

**TYNE & WEAR FIRE AND RESCUE AUTHORITY**

**Item: 6**

**MEETING 23<sup>RD</sup> NOVEMBER 2009**

---

**REVENUE BUDGET 2009/2010 - 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 2009/2010 Revenue Budget position, and provides an updated Statement of Balances.

**2. BUDGETARY CONTROL REPORT 2009/2010**

- 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 £1.08 million is anticipated to arise in relation to Employee costs taking account of all of the variations and proposed actions detailed below.

**Operational Staffing Budget**

- 2.3 When setting the Authority's Revenue Budget each year, a prudent approach is taken to the anticipated level of staff turnover. In 2009/2010 to date, the Authority has experienced higher levels of staff turnover than was anticipated in the approved Revenue Budget, and this has given rise to an underspend against the budgeted position. This is, in part, a result of managing some of the changes to operational staffing requirements, including changes to staffing arrangements on specific special appliances, as identified in the Integrated Risk Management Plan (IRMP).

**Staff Pay Award**

- 2.4 Prudent estimates for the level of pay award for firefighters and corporate staff were set out in the Authority's Medium Term Financial Strategy 2009/2010 to 2013/2014, and subsequently incorporated into the Authority's Revenue Budget for 2009/2010. Members will now be aware of the 2009 pay awards that were agreed for the Service at a national level, of 1.25% (from 1<sup>st</sup> July 2009) for firefighters and 1.25% (from 1<sup>st</sup> April 2009) for corporate staff on spinal points 1 to 10, and 1% for those corporate staff on spinal points 11 and above.

- 2.3 The respective pay awards were less than had been provided for in the Revenue Budget, due to the ongoing low level of inflation. As a result, there is an underspend in the Revenue Budget 2009/2010 in relation to the provision for staff pay awards.

### **Associated Salary Costs**

- 2.4 There have been a number of changes to the associated salary structure, including the impact of new staff joining the service in the new Firefighter's Pension Scheme (which has a lower level of employer's pension contribution) and through corporate staff being appointed to posts previously categorised as being operational (which also has a lower level of employer pension contribution). In both of these cases, prudent assumptions were made in setting the budget for 2009/2010, however, the resultant level of change due to these factors has led to an underspend in this area.

### **Corporate Restructure Phase V**

- 2.5 As reported previously to Members, the Authority has implemented a series of restructures aimed at reshaping and enhancing the support service functions. The latest phase of this (Phase V) is currently being implemented and staff turnover has been greater than originally anticipated in relation to corporate posts. This is partly as a result of the ongoing implementation of the revised corporate structure as the need to keep a proportion of posts vacant until the structure was settled was recognised as necessary in order to avoid unnecessary disruption and cost as the new structure is implemented.

### **Leasing Charges**

- 2.6 The 2009/2010 Capital Programme Second Review, included elsewhere on today's agenda, identifies slippage in the procurement of the Aerial Ladder Platform where, due to the significant lead time for these vehicles, delivery is not anticipated until July 2010. This will give rise to an underspend in the 2009/2010 Leasing budget of £77,000.

### **Income**

- 2.7 The ongoing economic difficulties felt by many organisations has had an impact on the demand for the Authority's conferencing and training facilities, with occupancy levels down compared with the previous year and in comparison with the budgeted level of income. An under recovery of income of approximately £100,000 is anticipated to arise as a result.
- 2.8 The ongoing economic position has also resulted in interest rates remaining at an all-time low level, and the forecast level of interest received for 2009/2010 is lower than the level budgeted by approximately £200,000. This position will be reviewed on an ongoing basis throughout the remainder of the year, with updates provided to Members as necessary.

## **Additional Areas Under Review**

- 2.9 A number of areas which could potentially give rise to a further underspend in 2009/2010 are being kept under regular review, and are noted below for information.

### Revenue Contribution to Capital Outlay

- 2.10 In recent years, there has been significant levels of slippage in the Capital Programme, which has resulted in underspends arising in the Revenue Budget. With the exception of the purchase of the Aerial Ladder Platform, highlighted above, the 2009/2010 Capital Programme Second Review has not identified any slippage at this stage in the year, however, 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 to ensure that funding is carried forward to meet the cost of capital schemes as expenditure is actually incurred.

### Firefighter Recruits Course

- 2.11 The 2009/2010 Revenue Budget includes budget provision of £177,000 to meet the cost of a firefighter recruits course. The Chief Fire Officer is currently considering the optimum time to run the next recruits course and, in managing efficiencies in line with the Integrated Risk Management Plan, it is possible that the next course will not be held until the 2010/2011 financial year, with a resultant underspend in the current financial year. Further updates will be provided to Members on this.

### Firefighter Ill Health retirements

- 2.12 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 early retirements, with no such retirements in 2008/2009 and none to date in 2009/2010. If this position continues to the end of the financial year then an additional underspend of £81,000 will result.

## **Service Pressures**

- 2.13 Paragraphs 2.2 to 2.14, above, outline a number of actual and potential variations against the 2009/2010 Revenue Budget, amounting to an estimated net underspend of approximately £857,000.
- 2.14 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, and will be subject to separate Member approval, if appropriate, in due course. These initiatives and priorities are in various stages of development in terms of the business cases being worked up, and include:

## ***Creating the Safest Community***

- Firelink – a report is presented elsewhere on today’s agenda highlighting a potential funding shortfall in relation to the implementation of the Firelink system. Whilst further clarification is being requested from CLG in relation to this issue, and the position remains unclear, there is a risk that additional costs fall on this Authority, and additional funds may need to be set aside to mitigate the impact of this;
- Carbon reduction – as part of the 2009/10 IRMP Action Plan, the Authority is currently working in partnership with the Carbon Trust and other FRAs in the region to develop a Carbon Reduction Plan. It is anticipated that the implementation of this Plan will necessitate some investment in order to make future savings both in carbon emissions and energy bills.
- Equality and Diversity - the Authority is in the process of reviewing and evaluating a number of capital schemes to support its commitment to achieve higher equality and diversity ethnic recruitment targets. Whilst the Authority has been awarded a capital grant of £34,482 by Communities and Local Government (CLG) to support this work, the cost of the various initiatives could well be higher, and consideration will be given to creating a reserve to contribute towards the cost of these initiatives.

2.15 The position 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 2009/2010 and includes an update on the estimated level of balances as at 31st March 2010, 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 2009/2010 as set out in this report, including the updated Statement of Balances set out at Appendix A.

**Statement of General Balances**

	<b>£'000</b>
<b>Balance as at 1<sup>st</sup> April 2009</b>	<b>3,068</b>
First Review 2009/2010:	
- Underspend on Leasing Budget	50
Second Review 2009/2010:	
- Underspend on Employee Budget	1,080
- Underspend on Leasing Budget	77
- Overspend on Income Budget	(300)
<b>Estimated Balance as at 31<sup>st</sup> March 2010</b>	<b>3,975</b>

