarter 2 Review	Second Quarter Review underspend to capital reserve	102
TOTAL POTENTIAL NET CONTRIBUTION TO/ (FROM) RESERVES		1,731

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 2 2019-20

Performance and Overview Committee
27 November 2019
Appendix 3 to Item 2

Service Area	Description	2019-20 Capital Budget £000	Total Programme Budget £000	2019-20 Expenditure to end Sept19 £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	410	(147)
	2 * 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	1,329	(178)
2019-20 Schemes:	New Operational Training Facility	8,800	11,000	1,889	2,493	11,000	-
	Chester Fire Station	4,400	5,510	185	581	5,510	-
	Crewe Fire Station (CFRS share of cost)	1,300	5,000	41	54	54	(4,946)
	Fire Station Modernisation Programme	2,000	8,500	231	231	8,500	-
	Three New Appliances 2019-20 programme	810	810	309	309	775	(35)
	Support vehicles replacement 2019-20 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	26	(2)
	Sub-total	17,488	30,998	2,681	3,694	26,015	(4,983)
In-year approvals:	None						
	Total	17,488	32,505	3,205	4,832	27,344	(5,161)