

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 1 JULY 2020
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: END OF YEAR FINANCIAL REPORT 2019-20

Purpose of report

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

Recommended: That Members

- [1] note the outturn position (subject to audit and the finalisation of the local authorities non-domestic rates collection fund/Section 31 grant); 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 has been reported quarterly to the Performance and Overview Committee (P&O). A summary of the revenue budget performance for 2019-20 is shown in the following table. The cumulative position for the year is an underspend of £613k.

<u>Revenue v Budget Outturn</u>	(Under) / Over <u>£000</u>	<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
Quarter 4 – 31 st March 2020	(693)	CFA 17 th June 2020
Cumulative amount for 2019-20	<u>(613)</u>	

4. At the time this report was written the outturn position for the non-domestic rates, including the relevant Section 31 grant had not been received by the Authority. In a normal year the deadline for this information is 31st May but due to the Coronavirus pandemic, this deadline has been extended until 31st July 2020. Although the estimated impact of this is not expected to materially alter the outturn, an update will be brought to the Authority when the figures are available.

Information

Revenue Spending

5. For 2019-20 there is a net underspend of £613k as shown in the table below with further details of each service area's forecast outturn set out in Appendix 1 to this report.

<u>Summary for 2019-20 year-end review</u>	Original Budget £000	Actual Spend £000	Variance £000
Firefighting and Rescue Operations	27,364	28,052	688
Protection	1,942	1,897	(45)
Prevention	2,463	2,041	(422)
Support Services	9,672	9,181	(491)
Unitary Performance Groups	100	97	(3)
Finance Resources	1,348	(709)	(2,057)
Contributions to/(from) provisions	-	120	120
Contributions to/(from) reserves	572	2,310	1,738
Net Revenue Position	43,461	42,989	(472)
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	54	(32)
Collection Fund Provision	-	(129)	(129)
Collection Fund Adjustment Account	-	-	-
Business Rates S31 grants	(653)	(653)	-
Revenue Support Grant	(3,927)	(3,927)	-
Net (under) spend at year end	-	(613)	(613)

6. The following paragraphs detail the main, significant variances included in the above table, and reported for the last quarter of the year.
- 6.1. Funding saw some additional income of £32k received at the end of March 2020 relating to redistribution of the business rates levy account surplus

allocation 2019-20. Funding had been set-aside in case of a deficit on the collection fund (£129k), as the final outturn was a surplus not a deficit this has not been needed.

- 6.2. Service Delivery, overall in the last quarter, has a slight underspend of £50k when compared to previous forecasts. Pay costs for whole time establishment are slightly less than reported at Quarter 3 but the majority of this is offset by an increase in on call costs and additional mileage costs. Premises costs have overspent by £30k due to increases in electricity and in particular water charges (costs for the new stations built a few years ago are higher than previously forecast). This has been offset by an underspend in council tax and business rate (including a £16k refund following demolition of Chester Fire Station).
- 6.3. Operational Policy and Assurance is reporting an underspend of £139k against the position reported at Quarter 3. At Quarter 3 an overspend of £200k was anticipated for uniform and personal protective equipment, the actual overspend was £40k less than this. There were also reduced external charges for cross border charges of £24k; hydrants repairs were underspent £9k; and there was £12k income for ESCMP work done. There has been some slippage in the training programme into 2020-21, with £56k transferred into reserves to cover the cost when the courses are run in 2020-21.
- 6.4. At outturn Protection forecasts an underspend of £20k with a number of small immaterial variances. This includes savings of £12k on supplies and £9.5k on fire investigation work offset by £1.4k shortfall in Primary Authority income and £5.3k prosecution costs.
- 6.5. Prevention's outturn position has increased the underspend by £108k. This mainly relates to reduced spend on smoke alarms of £64k (a lower number required and the price maintained at previous level); less expenditure on pay due to vacant posts; and part-funded cadet kit refresh which is now planned for 2020-21. The Prince's Trust courses were suspended in their normal format before year end due to the Coronavirus pandemic. Staff have continued to work with the team members to complete the course within the lockdown restrictions and therefore funding is expected. Savings of £49k reported at Quarters 3 and 4 on Prince's Trust have been transferred to the specific reserve to cover the short term uncertainties for the Prince's Trust team, (which include when the teams can start again and in what format due to the Coronavirus).
- 6.6. Within Support Services, savings have been achieved on utilities at Sadler Road while building work is taking place; savings on grounds maintenance within Property Management; and additional income has led to an underspend at outturn. ICT has reviewed a number of contracts which have resulted in savings together with additional Firelink grant above expected amount leading to an underspend at year end. Finally, within Fleet there have been savings on the vehicle insurance costs; lease car costs and reduced spend due to lower fuel costs.

- 6.7. Finance Resources held a contingent budget of £124k for the Blue Light Collaboration. At year end the recharges went to the actual support service area they related to and this contingency was not required. Overall the budget for the joint corporate services was £2,955k with the final recharge being £2,851k – a saving of £104k
- 6.8. Under accounting regulations, when the Authority makes a contractual commitment funding should be set aside to cover related costs. As such a provision has been made to cover applicable exit costs relating to fixed term contracts upon completion.
- 6.9. Finance Resources show investments had generated £44k additional income above that anticipated at Quarter 3. This has been transferred to the capital reserve to fund future approved capital projects. Towards the end of March additional funding of £8k Transparency Grant was received which has not been included in the budget.
- 6.10. In summary, the position at year end shows a corporate underspend of £693k: i.e. a cumulative underspend for 2019-20 of £613k when the position for the previous quarters are included. This underspend will be transferred to the capital reserve to support the funding of the Authority's capital programme. The final position will be updated once all the collection fund and Section 31 grant information has been received.

Capital Programme

7. At the end of March 2020, the Authority had an overall approved capital programme of £33.7m; which is an increase of £1.2m on the £32.5m reported at Quarter 3. The increase comprises of £0.9m for the fire houses refurbishment project which is to be funded mainly from capital receipts from the sale of surplus houses/assets; and £0.3m for environmental improvements to the new fire station at Chester. These capital project updates were included in the budget report and capital strategy 2020-21 report.
8. The forecast outturn spend is £35.9m, £2.3m above the current programme as previously reported in the quarterly financial reports.
9. The Coronavirus pandemic has caused a number of the capital projects to progress more slowly than originally anticipated due to a shortage of materials; sub-contractors not on site due to self isolating; or staff furloughed by the contractors. However, all projects continue to move forward e.g. Year 1 of the Fire Station Modernisation Programme has now been completed.
10. Full details of all the capital schemes are in Appendix 3. The following table shows the proposed capital funding.

	£000
Capital Expenditure	<u>12,844</u>
Financed by:	
Capital grants	-
Capital Receipts	119
Revenue Contributions to Capital	169
Use of Reserves	12,556
Borrowing	-
Total Financing	<u>12,844</u>

Reserves

11. As a result of the year end position, the level of Reserves held is as shown in the table below.

Reserves	Balance 31 Mar 2019 £000	Changes in year £000	Balance 31 Mar 2020 £000
IRMP Related	(8,269)	(27)	(8,296)
Capital Receipts	(100)	100	-
Capital Reserves	(14,856)	11,230	(3,626)
2019-20 Underspend		(613)	(613)
Resource Centre Managers	(5,269)	(790)	(6,059)
Community Risk Reduction	(330)	(15)	(345)
UPG	(117)	(3)	(120)
Total Earmarked Reserves	(28,941)	9,882	(19,059)
General Reserves	(2,210)	-	(2,210)
Total Usable Reserves	(31,151)	9,882	(21,269)

12. The above figures are also in the Draft Statement of Accounts which is subject to audit and therefore could potentially change when the audit is completed later this year. Any changes will be reported by the auditors at the appropriate Authority meeting.
13. In accordance with the approved Reserve Strategy, the General Reserve will be maintained at a level of approximately £2.2m which is broadly equivalent to 5% of the net revenue budget. The Fire & Rescue National Framework encourages fire authorities to keep their general reserve at this 5% level and requires specific justification for reserves above this level.

Financial implications

14. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

CHESHIRE FIRE AUTHORITY 2019-20 YEAR END

	Original Budget £000	Actual Spend £000	Income/ expenditure variance £000
Firefighting and rescue operations			
Service Delivery	21,980	22,863	883
Operational Policy and Assurance	5,384	5,189	(195)
Protection	1,942	1,897	(45)
Prevention			
Community Safety	2,042	1,673	(369)
Safety Centre	421	368	(53)
Support Services			
Executive Management	1,030	1,034	4
Workforce Transformation	197	232	35
Property Management	1,609	1,490	(119)
Finance	395	441	46
ICT	1,549	1,430	(119)
Legal and Democratic Services	528	497	(31)
People and Development	1,677	1,603	(74)
Planning, Performance & Communications	945	868	(77)
Procurement and Stores	234	235	1
Fleet services	1,508	1,351	(157)
Unitary Performance Groups	100	97	(3)
Finance Resources	1,348	(709)	(2,057)
Contributions to/(from) provisions	-	120	120
Contributions to/(from) reserves	572	2,310	1,738
* see appendix 3			
Total Service Expenditure	43,461	42,989	(472)
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	54	(32)
Collection Fund Provision	-	(129)	(129)
Business rates S31 grant	(653)	(653)	-
RSG	(3,927)	(3,927)	-
Total Funding	(43,461)	(43,602)	(141)
Forecast Net Overspend	-	(613)	(613)

Appendix 2 to Item 5

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><i>Q1 Contributions to/(from) Reserves (reported to P&O, 4 Sept 2019)</i></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><i>Q2 Contributions to/(from) Reserves (reported to P&O, 27 November 2019)</i></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>Q3 Contributions to/(from) Reserves (reported to P&O, 26 February 2020)</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		211
Quarter 3 Review	Third Quarter Review overspend amount to capital reserve	(257)

Appendix 2 (cont'd)

Q4 Contributions to/(from) Reserves

Service Delivery	Relocation allowance	10
OPA	Operational equipment (Positive ventilation fans)	(79)
OPA	Operational equipment (Lifting bags)	80
OPA	Operational equipment (radio equipment)	146
OPA	Operational equipment (branches / connections / hose reels)	(30)
OPA	Operational Training	56
OPA	ESCMP work	12
Protection	Prosecution income to reserve / expenditure from reserve	(5)
Prevention	Road safety - transfer to reserve	4
Prevention	Princes Trust Teams	49
Prevention	Safety Central website part reversal of Q2 transfer	1
Prevention	Safety Central – equipment refresh	15
Executive Management	External consultant (IRMP related work)	7
Property Management	Contribution of RHI Income to Environment Reserve * part reversal of Q1 transfer	(16)
Property Management	Property modernisation programme	97
Property Management	Alsager Fire Station	20
Property Management	Environmental / Invest to save projects	8
Property Management	Sadler Road site	3
Property Management	To capital reserve – PCSO office at Birchwood Fire Station.	43
Finance	Agrosso upgrade part reversal of Q1 transfer	(1)
ICT	ESCMP project costs	38
Corporate Communications	Choir reserve	4
Fleet	Historic vehicles	2
Finance Resources	Transfer to insurance reserve	20
Finance Resources	Transfer to capital reserve - Additional Investment Income	44
Unitary Performance Groups	Unitary Performance Groups	19
	Forth Quarter Transfers	547
	Sub-total of transfers	2,232
Outturn / Quarter 4 Review	Outturn underspend amount going to capital reserve	693
TOTAL POTENTIAL NET CONTRIBUTION TO/ (FROM) RESERVES 2019-20		2,925

CHESHIRE FIRE AUTHORITY CAPITAL OUTTURN 2019-20

Service Area	Description	2019-20 Capital Budget £000	Total Programme Budget £000	2019-20 Expenditure £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	73	384	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	87	87	87	27
	Sub-total	-	1,507	684	1,298	1,329	(178)
2019-20 Schemes:	New Operational Training Facility	8,800	11,000	7,357	7,961	12,075	1,075
	Chester Fire Station	4,400	5,810	1,819	2,215	6,200	390
	Aborted Crewe Joint Fire & Police scheme <i>transfer to revenue</i>	-	-	(13)	-	-	-
	Crewe Fire Station	1,300	5,000	20	20	6,000	1,000
	Fire Station Modernisation Programme	2,000	8,500	1,943	1,943	8,500	-
	Three New Appliances 2019-20 programme	810	810	753	753	775	(35)
	Support vehicles replacement 2019-20 programme	60	60	46	46	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	31,298	11,951	12,964	33,726	2,428
In-year approvals:	Fire Houses Refurbishment programme (3 year programme)	880	880	209	209	880	-
	Total	18,368	33,685	12,844	14,471	35,935	2,250