

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 26TH FEBRUARY 2020
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCIAL REVIEW - QUARTER 3, 2019-20

Purpose of report

1. This report provides Members with a review of the Service's forecast of financial performance at the end of Quarter 3 and reports on the progress against 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 net revenue budget of £43.461m together with a 2019-20 capital programme of £17.488m. Performance against both the revenue and capital budgets is reported quarterly to the Performance and Overview Committee (P&O). A summary of the revenue budget performance year to date is shown in the following table. The position in the year to date is a forecast overspend of £80k.

| <u>Revenue Budget Forecast Outturn</u> | (Under) / Over £000 | <u>P&O Committee</u> |
|---|---------------------------|--------------------------------|
| Quarter 1 - 30 th June 2019 | (75) | 4 th September 2019 |
| Quarter 2 - 30 th September 2019 | (102) | 27 th November 2019 |
| Quarter 3 - 31 st December 2019 | 257 | 26 th February 2020 |
| Cumulative amount for 2019-20 | 80 | |

Information

Forecast Revenue Spending

4. At third quarter there are no significant issues identified that will impact on the forecast to the year end. Based on this assessment, there is a net forecast overspend of £257k 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 Quarter 3 Review</u> | Original Budget £000 | Forecast Spend £000 | Variance £000 |
|--|----------------------------|---------------------------|------------------|
| Firefighting and Rescue Operations | 27,363 | 28,556 | 1,193 |
| Protection | 1,942 | 1,939 | (3) |
| Prevention | 2,463 | 2,252 | (211) |
| Support Services | 9,657 | 9,605 | (52) |
| Unitary Performance Groups | 100 | 113 | 13 |
| Finance Resources | 1,364 | (494) | (1,858) |
| Contributions to/(from) reserves | 572 | 1,727 | 1,155 |
| Net Revenue Position | 43,461 | 43,698 | 237 |
| 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) | - |
| Revenue Support Grant | (3,927) | (3,927) | - |
| Net Overspend in 3rd Quarter | - | 257 | 257 |

5. The following details cover the main, significant variances shown in the above table.
- 5.1. Service Delivery has incurred approximately £1.2m overspend due to being over-establishment on whole-time firefighters during 2019-20, partly offset by underspend on on-call establishment. As part of workforce planning, there is a need to replace retirees and leavers and this over-establishment is short-term to ensure continuity of service and skills. Also included is expenditure of £46k offset by funding from Derbyshire Fire (Whaley Bridge incident August 2019) and South Yorkshire Fire (flooding incident in November 2019) under the Bellwin Scheme. Additional costs of £85k have been incurred in relation to employers' pension contributions due to a number of employees being in the 1992 scheme, whereas the budget is based on the 2015 scheme costs. Additional costs of £54k have been incurred due to the temporary appointment of two on-call support roles for six months as agreed by Service Management Team.

- 5.2. Operational Policy and Assurance is reporting an overspend at quarter 3 of £233k. A significant part of which is £200k for uniform and personal protective equipment for the new recruits, transferees and apprentices, as well as roll out of new kit to existing firefighters. In addition, a new temporary unbudgeted High Rise Project Officer (Watch Manager) post has been created for 12 months costing £56.4k in recognition of the impact of the Grenfell Enquiry. Finally, as part of the 2019-20 budget, funding for undress uniform of £115k was included. However, it is now anticipated that the actual procurement will take place early in 2020-21 and therefore this funding will be carried forward.
- 5.3. Protection is anticipating an underspend of £3k. The main variations include staff costs being £59k less than budget, offset by underachievement of primary authority income of £16k and additional costs as a result of the Beechmere investigation of £18k.
- 5.4. Prevention is predicting an underspend of £211k in the third quarter. Impact of the reduction in Safe and Well visits have saved £71.6k, together with underspends of £27k on staff costs. There is a general underspend on cadets related expenses, equipment and uniform giving a saving of £24k, of which £10k is to be transferred to reserve to part fund cadet kit refresh now planned for 2020-21. There is an anticipated £30k reduction in the Authority's contribution to Princes Trust as number of teams has reduced.
- 5.5. Finance Resources hold a couple of contingency budgets which are not required in 2019-20 resulting in a saving of £125k which has been reflected in the permanent savings within the proposed 2020/21 budget. Additional income of £28k received on external investments is to be transferred to the capital reserve to contribute to the funding of the capital programme and reduce the future need to borrow. Grant Thornton, the Authority's external auditors, have invoiced for a supplementary fee for 2018-19 and intend to charge £4.5k extra for 2019-20 for additional audit work required, including the impact of the McCloud case on pensions.
- 5.6. For 2019-20 the pay budgets were set on the assumption that grey book employees were in the 2015 firefighter's pension scheme. Finance Resources holds a budget for the additional costs relating to some operational staff being in the 1992 pension scheme which is 30% more costly. At mid-year, this budget was not deemed necessary as service areas have been able to absorb the additional costs within their pay budgets resulting in £400k underspend being reported at quarter 2 with a similar amount for the second half of the year.
6. In summary, the position at the end of the quarter 3, when forecast expenditure and funding are brought together, is for a forecast overspend to the year end of £257k: i.e. a cumulative forecast overspend of £80k when the position for the previous quarters are included. The position will continue to be monitored during the remainder of the financial year.

Capital Programme

7. At the end of December 2019, the Authority had an overall capital programme of £32.5m. The forecast outturn spend is £34.2m, £1.7m above the current programme mainly due to the following major build projects.
 - 7.1. On 18th September 2019, the Authority approved the replacement fire station at Crewe for Fire only and noted that the existing £5m approval would need to be increased. A revised estimate is used for financial planning purposes at this point, however it is still too early in the design stage to provide a firm indication of likely costs. As agreed, a further report will be presented to the Authority containing detailed options, proposals and costs.
 - 7.2. Additional costs of £0.7m are currently forecast on the new operational training facility at Sadler Road. This is higher than the approved 5% contingency (£550k) and is largely due to additional asbestos related costs; planning condition discharge delays; additional costs relating to ground conditions; and essential additional repair costs (fire alarm and window replacement and drainage) that were not included in the original plans. Progress on the new operational training facility, including costs, is being monitored by the Land and Property Group.
 - 7.3. Chester Fire station has incurred additional cost of £0.25m which is within the approved 5% contingency (£275k). These are mainly due to costs from planning refusal; the need for archaeological evaluation; higher than anticipated temporary accommodation costs; and higher service diversion/provision costs.
8. Details of all the capital schemes are in Appendix 3.

Financial implications

9. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

CHESHIRE FIRE AUTHORITY QUARTER 3 2019-20

| | Original Budget £000 | Forecast Spend £000 | Income/ expenditure variance £000 |
|--|----------------------------|---------------------------|--|
| Firefighting and rescue operations | | | |
| Service Delivery | 21,979 | 22,939 | 960 |
| Operational Policy and Assurance | 5,384 | 5,617 | 233 |
| Protection | 1,942 | 1,939 | (3) |
| Prevention | | | |
| Community Safety | 2,042 | 1,866 | (176) |
| Safety Centre | 421 | 386 | (35) |
| Support Services | | | |
| Executive Management | 1,014 | 1,055 | 41 |
| Workforce Transformation | 197 | 212 | 15 |
| Property Management | 1,609 | 1,744 | 135 |
| Finance | 395 | 391 | (4) |
| ICT | 1,539 | 1,492 | (47) |
| Legal and Democratic Services | 528 | 500 | (28) |
| People and Development | 1,677 | 1,693 | 16 |
| Planning, Performance & Communications | 945 | 886 | (59) |
| Procurement and Stores | 234 | 209 | (25) |
| Fleet services | 1,519 | 1,423 | (96) |
| Unitary Performance Groups | 100 | 113 | 13 |
| Finance Resources | 1,364 | (494) | (1,858) |
| Contributions to/(from) reserves | 572 | 1,727 | 1,155 |
| * see appendix 3 | | | |
| Total Service Expenditure | 43,461 | 43,698 | 237 |
| 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 Overspend | - | 257 | 257 |

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 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, 27 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 |
| Quarter 2 Review | Second Quarter Review underspend to capital reserve | 102 |

Appendix 2 (cont'd)

| <u>Department</u> | <u>Description</u> | <u>£000</u> |
|---|--|---------------------|
| <i><u>Q3 Contributions to/(from) Reserves (reported to P&O, 26 February 2020)</u></i> | | |
| Service Delivery | Temporary on-call support roles | 18 |
| OPA | Training fees during Sadler Road site project | 39 |
| OPA | Drone project | (1) |
| OPA | Inner fleeces / thermal fleeces (2017-18 OO867) | (30) |
| OPA | Growth item for undress uniform delayed to 2020-21 | 115 |
| OPA | Temporary High Rise Project Officer post | 42 |
| OPA | Operational equipment (branches / connections / hose reels) | (70) |
| Prevention | Project to create profiles of members of the community which indicates how "fire safe" they are. | 15 |
| Prevention | Cadet uniform refresh delayed until 2020-21 | 10 |
| Workforce Transformation | Pilot Health & wellbeing advisor post costs falling into 2020-21 * reversal of Q1 | (9) |
| Property Management | Transfer to capital reserve - Revenue contribution to Poynton drill tower | 27 |
| ICT | Replacement servers | (20) |
| Legal and Democratic Services | Democratic Services System hosting fee | (3) |
| People & development | Corporate training | 50 |
| Finance Resources | Transfer to capital reserve - Additional Investment Income | 28 |
| | Third Quarter Transfers | <u>211</u> |
| | Sub-total | 1,942 |
| <i>Quarter 3 Review</i> | <i>Third Quarter Review overspend reducing amount going to capital reserve</i> | <i>(257)</i> |
| TOTAL POTENTIAL NET CONTRIBUTION TO/ (FROM) RESERVES 2019-20 | | <u>1,685</u> |

CESHIRE FIRE AUTHORITY CAPITAL QUARTER 3 2019-20

| Service Area | Description | 2019-20 Capital Budget £000 | Total Programme Budget £000 | 2019-20 Expenditure to end Dec19 £000 | Total Expenditure to date £000 | Expected Scheme Outturn £000 | Variance £000 |
|---------------------|--|--------------------------------------|--------------------------------------|---|---|---------------------------------------|------------------|
| Prior year schemes: | ERP Programme - final fees and retention adjustments | - | - | 20 | 20 | 25 | 25 |
| | ICT Review/Server Replacement Programme | - | 557 | - | 311 | 410 | (147) |
| | 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 | 76 | 76 | 87 | 27 |
| | Sub-total | - | 1,507 | 600 | 1,214 | 1,329 | (178) |
| 2019-20 Schemes: | New Operational Training Facility | 8,800 | 11,000 | 4,008 | 4,612 | 11,700 | 700 |
| | Chester Fire Station | 4,400 | 5,510 | 770 | 1,165 | 5,760 | 250 |
| | Crewe Fire Station | 1,300 | 5,000 | 2 | 2 | 6,000 | 1,000 |
| | Fire Station Modernisation Programme | 2,000 | 8,500 | 483 | 483 | 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 | 5,598 | 6,597 | 32,911 | 1,913 |
| In-year approvals: | None | | | | | | |
| | Total | 17,488 | 32,505 | 6,198 | 7,811 | 34,240 | 1,735 |