

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 25TH NOVEMBER 2020
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCE REVIEW – QUARTER 2, 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 at mid-year.

Recommended: That Members

- [1] Note the forecast outturn position;
- [2] Approve the movement in reserves set out in Appendix 2; and
- [3] Approve the following, funded from in year existing budgets: -
 - a) additional fleece for operational firefighters - £38.5k
 - b) installation of PV panels at Middlewich, Sandbach and Tarporley - £22.5k
 - c) installation of PV panels at Widnes Community Safety Centre - £12.5k

Background

2. The Authority's vision, plans, policies, and organisational structures are 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 indication of the forecast level of expenditure when compared to the approved budget and capital programme.

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.
5. In terms of funding, the Government announced emergency local government funding for Covid-19 additional costs through S.31 grants. The Authority received £166,768 in 2019-20 as part of tranche one with tranche two funding of £793,795 received early in 2020-21. These grants have been used to fund the

associated additional costs such as PPE, cleaning products and resilience staff, as well as a loss of income and are taken into account in this report.

6. The following table shows the associated spend to date:

	£
Wholetime (Pay - overtime + NI costs)	199,860
Retained/On-call (pay incl. drill night compensation)	119,336
Resilience Firefighters (Pay & PPE)	238,880
Supplies & Services incl. IT, Cleaning and Equipment	<u>376,075</u>
	<u>934,151</u>

Future Funding Position

7. Looking to the future the pandemic will almost certainly affect the level of funding from Government and the local taxation going forwards. 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 any in-year deficit for 2020-21 to be spread over a three-year period to rectify the position. The position is identified as a significant risk in the Medium Term Financial Plan.

Forecast Revenue Spending

9. At the end of September 2020 there is a net forecast underspend of £225k 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 Second Quarter</u>	Original Budget £000	Forecast Spend £000	Variance £000
Firefighting and Rescue Operations	28,828	29,910	1,082
Protection	2,041	1,939	-102
Prevention	2,504	2,493	-11
Support Services	10,151	9,891	-260
Unitary Performance Groups	100	100	0
Centrally held costs & contingencies	773	824	48
Pension costs	1,029	1,028	-1
Capital Financing (incl. investment income)	404	404	0
Grants & contributions (including Covid-19)	-1,803	-2,898	-1,095
Movement in Reserves	803	916	114
Net Revenue Position	44,830	44,607	- 225
Funding:			
Business Rates S31 grants	-780	-780	-
Council Tax (precept)	-30,141	-30,141	-
Collection Fund Surplus (council tax)	-260	-260	-
Business Rates Retention scheme	-9,651	-9,651	-
Collection Fund Deficit (business rates)	-7	-7	-
Revenue Support Grant	-3,991	-3,991	-
Total Funding	-44,830	-44,830	-
Total (under)/overspend compared to quarter 1			-225

10. This takes the overall forecast outturn position to £445k, as follows:

<u>Revenue Budget Forecast Outturn</u>	(Under) / Over £000	<u>P&O Committee</u>
Quarter 1 - 30 th June 2020	(220)	4 th September 2020
Quarter 2 - 30 th September 2020	(225)	25 th November 2020
Cumulative amount for 2020-21	(445)	

11. The following details cover the key variances that are in addition to those reported at quarter one.
- 11.1 Within Firefighting and Rescue Operations, Service Delivery is reporting further overspends of £200k relating mainly to Covid-19, e.g. payment of overtime, additional payments to on-call firefighters and payments for the resilience firefighters, who dropped to on-call hours in August. The emergency local government funding re Covid-19 funded these costs until the end of August,

when the funding was fully utilised and at quarter two the additional costs are anticipated to continue at this level until January 2021.

- 11.2 Also within Firefighting and Rescue Operations, Operational Policy and Assurance (OPA) are reporting a forecast £115k underspend. The pandemic has had an impact on training. There was a suspension of training at the beginning of the pandemic until a method of Covid-19 safe delivery of courses could be established. This has resulted in savings of £30k including refreshments. The pandemic has also impacted on Hydrant work with in year savings of £20k. A review of staffing costs associated with the ESMCP project has resulted in savings of £64k. The refresh of the equipment / software in the ICT training suite following the building work at Sadler Road will be funded from income received in the past for training in the suite which was put aside for this purpose.
- 11.3 Protection is reporting a further £9k underspend at quarter 2 - £102k in total. As reported at quarter 1, the Authority has received an 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 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. The decision has now been made to use this funding to fund three posts for a year (split between 2020-21 and 2021-22).
- 11.4 Primary authority income is forecasting a shortfall of £32k as result of pandemic. In addition, there has been further delay in appointing to the 2 year fixed term Heritage Officer post resulting in the funding being carried forward in reserves to 2021/22 (£6.5k for quarter 2). This quarter the sprinkler contribution of £36k to Halton Housing has been made which was funded from the earmarked reserve.
- 11.5 For Prevention (excluding Safety Central) there is a forecast £40k overspend. This is due to the impact of pandemic and includes saving in costs associated with safe and well visits (£23k) coupled by delay in recruiting to vacancies (£25k) offset by shortfall in expected income (£44k); the creation of a Covid recovery post and the extension of On the streets posts (£28k). Other changes include continuation of running four Princes Trust teams only rather than the usual six.
- 11.6 Safety Central is reporting an underspend of £22k. The initial closure of the centre at Lymm due to the pandemic has resulted in lower maintenance costs, coupled with delay in obtaining contracted equipment maintenance has saved £31k. In addition, there has been staff savings (£5k) offset by electricity costs expected to be in line with previous years, which is £14k above the existing budget. This is based on splitting the electricity at the Lymm site 70% Safety Central and 30% fire station. Once a sub meter is set up that enables the costs to be split accurately any permanent impact will be included in the budget setting process.
- 11.7 Support Services are forecasting a further underspend at quarter 2 with the main changes reported below.
 - a) ICT savings identified of £36k due to the change in the implementation date of the Office 365, partly offset by additional budget requirement for annual MTI Healthcheck (£11k).

- b) People and Development have an underspend of £21k, which relates to employees' agile working costs £44k and flu vaccination costs £3k. These are offset by an underspend in corporate training costs of £50k mainly due to Covid-19 restrictions and courses not running - although some training has been done on-line; payroll contract £8k less than budget; and a reduction in costs for HR system following purchase of a perpetual view licence.
- c) Property Management is reporting saving of £10k on grounds maintenance plus additional By-Box income of £2k. This is offset by additional costs relating to furniture and equipment required due to Covid-19.
- d) Additional pay costs in Democratic Services due to maternity leave cover and agency staff covering vacant posts has brought cost pressures of £31k but this is more than offset by underspends in Member Services.
- e) Communications underspend on corporate events of £16k is due to Covid-19 restricting activity and cancelled events. In addition, the choir has also been impact by the pandemic and their forecast savings of £10k have been transferred to reserves with the hope that activity can fully resume in 2021/22.
- f) Transport has a saving of £36k, which includes underspend on fuel of £52k due lower fuel prices and lower business mileage as a result of Covid-19; lease car contributions above budget by £35k due to higher number of officer's retaining leased vehicles than anticipated, offset by the anticipated purchase of seven vehicles from the leasing company £63k.

11.8 Grants and other contributions show the additional funding received since the budget was approved in February 2020. Although a pension grant was anticipated, the actual allocation is £301.4k higher. The Government has also provided additional support in relation to pandemic spending pressures of £793.8k which has been fully utilised in year.

12. In summary, the overall position at the second quarter is for a forecast underspend to the year end of £425k (1%) when compared to the original budget approved by the Authority. The position will continue to be monitored during the remaining of the year.

In year bids

13. An in year revenue bid has been received for additional thermal fleeces for operational staff as part of their duty rig uniform. It has been identified that during the winter months the soft-shell jacket currently provided did not offer sufficient warmth during activities where they would be working outside. They have already been issued one thermal fleece for use under the technical jacket when needed. It was agreed that operational staff could use the thermal fleece provided as part of their duty rig until spring 2020 and a replacement could be procured. A working group look at various options and another thermal fleece provides not only the thermal qualities needed for exterior work, but is compatible with our current

technical jacket. A bid for 770 thermal fleeces with embroidered logo is made at a total cost of £38.5k to be funded from existing budgets in year.

14. A second in year bid has been submitted for a capital scheme for energy and carbon emissions reduction measures by installation of solar photovoltaic (PV) panels at Middlewich, Sandbach and Tarporley Fire stations at a cost of £7.5k per station, total of £22.5k. By fitting self-generating solar PV panels, the stations can generate much of the energy consumption of the individual station. Payback period is approximately 10 years.
15. A similar project at Widnes community safety centre (a building within the grounds of Widnes Fire Station) is also proposed, but to generate the similar amount of energy the cost for the installation of PV units there would be £12.5k; which means the payback period is longer at approximately 17 years.
16. The above PV items can be funded from existing budgets in year with the reduction in on-going electricity costs captured in the 2021-22 budget setting process.

Capital Programme

17. At the end of September 2020, the Authority's approved capital programme is £33.724m with a forecast outturn spend of £36.245m – an overspend of £2.521m. Details of all the capital schemes are shown in Appendix 3.
18. The contractor, ISG is continuing to develop the new training centre at the Sadler Road site with the final finishes to the site now underway. By the time that Members deal with this report the training centre will be complete and handed over by the contractor.
19. The estimated outturn position is now £12.2m, which has increased by £137k for when it was reported last quarter. A number of factors are responsible for this increase, e.g. additional fees due to Covid-19 project and these will be considered in the coming months as the final account is settled on the Authority's behalf by its external advisers.
20. The Covid-19 mitigation measures put in place by the contractor teams working at Chester, along with strategic alterations to the works programme, have allowed construction teams to make significant progress on Chester's new community fire station despite the pandemic. Until the second lockdown began, the team had made up the delays which occurred at the start of the first lockdown. Unfortunately, similar issues with staffing and material shortages have resurfaced and it is unclear at this point what impact this will have.
21. The original budget for Chester will be exceeded, but this has been reported previously.
22. Year 2 of the Fire Station Modernisation Programme is underway, which will see works at Audlem, Holmes Chapel, Northwich and Widnes. Whilst the Programme is delivering significant improvements to the fire stations, there is a concern about the level of spend and it will be important for Members to consider the amount and method of funding for the remainder of the Programme.

23. Crewe Fire Station costs relate to the initial feasibility and high level design stages. The second quarter has seen some more design costs as the fire only building is scoped out. Further reports will be submitted to Members as the scheme progresses. Recently, the Estates and Property Committee determined which option they preferred and have recommended to the Fire Authority that it allocates an additional £2m to this project.

Financial implications

24. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

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CHESHIRE FIRE AUTHORITY QUARTER 2 2020/21

	Original Budget £000	Forecast Spend £000	Income/ expenditure variance £000
Firefighting and rescue operations			
Service Delivery	23,840	24,376	536
Operational Policy and Assurance	4,988	5,534	546
Protection	2,041	1,939	-102
Prevention			
Community Safety	2,053	2,067	14
Safety Central	451	426	-25
Support Services			
Executive Management	1,066	1,015	-51
Workforce Transformation	223	209	-14
Property Management	1,705	1,707	2
Finance	400	398	-2
ICT	1,769	1,676	-93
Legal and Democratic Services	540	538	-2
People and Development	1,704	1,687	-17
Planning, Performance & Communications	952	965	13
Procurement and Stores	236	234	-2
Fleet services	1,556	1,462	-94
Unitary Performance Groups	100	100	-
Corporate Finance costs			
Centrally held costs & contingencies	774	822	48
Pension costs	1,029	1,028	-1
Capital Financing (incl. investment income)	404	404	-
Grants and contributions (incl. Covid-19)	-1,803	-2,898	-1,095
Total Service Expenditure	44,028	43,689	-339
Movement in Reserves	802	916	114
	44,830	44,605	-225
Funding:			
Council Tax	-30,141	-30,141	-
Collection Fund Surplus (council tax)	-260	-260	-
Business Rates Retention scheme	-9,651	-9,651	-
Collection Fund Deficit (business rates)	-7	-7	-
Business rates S.31 grant	-780	-780	-
RSG	-3,991	-3,991	-
Total Funding	-44,830	-44,830	-
Forecast Net Underspend – Quarter 2			-225

MOVEMENT IN RESERVES 2020/21**Appendix 2**

<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
		192.3
Add: First Quarter Review underspend to capital reserve		220.0
First Quarter Transfers		412.3
<u>Q2 Contributions to/(from) Reserves</u>		
Corporate Finance Costs	COVID-19 grant received 2019-20	(166.8)
OPA	Operation Equipment projects from reserve –radio equipment	(146.0)
OPA	Operation Equipment projects from reserve – hose reels	(7.1)
OPA	Command Training Suite ICT Upgrade	(50.0)
OPA	OPA ESN SMA post (ESMCP)	(3.1)
Protection	Heritage Officer post – delay in recruitment saving to reserves	6.5
Protection	Building Risk Review Programme (2021-22 element of spend)	19.9
Protection	Protection Uplift Programme (2021-22 element of spend)	86.5
Protection	Sprinkler contributions	(36.0)
Prevention	Fire safe research - transfer from reserve	(15.0)
Prevention	Road safety team-temp structure	5.3
Prevention	On the street project – phase 2	(3.1)
Communications	Choir – transfer to reserve	10.0
Second Quarter Transfers		(298.9)
Total Reserve Movement pre MYR forecast outturn		915.7

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 2 2020/21

Description		2020/21 Capital Budget £000	Total Programme Budget £000	Total Expenditure to end of Sept20 £000	Total Expenditure to date £000	Expected Scheme Outturn £000	Variance £000
Prior year schemes:	New Operational Training Facility	3,446	11,000	2,991	10,952	12,237	1,237
	Chester Fire Station	4,014	5,810	2,035	4,250	6,212	402
	Crewe Fire Station	1,750	5,000	31	51	6,000	1,000
	Fire Station Modernisation Programme	2,250	8,500	1,452	3,395	8,500	-
	Fire Houses Refurbishment programme (3 year programme)	350	880	123	332	880	-
	ICT Review/Server Replacement Programme	-	99	-	73	73	(26)
	support vehicles replacement 2019-20 programme	-	60	14	60	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	333	333	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	7,005	19,472	36,245	2,521
In-year approvals:	None	-	-	-	-	-	-
	Total	14,095	33,724	7,005	19,472	36,245	2,521