

Agenda Item

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 2ND SEPTEMBER 2020
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCE REPORT – QUARTER 1 2020-21

Purpose of report

- 1 The report provides a review of the Service's forecast financial outturn and reports on the progress against 2020/21 capital projects.

Recommended: That Members

- [1] Note the forecast outturn position.
- [2] Approve the movement in reserves 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 12th February 2020 the Authority approved the 2020/21 revenue budget of £44.83m together with a 2020/21 capital programme of £14.1m. This report provides an early indication of the forecast level of expenditure when compared to the approved budget and capital programme.

Information

Coronavirus (Covid-19) Pandemic

- 4 The Coronavirus Pandemic has brought about an unprecedented public health emergency and the Authority's top priorities are to maintain the best service to the public, protect firefighters and staff and support the national response. During this major incident, the Service is continuing to provide all the essential services you expect from it.

- 5 The Service has continued to serve the public throughout the pandemic. Additional costs and a reduction of income has fallen into 2020/21, following the Prime Minister's pandemic-related speech on 24th March 2020 and the introduction of the lockdown rules.
- 6 In terms of funding, the Government announced emergency local government funding for Covid-19 additional costs through S31 grants. Tranche 1 was announced on 20th March 2020 with the Service receiving £166,768 in 2019/20. Tranche 2 was announced on 18th April 2020 with the Service receiving £793,795 in 2020/21. The associated additional costs that have been incurred, e.g. for PPE and cleaning products during 2020/21, as well as a loss of income (mainly Princes Trust) are taken into account in this report. The Government paid the S31 grants up-front for 2020/21 to support cashflow during the pandemic.

Future Funding Position

- 7 The Coronavirus Pandemic will not have an impact on funding in the current financial year. In future years, the pandemic will almost certainly affect the level of funding from Government and the Cheshire billing authorities. Reductions in funding from the latter, will be as a result of likely downturns in the local economy which may reduce both the council tax and business rate bases as well as leading to potential deficits on the Collection Funds which the Authority will be required to contribute to in line with their corresponding share.
- 8 Should a deficit be incurred on council tax or business rate Collection Funds, there is a proposal from the Government to allow contributions to be spread over a three year period to rectify the position. The position will be identified as a significant risk in the Medium Term Financial Plan.

Forecast Revenue Spending

- 9 At this early stage of the financial year the main variances relate to Covid-19 expenditure and reduction in income, for which S.31 grant has been received. The full extent is not yet known as the situation is still ongoing and will be reported on specifically each quarter.
- 10 Based on this early assessment, there is a net forecast underspend of £220k as shown in the following table with further details of each service area's forecast outturn set out in Appendix 1. Reserve movements are shown in Appendix 2.

<u>Summary for 2020/21 First Quarter</u>	Original Budget £000	Forecast Spend £000	Variance £000
Firefighting and Rescue Operations	28,828	29,619	791
Protection	2,041	2,025	-16
Prevention	2,504	2,458	-46
Support Services	10,150	10,013	-137
Unitary Performance Groups	100	100	0
Centrally held costs & contingencies	1,050	1,054	4
Pension costs	1,029	1,015	-14
Capital Financing (incl. investment income)	128	128	0
S.31 Grants (including Covid-19)	-1,803	-2,797	-994
Movement in Reserves	802	994	192
Net Revenue Position	44,830	44,610	-220
Funding:			
Business Rates S31 grants	-780	-780	0
Council Tax (precept)	-30,141	-30,141	0
Collection Fund Surplus (council tax)	-260	-260	0
Business Rates Retention scheme	-9,651	-9,651	0
Collection Fund Deficit (business rates)	-7	-7	0
Revenue Support Grant	-3,991	-3,991	0
Total Funding	-44,830	-44,830	0
Total (under)/overspend			-220

- 11 The following details cover the key variances shown in the above table.
- 11.1 Within Firefighting and Rescue Operations, Service Delivery has incurred various additional costs, e.g. payment of overtime, additional payments to on-call firefighters and payment to train and maintain resilience firefighters. Overall the cost of Covid-19 within Service Delivery is £379k which is offset by the additional S.31 grants.
- 11.2 Also within Firefighting and Rescue Operations, OPA are reporting some additional pay costs relating to maternity leave and an additional post funded by the Home Office's Infrastructure Fund. This fund is to support the delivery of the lessons learned and relevant recommendations in the Grenfell Tower Inquiry phase 1 report, leading to additional protection activity. £300k additional expenditure has been incurred related to Covid-19 personal protective equipment (PPE) etc.
- 11.3 Notification for the 2020/21 New Dimensions Grant (£5.9k) has been received and these funds will be transferred to reserves to part fund the future operational equipment programme. Income will also be received towards the trainee firefighters training £42k. Both of these are additional income above that included in the budget.

- 11.4 Protection is showing savings relating to a delay in appointing the Heritage Officer (2 year temporary post) approved as part of the 2020-21 budget. The post is to be advertised in July, with an anticipated appointment in September.
- 11.5 The Authority has received notification of the allocation of £177k Protection surge funding. This includes Building Risk Review Grant of £60k relating to the review of the fire safety arrangements in all high rise residential buildings by December 2021; as well as £117k for a Protection Uplift Programme. This programme aims to drive improvement in local protection capability; to bolster fire protection capability; and align with locally agreed Integrated Risk Management Plan and risk-based assessments.
- 11.6 For Prevention, the impact of the approved IRMP in-year and Covid-19 has resulted in reduced operation of “business as usual”. This has resulted in forecast underspends (£88k on smoke alarms and £33k delay in recruiting to vacant posts) and reduced income (RESPECT, Princes Trust, Road Safety, Cadet Camp). These have been included in the forecast outturn reported above, but this is an on-going situation and subject to change. A further update will be provided at mid-year review.
- 11.7 Support Services are showing a forecast underspend, mainly related to transport and ICT costs. Transport has a £58k saving (fuel £40k, tyres £3k and insurance £15k) and ICT has identified savings of £68k (network providers (£16k), broadband connection (£8k) and Firelink grant income greater than budgeted (£44k)). £12k has been transferred to reserves to fund the next regular staff survey in 2021/22 (undertaken every 2 years). An additional survey has been done this year related to the Covid-19 experience for staff which has been funded from the S.31 Covid-19 grant.
- 11.8 Section 31 Grants reflect the receipt of Covid-19 tranche two funding £794k in April, partly offset by anticipated Covid-19 spend of £101k with the majority of the other spend shown in Firefighting and Rescue Operations £678k.
- 11.9 In April 2020, the Authority received the pension grant from the Home Office to compensate for the increase in the employer’s pension contributions since April 2019. The 2020/21 budget anticipated a grant of £1,803k but the actual allocation was £2,104k, an additional £301k. This additional amount has been transferred to the capital reserve to support the capital programme.
- 12 A breakdown of the movement in reserves is set out in Appendix 2.
- 13 In summary, the overall position at the first quarter is for a forecast underspend to the year end of £220k (0.5%) when compared to the budget approved by the Authority. The position will continue to be monitored during the year.

Capital Programme

- 14 At the end of June 2020, the Authority's approved capital programme is £33.724m with a forecast outturn spend of £36.187m – an overspend of £2.373m. Details of all the capital schemes are in Appendix 3.
- 15 Progress on a number of the schemes was delayed until the Integrated Risk Management Plan 2020-24 (IRMP) was approved at the Fire Authority meeting on the 1st July 2020. This includes the rapid response rescue units; water carrier; and wildfire capability capital schemes.
- 16 The 2019/20 capital programme included replacement animal rescue unit and two replacement rapid response rescue units. These two schemes have now been superseded by the 2020/21 IRMP rapid response rescue units scheme.
- 17 The contractor is continuing to develop the new training centre at the Sadler Road site with staff and sub-contractors observing social distancing rules. This has inevitably slowed progress down, but progress on site remains very promising. The estimated outturn position is £12.1m, which has increased by £25k on the estimated outturn reported at 2019/20 quarter 4 due to additional insurance premiums as well as additional cladding required for the stores area due to the poor condition of existing materials.
- 18 The new fire station at Chester continues to progress at an impressive rate, with floors now in place and external block and brickwork going up. The staircases have also been cast and installed along with the shaft for the lift. The roof is fully in place and houses 348, 2m x 1m high efficiency photovoltaic panels, covering an area of 580m² which equates roughly to that of 3 tennis courts. The output of these panels has been carefully calculated to ensure it can cover all power demands for the station (heating/venting/lighting etc.). The panels, coupled with the energy saving construction of the building, leads us to believe that Chester Community Fire Station is likely to be one of the first carbon neutral energy regulated fire stations in the country.
- 19 The Year 1 Fire Station Modernisation Programme has now reached its practical completion at Runcorn; Birchwood; Middlewich; and Sandbach. The Year 2 Modernisation Programme is now underway, which will see works at Widnes, Northwich, Holmes Chapel and Audlem.
- 20 Crewe Fire Station costs relate to the initial feasibility and high level design stages. Further reports will be submitted to Members as the scheme progresses. Currently, officers do not have a fully worked budget to report.

Financial implications

21 This report considers financial matters.

Legal Implications

22 There are no legal implications arising from the report.

Equality and diversity implications

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

Environmental implications

24 There are no environmental implications arising from this report.

BACKGROUND PAPERS: NONE

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CHESHIRE FIRE AUTHORITY QUARTER 1 2020/21

	Original Budget £000	Forecast Spend £000	Income/ expenditure variance £000
Firefighting and rescue operations			
Service Delivery	23,840	24,176	336
Operational Policy and Assurance	4,988	5,443	455
Protection	2,041	2,025	-16
Prevention			
Community Safety	2,053	2,010	-43
Safety Centre	451	448	-3
Support Services			
Executive Management	1,066	1,015	-51
Workforce Transformation	223	219	-4
Property Management	1,705	1,706	1
Finance	400	400	0
ICT	1,769	1,701	-68
Legal and Democratic Services	540	540	0
People and Development	1,704	1,708	4
Planning, Performance & Communications	951	990	39
Procurement and Stores	236	236	0
Fleet services	1,556	1,498	-58
Unitary Performance Groups	100	100	0
Corporate Finance costs			
Centrally held costs & contingencies	1,050	1,054	4
Pension costs	1,029	1,015	-14
Capital Financing (incl. investment income)	128	128	0
S.31 Grants (incl. Covid-19)	-1,803	-2,797	-994
Total Service Expenditure	44,028	43,616	-412
Movement in Reserves	802	994	192
	44,830	44,610	-220
Funding:			
Council Tax	-30,141	-30,141	0
Collection Fund Surplus (council tax)	-260	-260	0
Business Rates Retention scheme	-9,651	-9,651	0
Collection Fund Deficit (business rates)	-7	-7	0
Business rates S.31 grant	-780	-780	0
RSG	-3,991	-3,991	0
Total Funding	-44,830	-44,830	0
Forecast Net Underspend			-220

Appendix 2

MOVEMENT IN RESERVES 2020/21

<u>Department</u>	<u>Description</u>	TOTAL £000
Corporate Finance Costs	Annual Contribution to Capital	595.7
Corporate Finance Costs	Contribution to pay related reserve	378.1
Corporate Finance Costs	LGPS secondary rate – employers contribution	(235.0)
Property Management	Annual contribution of RHI Income to Environment Reserve	25.0
Property Management	Annual contribution Poynton Maintenance	4.5
ICT	Annual contribution MDTs	34.0
	Approved as part of 2020/21 Budget	802.3
 <u>Q1 Contributions to/(from) Reserves</u>		
Corporate Finance Costs	Transfer to capital reserve – Additional pension grant	301.4
OPA	High Rise Project Officer (temp role 1 year funded by reserves)	(42.3)
OPA	Funding towards post facilitating national programmes	(13.4)
OPA	New Dimensions Grant - transfer to reserves	5.9
OPA	Operation Equipment projects from reserve - branches	(5.4)
OPA	Operation Equipment projects from reserve – hose reels	(9.8)
OPA	Training Equipment	(6.6)
Protection	Heritage Officer post – delay in recruitment saving to reserves	16.3
Prevention	Road safety - transfer from reserve	(3.0)
Prevention	On the street project – phase 2	(13.8)
Prevention	Princes Trust Teams (loss of income funded by reserves)	(49.0)
Workforce Transformation	Contribution to reserve for staff survey - bi-annual 2021-22	12.0
	First Quarter Transfers	192.3
	Sub-total	994.6
	Add: First Quarter Review underspend to capital reserve	220.0
	TOTAL POTENTIAL NET CONTRIBUTION TO/ (FROM) RESERVES	1,214.6

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 1 2020/21

		2020/21 Capital Budget	Total Programme Budget	Total Expenditure to end of Jun20	Total Expenditure to date	Expected Scheme Outturn	Variance
	Description	£000	£000	£000	£000	£000	£000
Prior year schemes:	New Operational Training Facility	3,446	11,000	1,897	9,859	12,100	1,100
	Chester Fire Station	4,014	5,810	1,145	3,360	6,200	390
	Crewe Fire Station	1,750	5,000	20	39	6,000	1,000
	Fire Station Modernisation Programme	2,250	8,500	1,260	3,203	8,500	-
	Fire Houses Refurbishment programme (3 year programme)	350	880	67	275	880	-
	ICT Review/Server Replacement Programme	-	99	-	73	73	(26)
	support vehicles replacement 2019-20 programme	-	60	-	46	60	-
	Animal Rescue Unit – 2019-20 scheme	-	30	-	-	-	(30)
	2 x Rapid Response Units – 2019-20 scheme	-	60	-	-	-	(60)
2020-21 Schemes	Telehandler 2020-21 scheme	85	85	-	-	85	-
	Replacement thermal image cameras (phased replacement)	28	28	26	26	26	(2)
	Operational Equipment - Coldcut	72	72	-	-	72	-
	Three New Appliances 2020-21 programme	780	780	-	-	780	-
	Support vehicles replacement 2020-21 programme	60	60	-	-	60	-
	Rapid response rescue units (13 units)	520	520	-	-	520	-
	Water carrier unit	140	140	-	-	140	-
	Rapid response rescue unit – wildfire unit kit out	25	25	-	-	25	-
	Wildfire unit – all terrain vehicle (ATV) and trailer	55	55	-	-	55	-
	Saffire system	100	100	-	-	100	-
	ICT Review/Server Replacement Programme	50	50	-	-	50	-
	Mobile data terminals	370	370	-	-	370	-
	Sub-total	14,095	33,724	4,415	16,882	36,097	2,373
In-year approvals:	None	-	-	-	-	-	-
	Total	14,095	33,724	4,415	16,882	36,097	2,373