

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No. 8

MEETING: 18TH NOVEMBER 2019

SUBJECT: REVENUE BUDGET 2019/2020 - SECOND QUARTERLY REVIEW

JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE (CLERK TO THE AUTHORITY) AND THE STRATEGIC FINANCE MANAGER

1. Introduction

- 1.1 This report advises Members of issues relating to the 2019/2020 Revenue Budget position at the half way point of the financial year.
- 1.2 Members will recall that at the Fire Authority meeting on 18th February the IRMP action to dynamically adjust the distribution and availability of appliances based on risk and demand was approved for implementation by the Chief Fire Officer. This action was implemented with effect from 2nd April 2019, resulting in an in year saving of £0.746m on employee costs.
- 1.3 In addition, a mid-year review of contingencies has been carried out to streamline the resource for this and future years to make the revenue budget more sustainable. From this, a net in year saving of £0.880m has been identified. Although this brings some financial risk, there is deemed to be adequate cover in reserves to deal with future situations on a one off basis and the position will be kept under review.
- 1.4 The Capital Programme was set in February with a revenue contribution to capital of £0.750m. This has been reduced by £0.500m, also generating an in year saving. This will be monitored during the rest of the year.
- 1.5 The Revenue Budget for 2019/2020 was agreed on the basis that temporary use of reserves of £0.842m would be utilised until further budget savings could be found. It is now considered appropriate to report that the actions outlined in paragraphs 1.2, 1.3 and 1.4 combined can more than address this funding gap, with the result that funds will be appropriated into Reserves. This will allow resources to be redirected to service needs and demands.

2. Budgetary Control Report 2019/2020

- 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 outturn of £0.888m.
- 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

- 2.3 At this stage in the financial year a net underspend of £0.928m is projected on the overall employees budget. This is largely due to the Firefighter establishment currently being significantly under budget and 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, transitional movements between pension schemes, and employees opting out of the pension scheme.
- 2.4 Overtime costs continue to be a significant budget pressure, particularly working with a reduced establishment. The savings in salaries and pensions are comfortably absorbing the increased costs. Overtime continues to be very closely monitored, with actions considered and taken as appropriate.

Premises

- 2.5 An overspend of £11,000 is projected on premises costs due to a new electricity contract with a higher unit cost than budgeted.

Transport

- 2.6 The transport budget is projected to underspend by a net £52,000. A large part of this is due to a reduced demand for transport repairs and maintenance from Northumberland Fire and Rescue Service (NFRS) through the Service Level Agreement. This will be matched off by reduced income from NFRS, resulting in a neutral impact on the overall budget position.
- 2.7 In addition, savings continue to be achieved in reduced travelling expenses. Despite these savings in transport, an overspend of £70,000 is projected on fuel due to increasing fuel costs and a strategic decision to front load supplies.

Supplies and Services

- 2.8 An overspend of £18,000 is projected across supplies and services. This is largely due to higher than budgeted costs for protective clothing and uniform, specifically gloves, leather boots and goggles, as well as increased postage costs. This is partly offset by lower subsistence costs from revised policies and practices.

Contingencies

- 2.9 As set out in section 1.3, the contingencies budget has been reduced to reflect changes within the service. The remaining budget will continue to be monitored and reviewed for any further savings that can be made.

Support Services and Recharges

- 2.10 An in year saving of £47,000 is projected on the Service Level Agreement with the Lead Authority due to changes made after the budget was finalised.

Income

- 2.11 There is a projected net under achievement of income of £110,000. This is due to a combination of the following factors:
- Under-recovery of income of £150,000 expected from NFRS due to reduced demand on the service level agreement (see section 2.6);
 - One-off income of £19,000 from Trauma Support;
 - Over-recovery of £7,000 on the sale of vehicles and equipment;
 - Additional income of £8,000 for Hazmat courses; and
 - Miscellaneous income of £6,000.

Reserve Appropriations

- 2.12 The actions set out in paragraphs 1.2, 1.3 and 1.4 will allow the Authority to make a transfer into reserves at the end of the financial year.

3. Statement of Balances

- 3.1 The balance of the general fund is expected to remain at £3.943 million 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. Risk Management

- 4.1 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.

5. Financial Implications

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

6. Equality and Fairness Implications

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

7. Health and Safety Implications

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

8. Recommendation

- 8.1 Members are requested to note the position with regard to the Revenue Budget for 2019/2020 as set out in this report and summarised at Appendix A.