

CHESHIRE FIRE AUTHORITY

MEETING OF: PERFORMANCE AND OVERVIEW COMMITTEE
DATE: 8 SEPTEBER 2021
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: FINANCE REPORT, QUARTER 1, 2021-22

Purpose of report

1. The report provides a review of the Service's forecast financial outturn and reports on the progress against 2021-22 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 10th February 2021 the Authority approved the 2021-22 revenue budget of £46.21m together with a 2021-22 capital programme of £8.2m. 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 Service has continued to serve the public throughout the Coronavirus Pandemic; continuing to provide all the essential services, expected of it. Additional costs and a reduction of income fell mainly into 2020-21, following the Prime Minister's Pandemic-related speech on 24th March 2020 and the introduction of the lockdown rules. Some additional costs are continuing into 2021-22 such as additional PPE, cleaning products, waste disposal, and resilience firefighters.
5. In addition to the above spend, there is also financial impact on the Authority's funding as a direct result of the Pandemic. Local funding

comes from two sources – council tax and business rates. These are collected by the four unitary authorities who pay the Authority their share throughout the year. Should the actual performance during the year vary from the budgeted position, surpluses or deficits are created which again, the Authority either receives or repays its share.

6. The Coronavirus Pandemic has had a significant impact on the collection performance of the Cheshire authorities in terms of both council tax and business rates in 2020-21. Under normal regulations, the Authority's share of these deficits would need to be repaid in full during 2021-22, however the Government permitted these to be spread over three years. As things currently stand, this will only apply to the 2020-21 deficits.
7. The Coronavirus Pandemic impact on funding has been built into the budget for 2021-22, and the Medium Term Financial Plan

Forecast Revenue Spending

8. At this early stage of the financial year, one of the main variations relates to the pay award for operational staff of 1.5% from the beginning of July 2021. The cost of this had not been included in the 2021-22 budget and therefore the financial impact is an additional cost of £287k (full year equivalent of £383k). Pay awards for other employee groups have yet to be agreed.
9. There is also a projected shortfall on Business Rates S.31 grant of £535k, which is explained later in the report. After all forecast variations in spending are included, the overall total is for a projected overspend of £709k. This is before any further movement in Reserves, beyond those proposed in this report. Although this projected overspend is a significant figure, it is based on forecasts made at an early stage of the financial year and a clearer position will emerge as the year progresses.
10. To meet this shortfall, a review of earmarked reserves could be undertaken to identify an offsetting amount to be transferred to the revenue account. However, in the view of the Treasurer it is not necessary to take this decision at the present time. This forecast is at an early stage of the financial year and there are likely to be further, as yet unidentified, variations in spending during the year. If subsequent financial monitoring reports were to identify an overall forecast underspend, this can be used to absorb the potential additional costs identified in this report.
11. It is proposed that the position be kept under review and re-assessed as part of the quarterly budget monitoring reporting process. If the revenue account remains in an overspend position by the end of the financial year, proposals relating to an appropriate transfer from earmarked reserves can be made at that time.

12. The table below summarises the forecast position with some of the key reasons shown in the following narrative and with further details in Appendix 1. Proposed movements to and from Reserves are itemised in Appendix 2.

<u>Summary for 2021-22 First Quarter</u>	Original Budget £000	Forecast Spend £000	Variance £000
Firefighting and Rescue Operations	28,238	28,558	320
Protection	1,819	1,843	24
Prevention	2,378	2,406	28
Support Services	10,491	10,569	78
Unitary Performance Groups	100	100	-
Centrally held costs & contingencies	678	981	303
Pension costs	716	569	(147)
Capital Financing (incl. investment income)	1,136	1,136	-
S.31 Grants	(2,104)	(2,104)	-
Movement in Reserves – capital	1,544	1,572	28
Movement in Reserves – revenue	1,207	749	(458)
Net Revenue Position	46,203	46,379	176
Funding:			
Revenue Support Grant (RSG)	(4,013)	(4,013)	0
Business Rate Retention Scheme	(9,698)	(9,698)	0
Council Tax Precept	(30,787)	(30,789)	(2)
Business Rates S.31 grant	(1,341)	(806)	535
Collection Fund Deficit (business rates)	2,031	2,031	0
Collection Fund deficit (council tax)	84	84	0
Collection Fund deficit S31 grant	(1,974)	(1,974)	0
Local Council Tax support grant	(505)	(505)	0
Total Funding	(46,203)	(45,670)	533
Total forecast overspend			709

Funding variations

13. The Authority issued precept demands amounting to £30.787m to the Cheshire authorities. Halton Borough Council has since indicated that the Authority's precept income will increase by £2.3k due to a small increase in the council tax base compared to that previously notified.
14. At budget setting there was some uncertainty over the level of business rates, the impact of Covid-19 and the level of Government support that would be provided. The Authority's budget anticipated Business Rates Section 31 grant of £1.341m, whereas current indications are that the amount received is likely to total £0.806m. This matches the four local authorities' returns and reflects the impact the Pandemic has had. Work is on-going to ensure the estimates for future years are robust and kept in line with the most up to date information from the four local authorities.

Firefighting & Rescue Operation variations

15. Within Firefighting and Rescue Operations, Service Delivery has incurred various additional costs relating to Covid-19, including overtime, additional payments to on-call firefighters and costs relating to resilience firefighters. The total cost of Covid-19 within Service Delivery is £200k. It is proposed that grant money received at the end of 2020-21 and which was carried forward into 2021-22, be utilised to offset this expenditure.
16. Other additional expenditure relates to running over establishment to maintain service levels, resulting in forecast costs of £12k. In addition, business rate refunds have benefitted the Service amounting to £84k. The cost of securing these refunds in respect of the use of property consultants engaged to act on the Authority's behalf, has been met from the Property Management budget, as this service has coordinated the exercise.
17. Also within Firefighting and Rescue Operations, Operational Policy and Assurance are reporting some slippage of one-off projects approved in 2020-21, which are now anticipated to proceed or be completed this year. These include replacement compressed air regulators of £10k, foam inductors of £15k, alcohol resistant film forming foam of £15k, wildfire capability equipment of £44k and additional thermal fleeces of £27k. A number of items of wildfire firefighting equipment have recently been delivered to Congleton, Macclesfield, Poynton and Bollington fire stations as part of the rollout of the IRMP project. This includes the Forced Air Firefighting Unit (FAFU): crews will now be given familiarisation training, and operational input on the use of the equipment before it goes live, leading to Cheshire's enhanced Wildfire capability.
18. Now that the training facility is operational, there is no longer a requirement for a reserve held for the restatement of the Manchester Airport site. It is proposed that the funds amounting to £45k be transferred to the Capital Reserve to meet future capital expenditure.
19. Notification of the 2021-22 New Dimensions Grant of £7k has been received. This is income that is additional to that budgeted and therefore it is proposed that these funds be transferred to Reserves to part fund the future operational equipment programme.
20. Additional pay costs are anticipated of £9k, due to the planned recruitment of an additional driving instructor.

Protection Service variations

21. Protection have agreed two contracts to release contributions of £36k each for sprinkler projects supporting Guinness Housing Trust and Onward Housing. A specific Reserve exists to fund such projects and it is therefore proposed to transfer £72k from this Reserve accordingly. Overall, forecast expenditure on the Protection Service is showing a slight overspend of £7k as a result of income for primary authority work being below budget for the first quarter.

22. In terms of the protection uplift programme, it is proposed that £72k be transferred to a Reserve to meet costs that are anticipated in 2022-23. This protection uplift 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 balance of the protection work grant received in 2020-21 is being utilised to fund a post for the beginning of 2021-22.

Prevention Service variations

23. For the Prevention Department, Covid-19 resulted in a reduction in “business as usual” activities during the first quarter of 2021-22: e.g. there have not been any Prince’s Trust teams running at Chester, Ellesmere Port and Crewe for the first quarter and there has been the cancellation of the cadet’s camp. These have a neutral position on the budget. Anticipated savings of £52k have been forecast due to additional vacant posts for advocates and home safety advisors.
24. Costs of a new temporary staffing structure within the road safety team, and exit costs relating to the phase two team of “On the Streets” coming to the end of their project, were both anticipated at the end of the last financial year. Amounts were carried forward in Reserves and it is now proposed that these be used to meet this 2021-22 expenditure.
25. The temporary Covid-19 recovery officer post is to be extended to the end of December 2021 resulting in additional cost of £45k. A number of staff have been supporting the National Vaccination programme, including vaccination sites at Chester Racecourse and Ellesmere Port Civic Hall. This has resulted in additional cost for Fire of £82k, which will be reimbursed by the NHS.
26. The costs of Safety Central include an allocation of external funding of £14k (Crimebeat and SP Energy) to meet in year costs. It is proposed that a transfer from reserves of £19k be made to fund the interactive video refresh.

Support Service variations

27. Executive Management have purchased some additional microphones for meetings to allow social distancing, partly offset by some savings within supplies and services.
28. The Property Service is projecting an overspend, partly due to the use of business rates consultants (referred to earlier) at a cost of £14k and additional restaurant fees of £7k. There has also been additional spending of £23k on an environmental project; solar PV installations at Middlewich, Sandbach and Tarporley. This project was approved last year and it is proposed that a contribution from reserves of £23k be made to meet these costs.

29. Expenditure on ICT is forecast to reduce as a result of a £34k saving on Microsoft operating system costs (including part year security licences) and an anticipated £65k saving on network provider costs for phones due to achievement of cheaper new contracts.
30. Democratic Services will be taking on an Executive support apprentice for 18 months, to partly cover maternity leave and to give some resilience to the team. This cost is partly offset by savings in Member Services relating to Covid-19 (travel, conferences and seminars).
31. The projected costs of People and Development include additional Covid-19 costs of £3k. There are also projected additional costs relating to a new post (£61k) and art work at the new training centre (£10k). It is proposed that a contribution of £71k be made from an earmarked reserve to meet these costs.
32. Planning, Performance and Communications is reporting additional costs of £52k relating to the appointment of an interim Head of Corporate Communications, employed ready for the Corporate Communications team coming out of the Bluelight joint services and to work on the transition. This is slightly offset by an £8k reduction in corporate postage charges.
33. Transport is anticipating savings of £73k; including fuel savings of £40k mainly Covid-19 related offset by the impact of a significant increase in fuel prices. The final finance lease payment for a 'curtainsider' vehicle was made last year, resulting in a budget saving this year of £14k. Lease car contributions income is higher by £25k, offset partly by external consultant costs.

Centrally held cost variations

34. As mentioned earlier in the report, a 1.5% pay award has been agreed for operational staff, at a cost of £287k in year and this is shown within the centrally held cost totals. Pay awards for other staff within the service are not currently anticipated within these forecasts and remain under review as negotiations continue.
35. There are projected to be additional costs of the external audit service as a result of additional work arising from the updated auditing standards and these are likely to amount to £16k.

Pension cost variations

36. There are costs relating to pension schemes that will be incurred in 2021-22. It is forecast that ill health pension costs will amount to £160k. There is an earmarked Reserve to smooth out the impact of such costs and it is proposed that £160k be taken from this Reserve.
37. Every three years there is an actuarial review of the Local Government Pension Scheme. This review sets the employers' contribution rate and

any payment requirements to meet predicted shortfalls. The revenue budget includes a provision for such payments. As these will not arise until the next valuation in April 2023 it is proposed to transfer £291k to an earmarked reserve. This reserve will be used to fund any one-off payments required at that point.

Contributions to/from Reserves

38. In addition to the proposals identified in the above narrative, it is proposed that funding held in a Reserve for thermal image cameras (a capital programme item) be transferred from earmarked revenue reserves to the capital reserve. The overall total of proposed movements on Reserves in the first quarter amount to a net contribution from Reserves of £432k. A full list of the proposed contributions to and from Reserves is set out in Appendix 2.

Capital Programme

39. At the end of June 2021, the Authority's approved capital programme is £39.675m with a forecast outturn spend of £41.410m – an overspend of £1.735m, mainly in relation to the major schemes as previously reported. Details of all the capital schemes are in Appendix 3.
40. Year Two of the fire station modernisation programme has now reached its practical completion at Northwich, Widnes, Audlem and Holmes Chapel fire stations. Throughout the programme the team has worked closely with station staff, architects and construction teams to create a working environment that is fit for a modern day fire and rescue service.
41. The design is bespoke to each fire station and incorporates new community facilities with separate pedestrian access and self-contained welfare. The community rooms are fitted with new AV equipment, which will enable their use as training rooms for operational staff and provides a modern meeting facility. The fire station environment has benefitted in all areas - with new floor coverings, ceiling grids, internal doors and painting and decorating throughout.
42. Environmental improvements have been included within the modernisation programme resulting in the increased thermal values in roof coverings, the installation of double glazed doors, windows and improvements to heating and lighting systems. Operational areas of the modernised fire stations have benefitted from the installation of a slip resistant flooring within the appliance bays, new appliance bay doors and improvements to locker rooms, PPE storage and the addition of new furniture. The programme has further delivered new gym facilities providing a purpose built environment for staff to exercise in.
43. Year Three of the fire station modernisation programme is now underway, which will see investment in the fire stations at Ellesmere Port, Knutsford, Malpas and Congleton.

44. Plans are now well underway to build the new Crewe Community Fire Station at Macon Way in Crewe. A number of options have been discussed with staff across various departments that work at the current facility; this engagement has shaped the layout of the building and was used in the procurement process held during April 2021. The contract has been awarded to ISG, a company that the Service has worked with previously on several other new fire stations across the Authority's area as well as the safety centre and training facility at Sadler Road.
45. The planning application was submitted in August and a decision is awaited. Transition plans are also being developed to relocate staff from the fire station across Cheshire East to provide continuity of their departmental work with operational crews (and two fire engines) being based in a temporary fire station on the same site at Macon Way for the duration of the build.
46. It is anticipated that the current fire station at Crewe will be demolished in March 2022 and the new community fire station completed in March 2023.
47. The order has been placed for new high reach fire engine (HRFE) that is expected to be delivered around September 2021, at which time it will be customised to the service's specification and the training for Nucleus and On Call crews at Macclesfield fire station will begin.
48. Three new fire appliances arrived in workshops in June, where they were acceptance tested prior to delivery to station at Chester, Crewe and Runcorn in line with the fleet rotation programme.
49. As part of on-going investment, two additional appliances were ordered in June for delivery in February 2022. These two Scania pumping appliances are part of the 2021-22 capital scheme.

Financial implications

50. This report considers financial matters.

Legal Implications

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

Equality and diversity implications

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

Environmental implications

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

BACKGROUND PAPERS: NONE

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Appendix 1

CHESHIRE FIRE AUTHORITY QUARTER 1 2021-22

	Original Budget £000	Forecast Spend £000	Income/ expenditure variance £000
Firefighting and rescue operations			
Service Delivery	23,198	23,405	207
Operational Policy and Assurance	5,040	5,153	113
Protection	1,819	1,843	24
Prevention			
Community Safety	1,946	1,956	10
Safety Centre	432	450	18
Support Services			
Executive Management	1,155	1,160	5
Workforce Transformation	227	230	3
Property Management	1,704	1,747	43
Finance	432	432	-
ICT	1,903	1,879	(24)
Legal and Democratic Services	578	584	6
People and Development	1,746	1,820	74
Planning, Performance & Communications	939	983	44
Procurement and Stores	311	311	-
Fleet services	1,496	1,423	(73)
Unitary Performance Groups	100	100	-
Corporate Finance costs			
Centrally held costs & contingencies	678	981	303
Pension costs	716	569	(147)
Capital Financing (incl. investment income)	1,136	1,136	-
S.31 Grants (incl. Covid-19)	(2,104)	(2,104)	-
Total Service Expenditure	43,452	44,058	606
Movement in Reserves	2,751	2,321	(430)
	46,203	46,379	176
Funding:			
Revenue Support Grant (RSG)	(4,013)	(4,013)	-
Business Rate Retention Scheme	(9,698)	(9,698)	-
Council Tax Precept	(30,787)	(30,789)	(2)
Business rates S.31 grant	(1,341)	(806)	535
Collection Fund Deficit (business rates)	2,031	2,031	-
Collection Fund deficit (council tax)	84	84	-
Collection Fund deficit S31 grant	(1,974)	(1,974)	-
Local Council Tax support grant	(505)	(505)	-
Total Funding	(46,203)	(45,670)	533
Forecast Net overspend			709

Appendix 2

MOVEMENT IN RESERVES 2021-22

<u>Department</u>	<u>Description</u>	TOTAL £000
Corporate Finance Costs	Contribution to Capital	1,544.0
Corporate Finance Costs	Business Rates Collection Fund deficits reserve	1,151.0
OPA	Operation Equipment replacement carbon monoxide alarms	(7.1)
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 2021-22 Budget	2,751.4
 <i>Q1 Contributions to/(from) Reserves</i>		
Corporate Finance Costs	Ill Health pension costs	(160.0)
Corporate Finance Costs	Covid-19 grant received 2020-21	(257.0)
Corporate Finance Costs	LGPS secondary rate – employers contribution	291.0
OPA	Operational Equipment - second thermal fleece	(26.8)
OPA	Operational Equipment - compressed air regulators 2020-21	(10.0)
OPA	Operational Equipment - Foam inductors 2020-21	(15.0)
OPA	Operational Equipment - alcohol resistant film-forming foam	(15.0)
OPA	Wildfire capability – equipment and PPE 2020-21	(44.0)
OPA	Reserve – Manchester Airport training facility	(45.2)
OPA	Transfer to capital reserve	45.2
OPA	New Dimensions Grant - transfer to reserves	6.8
Protection	Two Grant towards Sprinklers	(72.0)
Protection	Protection work grant	(17.3)
Protection	Protection uplift programme grant	72.5
Prevention	External analysis Fire Safe profiles in Cheshire	(5.0)
Prevention	Road safety – temporary structure	(7.9)
Prevention	On the street project – phase 2	(5.2)
Safety Central	Set refresh	(18.5)
People and development	Pension Admin grant funding post	(61.2)
People and development	Training centre artwork	(10.0)
Workforce Transformation	Forum membership	(2.5)
Property Management	Environmental projects/ PV installations	(22.6)
Democratic Services	Executive Support Apprentice	23.0
ICT	Implementation of office 365	(74.8)
Fleet	Telehandler training costs	(1.0)
	First Quarter Proposed Transfers	(432.5)
	TOTAL POTENTIAL NET CONTRIBUTION TO RESERVES	2,318.9

Appendix 3

CHESHIRE FIRE AUTHORITY CAPITAL QUARTER 1 2021-22

		2021-22 Capital Budget	Total Programme Budget	Total Expenditure to end of Jun21	Total Expenditure to date	Expected Scheme Outturn	Variance
	Description	£000	£000	£000	£000	£000	£000
Prior year schemes:	New Operational Training Facility	-	11,000	7	12,188	12,329	1,329
	Chester Fire Station	-	5,810	3	6,200	6,215	405
	Crewe Fire Station	900	7,000	24	97	7,000	-
	Fire Station Modernisation Programme	5,800	11,500	1,935	6,763	11,500	-
	Fire Houses Refurbishment programme (3 year programme)	350	880	-	622	880	-
2020-21 Schemes	Telehandler (to move materials and training equipment)	-	85	-	-	85	-
	New vehicle & specialist water delivery equipment (Coldcut)	-	72	12	12	72	-
	Three New Appliances 2020-21 programme	-	780	308	769	780	-
	Support vehicles replacement 2020-21 programme	-	60	13	63	63	3
	Rapid Response Rescue Units (13 units)	-	520	26	40	520	-
	Water carrier unit	-	140	-	-	140	-
	Rapid Response Rescue Unit – wildfire unit kit out	-	25	-	-	25	-
	Wildfire unit – all terrain vehicle (ATV) and trailer	-	55	-	-	55	-
	Saffire IT system – Community Fire Risk Mgt Information	-	100	-	-	100	-
	ICT Review/Server Replacement Programme	-	50	-	-	50	-
	Mobile data terminals (MDTs)	-	370	-	-	370	-
	Technical rescue vehicle	-	50	-	-	50	-
2021-22 Schemes	Replacement thermal image cameras (phased replacement)	28	28	26	26	26	(2)
	Two New Appliance 2021-22 Programme	540	540	-	-	540	-
	One High Reach Extending Turret appliance	550	550	-	-	550	-
	Support vehicles replacement 2021-22 programme	60	60	-	-	60	-
	Sub-total	8,228	39,675	2,354	26,780	41,410	1,735
In-year approvals:	None	-	-	-	-	-	-
	Total	8,228	39,675	2,354	26,780	41,410	1,735