

TYNE & WEAR FIRE AND RESCUE AUTHORITY

Item: 8

MEETING: 21st NOVEMBER 2011

SUBJECT: REVENUE BUDGET 2011/2012 - SECOND 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 2011/2012 Revenue Budget position, and provides an updated Statement of Balances.

2. BUDGETARY CONTROL REPORT 2011/2012

2.1 Regular monitoring of the Revenue Budget continues to take place and the following areas are drawn to Members attention.

Employee Costs

2.2 At this stage in the financial year, a net estimated underspend of approximately £1.17 million has arisen in relation to Employee costs. This takes account of the variations and proposed actions detailed below:

Operational Staffing Budget

2.2.1 When setting the Authority's Revenue Budget each year, a prudent approach is taken to the anticipated level of staff turnover. To date, the Authority has experienced higher levels of staff turnover than was anticipated in the approved Revenue Budget for 2011/2012 and this has given rise to an underspend against the budgeted position. This is a result of, a freeze on filling all vacancies in response to the Spending Review 2010, an increase in the number of retirements and the effect of managing some of the changes to operational staffing requirements.

Firefighter Ill Health retirements

2.2.2 Members will be aware that the Authority's investment in its health awareness and intervention measures through the Occupational Health Unit has brought about a reduction in the number of ill health retirements. There has been one such retirement so far in 2011/2012, the first since 2008. It is anticipated that this will remain the position for the remainder of the financial year, resulting in an underspend on this budget.

Premises

2.3 When setting the utilities budget for 2011/2012, a prudent approach was taken to the expected level of price increases which the utilities companies would impose. The price increase for Electricity charges has been less than

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originally anticipated and energy efficiency measures have been introduced across the Service. These factors combined have resulted in an underspend of £19,000.

Leasing Charges

- 2.4 The Authority undertakes a thorough options appraisal when deciding how to finance assets purchased through the Vehicle Replacement Programme. The latest options appraisal exercise, carried out for vehicles delivered earlier in 2011/2012, identified that outright purchase provides the best value for money. The vehicles had originally been intended to be leased, therefore an underspend of £165,000 has arisen, as reported at the first review.

Income

- 2.5 The Authority has received its share of a Reward Grant awarded to North Tyneside Council. This amounts to £172,000. This will be ringfenced to North Tyneside and will be used against stretch targets and community safety targets.

Additional Areas Under Review

- 2.6 A number of areas which could potentially give rise to further underspends in 2011/2012 are being kept under regular review and are noted below for information.

Revenue Contribution to Capital Outlay

- 2.6.1 In recent years, there has been a significant level of slippage in the Capital Programme, which has resulted in underspends arising in the Revenue Budget. The 2011/2012 Capital Programme Second Review has not identified any slippage at this stage in the year but this position will continue to be kept under review. As in previous years, any underspend arising from slippage will be transferred to the Budget Carry Forward Reserve. This will ensure that funding is available to meet the cost of capital schemes as expenditure is actually incurred in later years.

Vehicle Replacement Programme

- 2.6.2 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 2011/2012 Vehicle Replacement Programme through outright purchase, funded through the Revenue Budget, provided funds are available.

Service Pressures

2.7 A number of initiatives and priorities for reinvestment have been identified. These will be considered in the context of the reported underspend and subsequent updates and, if necessary, the preparation of the Revenue Budget and Capital Programme for next year. They will be subject to separate Member approval, if appropriate, in due course. These potential initiatives and priorities are in various stages of development and include:

- Purchase of Multi-functional devices – If an options appraisal identifies that outright purchase is better value for money than leasing, consideration will be given to purchasing the devices outright from the Revenue Budget at a cost of £85,000.
- Microsoft Licence Renewal – This 3 year licence will be due for renewal in June 2012. Should the Revenue Budget allow, consideration may be given to carrying forward £300,000 to meet this cost due in 2012/2013.
- Regional Control for Mobilising – ICT work will be needed to make systems compatible with Northumberland; the projected cost of this is £100,000. A contribution may be made from Northumberland but it is anticipated that the cost will have to be met from the Revenue Budget.

3. STATEMENT OF BALANCES

3.1 Appendix A shows the movement of balances within 2011/2012 and includes an update on the estimated level of balances as at 31st March 2012, 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 2011/2012 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 2011	3,336
First Review 2011/2012:	
- Underspend on Leasing Budget	165
Second Review 2011/2012:	
- Underspend on Employee Budget	1,170
- Underspend on Premises Budget	19
- Potential use of Surplus	
- Purchase of MFD's	(85)
- Microsoft Licence	(300)
- Regional Control for Mobilising	(100)
- Estimated Provision for purchase of vehicles	(869)
Anticipated Balance as at 31st March 2012	3,336