



TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No 5

FIRE AUTHORITY MEETING: 20 NOVEMBER 2023

**SUBJECT: REVENUE BUDGET 2023/2024 - SECOND QUARTERLY (HALF
YEARLY) REVIEW**

**JOINT REPORT OF THE CHIEF FIRE OFFICER / CHIEF EXECUTIVE (CLERK TO
THE AUTHORITY) AND THE FINANCE DIRECTOR**

1. Introduction

- 1.1 This report updates Members on all of the financial issues relating to the 2023/2024 Revenue Budget position at the half way point in this financial year.

2. Budgetary Control Report 2023/2024

- 2.1 Regular monitoring of the Revenue Budget takes place and, at this half way stage in the financial year, variances have been identified which project an underspend at the end of the year of £632,000.
- 2.2 A summary of the updated position is set out at Appendix A which shows the projected costs compared to both the revised and original budget positions for the main budget headings. The main variances are set out in detail below for information.

Employee Costs (+£167,000)

- 2.3 At this stage in the financial year a net overspend of £167,000 is projected on the total employee budget and is made up of a collection of different variable factors which are described below for information.
- 2.4 Employee budgets are set based on assumptions relating to staff turnover and vacancy levels, firefighter pension scheme membership and the numbers of operational staff who are at the development stage in their roles. As the year progresses, employee costs reflect the actual position on all of these factors which, in reality, can vary considerably against the budget assumptions made.
- 2.5 The corporate establishment continues to be under budget and there are more Firefighters in the development stage than budgeted for, resulting in a reduction in expenditure on salaries and oncosts. Along with this, savings are being made



on employer pension costs, arising from the impact of temporary staffing arrangements.

- 2.6 Ill Health Pensions are projected to overspend in this financial year due to a number of ill health retirements above the number anticipated when the budget was agreed for which the service has to make annual payments to the employee in line with the Firefighters pension scheme.
- 2.7 The pay award for corporate staff is still undergoing discussions. The same offer as for 2022/2023 of a flat cash increase of £1,925 per employee, which would be in the region of a 7% average increase for Tyne and Wear, has been built in to the employee projections based on the information at this current time.
- 2.8 Operational overtime costs continue to be a budget pressure. The costs have reduced with the trainee recruitments but there continues to be a large overspend within salary costs. The savings in firefighter salaries are currently absorbing the increased costs of overtime which continues to be monitored very closely, with actions considered and taken to control expenditure as appropriate.

Premises (+£31,000)

- 2.9 An overspend of £31,000 is projected across premises costs. Despite increasing the tariffs for the utility budgets at budget setting, gas costs are still projected to overspend. In addition energy charges are also being closely monitored with information provided from Sunderland City Council (as we are part of the NEPO contract) and any changes to the budget forecasts will be reported at Third Review.
- 2.10 Water charges are estimated to be overspent due to a water leak at Wallsend Fire Station. This issue has almost been resolved and the service is looking to recover some of the costs incurred.

Transport (-£20,000)

- 2.11 The transport budget is projected to underspend by £20,000 mainly due to savings made on travel expenses which are projected to continue to reduce until the end of the financial year.

Supplies and Services (+£142,000)

- 2.12 An overspend of £142,000 is projected across supplies and services due to a combination of costs from writing off obsolete COVID stock, increased legal fees incurred in a number of different areas of the service and finally additional subsistence costs for essential water training courses to comply with new legislation.



Contingencies

- 2.13 The Contingency provision continues to be monitored with budget allocated to other budget heads for events and budget pressures as they become certain. The position will be fully reviewed and reported to Members at Third Review in January 2024.

Income (+£204,000)

- 2.14 There is a projected net over achievement of income of £204,000. This is due to a combination of the following factors which were not budgeted for and include:
- One-off income from sales of equipment of £77,000;
 - Income from Solar PV of £26,000;
 - Contributions of £16,000 from assisting at incidents;
 - Apprenticeship payments from New College of £78,000; and
 - Other miscellaneous income of £7,000.

Interest Received (+£748,000)

- 2.15 At budget setting in February 2023, interest received was calculated at the Bank of England Base Rate at the time and set at £613,000. The interest paid over to the service is based on the average SONIA (Sterling Overnight Index Average) over the period. As this is a variable rate, heavily influenced by the prevailing Base Rate, it is not known with any certainty what future daily rates will be.
- 2.16 The service has received £651,000 for the half yearly interest payment. Using the current Bank Base Rate, it is projected that the second half yearly interest payment will be circa £710,000. As the final amount paid will reflect actual rates at that time, an updated projection will be calculated for the Third Quarterly Review.

3. Efficiencies

- 3.1 In February 2023, the Home Office requested that all standalone Fire and Rescue Services must publish an Efficiency and Productivity Plan if they had taken up the £5 Band D additional flexibility for 2023/2024, which this Service did.
- 3.2 In the Plan, the Service had to meet a minimum target of 2% efficiency savings in 2023/2024 according to government guidelines but these could be achieved through a variety of initiatives including reviews of response and



staffing structures, delegated revenue budget savings and procurement savings. This was the minimum level expected by the government.

3.3 The Service submitted its Efficiency and Productivity Plan for 2023/24 on 31st March 2023 to the Home Office which specified estimated saving initiatives of £586k for 2023/24 which equates to 6.08% of the total non payroll revenue budget. This is significantly above the 2% minimum efficiency savings target required.

3.4 The Service advised that they would keep Members updated on progress of its achievements planned in its Efficiency and Productivity Plan at each quarterly revenue budget monitoring review stage. At the Second Quarter, all of these initiatives are progressing well, but most notably efficiencies through procurement activity and a saving on business rates has already realised a saving of £142k in year which is 1.47% of the total savings target and represents over 24% of the total savings target estimated of £586k for the year.

4. Statement of Balances

4.1 The General Fund Reserve balance of £4.089m is within reasonable and agreed tolerances and is not expected to change during the financial year.

5. Risk Management

5.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control, the realisation of efficiencies, the most appropriate use of limited resources and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place.

6. Financial Implications

6.1 The financial implications are set out in Appendix A of the report.

7. Equality and Fairness Implications

7.1 There are no equality and fairness implications in respect of this report.

8. Health and Safety Implications

8.1 There are no health and safety implications in respect of this report.



9. Recommendations

- 9.1 Members are requested to note the mid year position with regard to the Revenue Budget for 2023/2024 as set out in this report and summarised at Appendix A.

**Tyne and Wear Fire
and Rescue Authority**



