



MEETING: FIRE AUTHORITY 24 JUNE 2024

**SUBJECT: REVENUE BUDGET OUTTURN 2023/24 AND FIRST QUARTERLY
REVIEW 2024/25**

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

1. INTRODUCTION

- 1.1 The Authority's Statement of Accounts for 2023/24 is currently being prepared. As preparation of the Statement of Accounts is ongoing, the reported outturn position set out in this report may be subject to change, although no significant variations are anticipated.
- 1.2 This report therefore advises Members of the Revenue Budget Outturn position for 2023/24 as it currently stands, outlining the main areas of variation and the reasons behind them. It is proposed that the Director of Finance, Estates and Facilities, in consultation with the Chief Fire Officer/Chief Executive and the Chairman of the Authority, be given delegated authority to take any further additional final accounts decisions beyond those included in this report. If any material changes do occur to the current position, these will be reported to the next Authority meeting.

2. REVENUE OUTTURN 2023/24

- 2.1 A summarised Revenue Budget Outturn position is shown at Appendix A for information.

Outturn Position Review and summary

- 2.2 The Third Review reported to Members in February 2024, identified a projected net underspend of £0.607 million. The Revenue Budget Outturn for 2023/24 is very positive however with an underspend at the end of the financial year of £1.842m.
- 2.3 The main variations are set out in paragraph 2.5 below for Members information and are summarised in Appendix A.
- 2.4 Strong financial management is embedded throughout the Authority, with increased financial awareness and tighter budgetary control achieving a net delegated budget savings of £0.299m across the full service.

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.

The pay award for corporate staff was agreed at a flat cash increase of £1,925 per employee which equated to a 7% increase for Tyne and Wear and the pay award from July 2023 for firefighters was agreed at 5%. The pay awards were managed within existing budgets.

The Authority has also had to manage and contend with significant budgetary pressures caused by the very high levels of inflation which although have reduced a little, this continues to be an ongoing issue for the Authority. On the positive side however the increase in interest rates has had a positive impact on the budget and this has helped to fund some of our budget pressures as we hold a high level of reserves which are fully earmarked mainly to fund our ambitious Capital Programme. We have benefitted by over £1m in excess interest received because of the high interest rates experienced across the financial year which could not have been anticipated when the budget for 2023/24 was approved.

Main Revenue Budget Variations (Subjective Analysis)

2.5 The main variations are detailed below for information. Where relevant, this includes a brief assessment of any impact that may fall into the 2024/25 financial year.

- Employee costs (£0.824m net overspend) – an overspend of £0.347m was reported at third review mainly due to ill health pensions and overtime costs, partly absorbed by underspends due to vacancies.

Operational overtime costs continue to be a significant budget pressure. Savings in salaries have helped to accommodate these increased costs. Overtime continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate.

The increase in the overspend since the third review is largely due to an adjustment required to reverse a prepayment of the pension fund deficit contributions.

- Premises (£0.125m net underspend) – as reported at third review, savings have been made on business rates from a review that was completed at the end of the last financial year. This has helped to absorb an overspend on water charges due to a leak at Wallsend Fire Station. Energy charges are being closely monitored with information from Sunderland City Council and increased tariffs have been accommodated in the budget for 2024/25.

- Transport (£0.020m net overspend) – transport insurance costs charged at the end of the financial year were higher than anticipated. The additional costs have been partly absorbed by the savings on travel expenses reported at third review.
- Supplies and Services (£0.077m net overspend) – as reported at third review, there has been an in year one off cost to write off obsolete COVID related stock, increased legal fees and additional subsistence costs for essential water training courses to comply with new legislation.
- Contingencies (£2.367m underspend) – all of the budget set aside for pay awards and inflation above the levels estimated has not been required during the year.
- Support Services and Recharges (£0.062m net overspend) – there has been an in year change to the staffing model recharges for the USAR National Resilience responsibilities.
- Income (£0.753m overachieved) – the year end position shows an increase in total income received against the revised budget. As reported at third review there has been one off income from sales of equipment, contributions for assisting at incidents, apprenticeship payments and additional income from training courses. The authority has also received additional Section 31 Grants relating to Business Rates and New Burden funding.
- Interest Received (£1.357m overachieved) – The interest paid to the authority 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. At third review, it was estimated that the authority would receive a total of £1.361m for 2023/24 but rates have continued to rise above the level anticipated during the final quarter of the financial year, resulting in interest received of £1.970m in total. The budget set for 2024/25 reflects the improved interest rate position.
- Capital Financing (£0.081m over budget) – a higher debt charge interest has created a small overspend.
- Reserves and Provisions Appropriations (£1.696m increase) – appropriations were agreed when setting the budget for 2024/25 to reallocate some of the in year contingency budget to the Mobilising Reserve for future commitments. In addition, appropriations into the Revenue Budget Carry Forward Reserve have been made for known future requirements, including transfer of Fire Protection Grant and New Burdens Grant to be used in 2024/25.

Earmarked Reserves

- 2.6 Earmarked reserves are funds that are set aside to meet costs for specific purposes in future financial years. Such reserves ensure that the Authority can adopt and operate a more flexible approach to budget management and meet cost pressures of committed and known future service costs. A statement showing the movement on earmarked reserves in 2023/24 is provided at Appendix B for information at this stage.

The detail in Appendix B has been categorised as follows:

Reserves to prevent an increase in revenue budgets (£22.990m); and
Reserves to support service delivery requirements (£2.307m).

This analysis helps to further confirm that all reserves are not only fully earmarked for specific purposes but that the bulk of the reserves (£22.990m) are being held to mitigate against known future costs that the revenue budget would otherwise have to accommodate, for example, insurance, PFI, capital developments to help reform and transform the service etc.

- 2.7 It is proposed, subject to Members' approval, to allocate £1m of the surplus funds to the Budget Carry Forward reserve to fund the backdated holiday pay payments expected to be paid out during 2024/25 and the remaining £0.842m to the Development Reserve to finance the challenging Capital Programme in future years.

3. GENERAL BALANCES

- 3.1 The balance of the general fund as at 31 March 2024 is expected to remain at £4.072m on the basis that this is viewed as an appropriate level of General Fund Balance for the size and risks faced by the Authority.

4. REVENUE BUDGET 2024/25 FIRST REVIEW

- 4.1 Regular monitoring of the revenue budget continues to take place and the full impact of the 2023/24 revenue budget outturn, alongside current spending against budgets will continue to be evaluated during the early part of 2024/25.
- 4.2 The July 2024 grey book pay award for operational staff has been agreed at 4%. The April 2024 green book pay award is still subject to negotiation. At this stage it is anticipated that the pay awards can be accommodated within existing budgets.

5. FINANCIAL OUTLOOK

- 5.1 The MTFS approved by Members in February 2024 was predicated on a number of assumptions in relation to future funding. The position is very

difficult to predict with the uncertainty caused not only by a continuation of one year settlements, but the unknown impact on public finances of the ongoing economic issues currently being experienced, especially high inflation and the prospects of a stagnating economy which could then impact on the government's financial plans for the public sector. The financial position and longer term prospects for the Authority therefore remain unclear at this stage early in the new financial year.

- 5.2 Another potential uncertainty on the Authority's financial resources is the unknown impact of the government's planned changes to how local government resources are to be distributed under the 'self-sufficiency' agenda, although this aspect has now been further delayed.

6. RISK MANAGEMENT

- 6.1 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.

7. FINANCIAL IMPLICATIONS

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

8. EQUALITY AND FAIRNESS IMPLICATIONS

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

9. HEALTH AND SAFETY IMPLICATIONS

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

10. RECOMMENDATIONS

- 10.1 The Authority is recommended to:
- Note the Revenue Budget Outturn position for 2023/24, set out at paragraphs 2.2 to 2.5;
 - Approve the proposed transfer of £1m to the Budget Carry Forward Reserve and £0.842m to the Development Reserve as set out in paragraph 2.7;
 - The General Fund position of £4.072m as detailed at paragraph 3.1; and
 - The position with regard to the Revenue Budget for 2024/25 for Quarter 1 detailed at section 5 and the uncertainties identified.

