

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 24TH FEBRUARY 2021
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCE REPORT – QUARTER 3, 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 the end of the third quarter.

Recommended: That Members

- [1] Note the forecast outturn position; and
- [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 indication of the forecast level of expenditure when compared to the approved budget and capital programme as at the end of December 2020.

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 Section 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 helped towards the funding of the associated additional costs such as PPE, cleaning products and resilience staff.

6. The following table shows the associated spend to end of December:

	£
Whole-time (pay - overtime + NI costs)	275,380
Retained/On-call (pay incl. drill night compensation)	168,737
Resilience Firefighters (pay & PPE)	249,340
Supplies & Services incl. IT, Cleaning and Equipment	410,710
	<u>1,104,167</u>

7. More recently, the Government has paid compensation towards the loss of income the Authority has experienced due to Covid. The Authority received £23,438 in November relating to losses in April to July 2020 and in December, the Authority submitted a £28,500 claim for losses incurred during the period August to November 2020. A further £30,000 claim is anticipated at year-end for the last four months of the year. The three quarter review forecasts shown in this report include this compensation.

Forecast Revenue Spending

8. At the end of December 2020 there is a net forecast underspend of £238k for Quarter 3 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 Third Quarter</u>	Original Budget £000	Forecast Spend £000	Variance £000
Firefighting and Rescue Operations	28,836	30,073	1,237
Protection	2,045	1,854	-191
Prevention	2,486	2,440	-46
Support Services	10,156	9,741	-415
Unitary Performance Groups	100	100	-
Centrally held costs & contingencies	770	689	-81
Pension costs	1,033	940	-93
Capital Financing (incl. investment income)	404	404	-
Grants & contributions (including Covid-19)	-1,803	-2,978	-1,175
Movement in Reserves	803	1,329	526
Net Revenue Position	44,830	44,592	- 238

<u>Summary for 2020-21 Third Quarter</u>	Original Budget £000	Forecast Spend £000	Variance £000
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 2	-238
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9. This takes the overall forecast outturn position to £683k underspend, as follows:

<u>Revenue Budget Forecast Outturn</u>	<u>(Under) / Over £000</u>	<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
Quarter 3 – 31 st December 2020	(238)	24 th February 2021
Cumulative amount for 2020-21	<u>(683)</u>	

10. The following paragraphs explain the significant changes to the forecast outturn position since mid-year review.
- 10.1 Within Firefighting and Rescue Operations, Service Delivery is reporting further overspends of £345k relating mainly to Covid-19, e.g. payment of overtime, additional payments to on-call firefighters and payments for the resilience firefighters; costs are anticipated to continue at this level until March 2021. The specific Covid-19 funding has helped mitigate these costs and this is shown on the Grants and Contributions line in the summary table at the start of the report. Service provision has been maintained throughout the quarter.
- 10.2 Also within Firefighting and Rescue Operations, Operational Policy and Assurance (OPA) are reporting a forecast £87k underspend. Of particular note this quarter is the receipt of £84k Grenfell Infrastructure funding in November. This grant is to support delivery of lessons learnt and relevant recommendations of Grenfell Tower Inquiry phase 1 report. The grant will be used to fund a post for five months and purchase of equipment (including 51mm delivery hose / hose straps / smoke curtains / smoke hoods). It should be noted that some of this expenditure will fall into 2021-22 and the funding will be carried forward accordingly.
- 10.3 There is an on-going underspend within OPA on training which has been delayed due to the pandemic, part of which will be carried forward to fund the courses which have been deferred to 2021-22. Following the build of the new training facilities, an upgrade of Incident Command Training Suite is nearly complete and is being funded from the external training income reserve (£38k costs in addition to the £50k reported quarter 2).
- 10.4 Protection is reporting a further underspend of £61k. This is mainly because of delayed appointments and unspent staff non-pay budgets as changing working practices due to Covid-19. Funding of £49k set aside in earmarked revenue reserves no longer required for their original purpose, has been placed in the capital reserve.
- 10.5 For Prevention (excluding Safety Central) there is a forecast £17k underspend. This is mainly due to the impacts of the pandemic and includes saving in costs associated with safe and well visits (£20k) coupled by delay in recruiting to vacancies offset slightly by shortfall in expected income. Cadet teams are still not able to run giving a further £11k savings.

- 10.6 Safety Central is reporting a further underspend of £16k. The closure of the centre at Lymm due to the pandemic has resulted in lower premises maintenance costs and cleaning. There are potential costs of approximately £3k for trial works to the site for planting trees to create a distinct boundary between the Authority's site and the neighbouring lorry park, aiming to hide the increased and expansion of activity on the lorry park.
- 10.7 Support Services are forecasting a further underspend at quarter 3 with the main changes reported below.
- a) People and Development have a forecast overspend of £69k, which relates to a further £33k for agile working costs in addition to the £44k reported at quarter 2. Payment of £7k to the Authority's external pension provider for the work related to the Guaranteed Minimum Pension (GMP). This work relates to a review of the figures and a reconciliation process to equalise member. Additional pay costs have been incurred for the apprentices, who have become trainee firefighters from the beginning of January, once they have completed their training, will transfer to Service Delivery as operational firefighters in May 2021.
 - b) Property Management is reporting an additional £50k for feasibility work at Wilmslow for a Wilmslow Emergency Services Facility, reported to Estates and Property Committee in November to be funded from 2020-21 underspend. In addition, business rates for Chester station are suspended while it is being rebuilt saving £57k and a refund of £20k has been secured following the appeal on the business rates at Powey Lane site.
 - c) Customer Services anticipate a £70k underspend on corporate photocopying, printing and postage cost, part of these savings are on-going and will be built into the 2021-22 budget. Similarly, in Corporate Communications £24k savings are anticipated for the current year. Corporate events have significantly been affected by Covid-19 with £16k underspend reported at quarter 2 and by the end of December, a further £12.5k saving is anticipated.
 - d) ICT have identified savings of £76k from phones mainly due to changes in contracts. These savings are partly offset by £15k additional software cost for the new training centre and Netmotion costs from November 2020. Additional costs of £18k have been incurred following the SMT paper in October approving the purchase of 19 San-J radios for on-call appliances and the on-going monthly airwaves fees for these radios.
 - e) Transport is forecasting a saving of £62k which includes a further underspend on fuel of £25k due to lower fuel prices and lower business mileage because of Covid-19. This has also resulted in reduced repairs and tyre costs. Additional £8k income anticipated from the sale of end of life vehicles.
 - f) In the original Fleet budget, there was £52k for hire of a high reach extending turret vehicle prior to decision on purchase. With the review of the overall fleet, the need to hire has not been required so these funds will be transferred to the capital reserve to contribute to the eventual purchase costs when a decision has been made. The budget also included £14k for Welfare/ Major Incident Unit kit out, which is now anticipated to occur in 2021-22 and the funds will be carried forward accordingly.

11. In summary, the overall position at the end of the third quarter is for a forecast underspend to the year-end of £683k (1.5%) when compared to the original budget approved by the Authority. The position will continue to be monitored during the remaining of the year.

Capital Programme

12. At the end of December 2020, the Authority's approved capital programme is £38.724m with a forecast outturn spend of £40.290m – an overspend of £1.566m. Details of all the capital schemes are shown in Appendix 3.
13. After four years in design, planning and construction, the new 'state of the art' Training Centre at Sadler Road is now complete and following a period of familiarisation is now being used for training.
14. The new community fire station at Chester is now complete and is now operational.
15. The Year 2 Modernisation Programme is underway, with works at Widnes and Northwich on-site and works at Holmes Chapel and Audlem due to start in March 2021.
16. A report was presented to the Estates and Property Committee (6th November 2020) with a recommendation that the Authority allocate a further £3m to the Fire Station Modernisation Programme to fund year 3 of the programme, giving a revised budget of £11.5m. The Authority approved this at its December 2020 meeting.
17. Crewe Fire Station costs relate to the initial feasibility and high-level design stages as the Fire only building options are scoped out. During the third quarter, the feasibility reports and options were presented to the Estates and Property Committee (6th November 2020) with a recommendation that the Fire Authority allocate a further £2m to the project, giving a revised budget of £7m. The Authority also approved this at its December 2020 meeting. Further reports will be submitted to Members as the scheme progresses.

Financial implications

18. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

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CHESHIRE FIRE AUTHORITY QUARTER 3 2020-21

	Original Budget £000	Forecast Spend £000	Income/ expenditure variance £000
Firefighting and rescue operations			
Service Delivery	23,842	24,718	876
Operational Policy and Assurance	4,994	5,355	361
Protection	2,045	1,854	-191
Prevention			
Community Safety	2,043	2,038	-5
Safety Central	443	402	-41
Support Services			
Executive Management	1,068	1,026	-42
Workforce Transformation	224	190	-34
Property Management	1,705	1,744	39
Finance	400	398	-2
ICT	1,768	1,627	-141
Legal and Democratic Services	541	570	29
People and Development	1,704	1,756	52
Planning, Performance & Communications	952	860	-92
Procurement and Stores	236	234	-2
Fleet services	1,558	1,336	-222
Unitary Performance Groups	100	100	-
Corporate Finance costs			
Centrally held costs & contingencies	770	689	-81
Pension costs	1,033	940	-93
Capital Financing (incl. investment income)	404	404	-
Grants and contributions (incl. Covid-19)	-1,803	-2,978	-1,175
Total Service Expenditure	44,027	43,263	-764
Movement in Reserves	803	1,329	526
	44,830	44,592	-238
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 3			-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

Quarter 1 Contributions to/(from) Reserves

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	219.5
	First Quarter Transfers	411.8

Quarter 2 Contributions to/(from) Reserves

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
		(298.9)
	Add: Second Quarter Review underspend to capital reserve	224.6
	Second Quarter Transfers	(74.3)

<u>Department</u>	<u>Description</u>	TOTAL £000
<u>Quarter 3 Contributions to/(from) Reserves</u>		
Service Delivery	Gartan development	5.7
OPA	Grenfell Infrastructure fund	14.8
OPA	Operation Equipment to/(from)reserve – uniform	15.5
OPA	Operational Training Courses - Incident Command training	105.0
OPA	Upgrade of Incident Command Training Suite	(38.0)
Protection	Heritage Officer post – delay in recruitment saving to reserves	6.5
Protection	Protection Uplift Programme (2021-22 element of spend)	31.0
Protection	Fire Safety Order – Prosecutions cost from reserve	(11.3)
Protection	Fire Safety Order – Prosecutions income to reserve	2.2
Protection	Fire Service Accreditation – reserve no longer required	(18.0)
Protection	Organisational Performance WMB post, no longer required	(31.4)
Protection	Realign above two transactions to capital reserve	49.4
Prevention	Road safety team-temp structure	1.3
Workforce Transformation	Sponsorship -local charity Motherwell	(2.0)
Property Management	Reduction of RHI Income to Environment Reserve	(5.0)
Property Management	New Training Centre Sculpture - cost of a curator	(1.7)
Fleet	Transfer to HRET capital reserve	52.0
Fleet	2020-21 project Welfare/ Major Incident Unit kit out- delayed	14.0
Third Quarter Transfers		190.0
Total Reserve Movement pre Qtr 3 forecast outturn		1,329.8

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 3 2020-21

Description		2020-21 Capital Budget £000	Total Programme Budget £000	Total Expenditure to end of Dec20 £000	Total Expenditure to date £000	Expected Scheme Outturn £000	Variance £000
Prior year schemes:	New Operational Training Facility	3,446	11,000	4,026	11,987	12,278	1,278
	Chester Fire Station	4,014	5,810	3,593	5,808	6,215	405
	Crewe Fire Station	1,750	7,000	35	55	7,000	-
	Fire Station Modernisation Programme	2,250	11,500	1,486	3,428	11,500	-
	Fire Houses Refurbishment (3 year programme)	350	880	386	594	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	-	3	370	-
	Sub-total	14,095	38,724	9,902	22,368	40,290	1,566
In-year approvals:	None	-	-	-	-	-	-
	Total	14,095	38,724	9,902	22,368	40,290	1,566