

TYNE & WEAR FIRE AND RESCUE AUTHORITY

Item: 4

MEETING 24TH JANUARY 2011

REVENUE BUDGET 2010/2011 - THIRD REVIEW

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER

1. INTRODUCTION

1.1 This report advises Members of issues relating to the 2010/2011 Revenue Budget position, and provides an updated Statement of Balances.

2. BUDGETARY CONTROL REPORT 2010/2011

2.1 The Revenue Budget Second Review, reported to Members in November 2010, outlined an estimated underspend of £1,227,000. Regular monitoring of the Revenue Budget continues to take place and the following additional areas are drawn to Members attention.

Debt Charges

2.2 As reported to Members previously, the ongoing economic difficulties have resulted in interest rates remaining at an all-time low level. The continued low interest rates have enabled the lead authority, which undertakes all borrowings on this Authority's behalf, to restructure its debt portfolio, and it is estimated that this will lead to lower borrowing costs in 2010/2011 than originally anticipated of £200,000.

Supplies and Services

2.3 The funding for some Positive Pressure Ventilation (PPV) was originally provided for within the Revenue Budget. The nature of this expenditure has since been reclassified as Capital with the effect that £15,500 of the Supplies and Services budget is to be transferred to a Revenue Contribution to Capital Outlay in order to fund these items, see paragraph 2.4.

Revenue Contribution to Capital Outlay

2.4 As reported in the 2010/2011 Capital Programme Third Review, elsewhere on today's agenda there is a net decrease of £109,864 to the programme. This is a result of additional spend identified above of £15,500 which is to be funded by a budget transfer from the Supplies and Services revenue budget, see paragraph 2.3. The Capital report has also identified slippage arising on capital projects of £125,364. The underspend arising from slippage for this project will result in a reduction to the drawdown from earmarked reserves.

Leasing

- 2.5 The 2010/2011 Capital Programme Third Review, included elsewhere on today's agenda, identifies slippage in the delivery of two Operational Support Units and a Special Rescue Tender as delivery of the vehicles is not anticipated until the next financial year. This is a result of increased lead time required by the main contractor due to the technical nature of assembling specialist vehicles. This will give rise to an estimated underspend in the 2010/2011 Leasing budget of £64,000.

Members will be aware that a range of options exist in relation to financing the Vehicle Replacement Programme. Whilst the Programme has been historically financed through leasing arrangements, the options appraisal is often marginal in relation to the options of leasing or buying outright.

The outright purchase of vehicles can provide additional flexibility to the Authority, and in this context, consideration will be given to funding the remainder of the 2010/2011 Vehicle Replacement Programme through outright purchase, funded through the anticipated under spend on the Revenue Budget.

Additional Areas Under Review

- 2.6 A number of areas were also highlighted at the Second Revenue Review which could potentially give rise to a further underspend in 2010/2011. These are being kept under review, and an update is set out below, for information.
- Employee Budget – the staffing budget continues to be closely monitored and a recruitment freeze has been implemented in anticipation of future establishment changes. Staff turnover continues to create savings and any underspend will be reported to Authority.
 - Firefighter Ill Health retirements – there have been no ill health early retirements to date in 2010/2011. If this position continues to the end of the financial year then an additional underspend of £83,000 will result.

Service Pressures

- 2.7 Paragraphs 2.2 to 2.5, above, outline a number of actual and potential variations against the 2010/2011 Revenue Budget, amounting to a total estimated net underspend of £1.491 million.
- 2.8 On 20th December 2010 the Fire Minister called a halt to the Regional Control Centre (RCC) project as the project requirements cannot be delivered to an acceptable timeframe. CLG have stated they will consult with the fire and rescue community on the future of control room services in England. This will be based on the principles of localism and will feedback on the best use of Fire Control assets. At this stage the only known implications for Tyne and Wear FRA are that permanent staff who were seconded and funded by the RCC project will return to their substantive posts within the Authority. As yet

the impact of this has not been quantified but if there is a risk that additional costs will fall on the Authority, this may result in a reduction in the anticipated revenue budget underspend for 2010/2011.

- 2.9** The position in relation to the Authority's Revenue Budget will be kept under close review and proposals for reinvestment brought forward to future Fire and Rescue Authority meetings in due course, as appropriate.

3. STATEMENT OF BALANCES

- 3.1** Appendix A shows the movement of balances within 2010/2011 and includes an update on the estimated level of balances as at 31st March 2011, taking account of the position outlined in this report.

4. RECOMMENDATIONS

- 4.1** Members are requested to note the position with regard to the Revenue Budget for 2010/2011 as set out in this report, including the updated Statement of Balances set out at Appendix A.

Statement of General Balances

	£'000
Balance as at 1st April 2010	3,070
First Review 2010/2011:	
- Underspend on Leasing Budget	256
Second Review 2010/2011:	
- Underspend on Employee Budget	861
- Underspend on Premises Budget	60
- Underspend on Supplies and Services Budget	39
- Underspend on Leasing Budget	124
- Overspend on RCCO Budget	(5)
- Under recovery of Income Budget	(108)
- Estimated Provision for purchase of vehicles	(1,227)
Third Review 2010/2011:	
- Underspend on Debt Charges	200
- Underspend on Supplies and Services Budget	15
- Underspend on Leasing Budget	64
- Underspend on RCCO Budget	110
- Transfer to Earmarked Reserves	(125)
- Estimated Provision for purchase of vehicles	(264)
Estimated Balance as at 31st March 2011	3,070