

**TYNE & WEAR FIRE AND RESCUE AUTHORITY**

**Item:**

**MEETING 19<sup>TH</sup> JANUARY 2009**

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**REVENUE BUDGET 2008/2009 - THIRD REVIEW**

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**JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER**

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**1. INTRODUCTION**

- 1.1 This report advises Members of issues relating to the 2008/2009 Revenue Budget position, and provides an updated Statement of Balances.

**2. BUDGETARY CONTROL REPORT 2008/2009**

- 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 £330,000 is anticipated to arise in relation to Employee costs taking account of all of the variations and proposed actions detailed below. The areas of variation are noted below.

Review of Operational Staffing Profile

- 2.3 The Revenue Budget Second Review, reported to Authority in November 2008, outlined a number of variations, including:
- savings arising through a reduction of twelve firefighter posts with additional investment in other priority areas;
  - the Authority continues to experience greater levels of staff turnover in the year to date than was anticipated in the Revenue Budget, and this has given rise to an underspend against the budgeted position;
  - the increased turnover has also resulted in a significant number of internal promotions into vacant positions and accelerated the impact of the introduction of the rank to role management system, whereby pay is linked to competencies;
  - over recent years and, increasingly, in light of the tighter economic position affecting local authorities, the Authority has adopted strict controls in relation to the use of agency staff and also in the deployment of staff where specific allowances might accrue, arising from that deployment. In both cases, small underspends are forecast for this financial year;
  - an underspend is anticipated in relation to the training budget, where opportunities have been taken to ensure that optimum use is made of the in-house training facilities available in preference to external courses, particularly at the Fire Service College.

Pay Protection

- 2.4 On 15<sup>th</sup> December 2008, Members approved that a formal approach be made by the Chief Fire Officer to the Fire Brigades Union in order to terminate the existing Pay Protection arrangements, and funding has been set aside in an earmarked reserve accordingly.

Firefighter Pensions

- 2.5 As reported previously, under the revised financial arrangements for firefighter pensions, authorities retain responsibility for meeting the cost of ill health pension awards. The Authority has invested in health awareness and intervention measures through its Occupational Health Unit and there have been no firefighter ill health retirements in the year to date. If this position continues for the remainder of the current financial year, as anticipated, this will generate an underspend in the current year of approximately £200,000 which will be ongoing into 2009/2010 and 2010/2011.

2008 Corporate Staff Pay Award

- 2.6 As reported previously, given the time that has elapsed since the pay award was due, the two sides of the NJC decided that the Employers' final pay offer of 2.45% (plus an additional £100 per annum on spinal column points 4, 5 and 6) should be implemented, with effect from 1 April 2008. There has been no further progress since then with regard to reaching an overall agreement on this pay award, however, the situation will continue to be monitored.

**SafetyWorks!**

- 2.7 A report is included elsewhere on today's agenda requesting Members to defer the relocation of the SafetyWorks! facility following a review of the business case. It is further proposed to use funding already approved within the Capital Programme (£160,000) to refurbish the existing Safety Works facility at Benwell subject to a detailed review of the requirements.
- 2.8 Additional funding of £177,000 was provided in the 2008/2009 Revenue Budget to meet the running costs of the proposed new facility at Bentall Business Park Washington and if Members agree to the recommendation, this represents a saving to the Revenue Budget in 2008/2009 and in future years.

### **Leasing Charges**

- 2.9 As reported at the Second Review, following slippage in the procurement of a number of vehicles in the Vehicle Replacement Programme, it is estimated that there will be an underspend on leasing charges in 2008/2009 of £100,000 arising from these delays.

### **Supplies and Services**

#### Community Safety Partnerships

- 2.10 The Authority works in partnership with a number of other agencies to deliver community safety partnerships throughout the region. The Revenue Budget includes provision for these arrangements, including £90,000 for the purchase and installation of carbon monoxide detectors. The installation of the detectors can only take place when the relevant district authorities identify their preferred sites for these, and it is anticipated that there will be a slippage of expenditure in the current year of up to £90,000. It is intended to carry forward any unutilised funding through the Budget Carry Forward Reserve, in order to match against expenditure in 2009/2010 as it is incurred.

#### Uniforms

- 2.11 A number of contracts are being developed by Firebuy for the provision of clothing and uniforms and the Authority has deliberately slipped expenditure of approximately £40,000 in order to take advantage of these contracts as they are put in place. It is anticipated that the expenditure will occur during 2009/2010 and it is proposed to carry forward this sum in the Budget Carry Forward Reserve.

#### Other Supplies and Services

- 2.12 Minor variations across a number of budget headings are forecast of up to £100,000, including savings in the use of external printing agencies.

### **Revenue Contribution to Capital Outlay**

- 2.13 The Revenue Budget Second Review outlined net slippage against the Capital Programme of £424,478. The Capital Programme Third Review, elsewhere on this agenda, has identified further net slippage of £362,139, bringing the net total of slippage arising on capital projects for the year to £786,617. Given that the Programme is funded exclusively from a Revenue Contribution to Capital Outlay (excluding a contribution of £18,820 from North Tyneside's Local Area Agreement Pump Priming Grant), the 2008/2009 Revenue Budget will underspend by a corresponding sum also. 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.

### **Interest on Investments**

- 2.14 Officers are closely monitoring the position with interest rates, given the volatility over recent months. Due to the significant recent reductions in the base rate, it is anticipated that there will be a shortfall of income of approximately £300,000 during the current year. The ongoing impact of this into 2009/2010 is currently being evaluated, and will be incorporated into the final budget proposals made to Authority in February 2009.

### **Service Pressures**

- 2.15 Paragraphs 2.2 to 2.14, above, outline a number of variations against the 2008/2009 Revenue Budget, amounting to an estimated net underspend of approximately £1,323,617, of which c.£917,000 is proposed to be carried forward in the Budget Carry Forward Reserve.
- 2.16 A number of initiatives and priorities for reinvestment were identified at the Second Review, and 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:
- Software Assurance – the Authority has a number of software licences that are due for renewal in 2009/2010, and it is proposed to create a reserve to meet the cost of these;
  - Integrated Clothing – in 2009/2010, the Authority will be revising its contract for non-operational clothing and uniforms and there is likely to be a need to reissue corporate staff with a new uniform to ensure that the Authority's 'branding' and 'identity' remain strong. It is proposed to establish a reserve to meet the cost of this;
- 2.17 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 2008/2009 and includes an update on the estimated level of balances as at 31st March 2009, 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 2008/2009 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 2008</b>	<b>2,930</b>
First Review 2008/2009:	
- Review of Service Establishment	107
- Transfer to Development Reserve	(107)
Second Review 2008/2009:	
- Underspend on Employee budget	320
- Underspend on Leasing budget	100
- Underspend on Revenue Contribution to Capital	424
- Transfer to Earmarked Reserves	(424)
Third Review 2008/2009:	
- Net underspend on Employees Budget	10
- Underspend on Safety Works	177
- Underspend on Supplies and Services	230
- Underspend on Revenue Contribution to Capital	362
- Transfer to Earmarked Reserves	(492)
- Shortfall on Investment Income	(300)
<b>Estimated Balance as at 31<sup>st</sup> March 2009</b>	<b>3,337</b>