

FIRE AUTHORITY: 14 November 2022

SUBJECT: REVENUE BURDGET 2022/23 – SECOND QUARTERLY REVIEW

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

1. Introduction

- 1.1 This report advises Members of the issues relating to the 2022/2023 Revenue Budget position at the half way point of the financial year.

2. Budgetary Control Report 2022/2023

- 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 overspend at outturn of £651,000.
- 2.2 A summary of the updated position is set out at Appendix A for information 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 and also reflect the impact of the proposed additional pay awards for staff although these have yet to be settled but show the financial implications on the budget. Unsurprisingly fuel costs and heating and lighting are also anticipated to be well above the current budget provision reflecting the higher cost of living crisis being experienced by everyone across the country.
- 2.3 The budget for 2023/24 will need to take into account the impact of the continuation of high inflation and pay awards as the level of inflation is significantly in excess of the government's target of 2%. Resources may also be subject to the outcome of the government's proposals for public spending which are set to be announced in their Autumn Statement on 17th November 2022.

Employee Costs (+£464,000)

- 2.4 At this stage in the financial year a net overspend of £464,000 is projected on the total employee budget.
- 2.5 Firefighter and Corporate establishment both continue to be significantly under budget and there are more Firefighters in the development stage than budgeted for, resulting in a projected 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.

- 2.6 Injury Pensions are also projected to underspend at the end of the financial year. Work is ongoing to review this budget for 2023/2024.
- 2.7 Pay awards for both Firefighter and Corporate staff are still undergoing discussions and have not been settled at the time of writing this report. The most likely outcomes with the information provided at this point in time have been built in to the employee cost projections, but these are solely estimates based around the current position and pay offers and may as a result be subject to change.

The Corporate staff offer of a flat cash increase of £1,925 for every employee, irrespective of grade, which would be in the region of a 7% increase for Tyne and Wear, will be decided on 1 November when the full Trade Union Side will meet to discuss the results of their respective consultations and will decide whether to formally accept the employers' offer. This alone would create a budget pressure of £341,000 for the service as this is the cost above the 3% included in the budget for this pay award.

The Firefighter pay offer of 5% is currently undergoing consultation between the FBU and its membership. This offer alone is 2% over the budget provision for the 2022/23 pay award which would create an additional budget pressure of £498,000 in year for the 9 months period and with a full year impact of an additional cost of £664,000.

- 2.8 Operational overtime costs continue to be a budget pressure, particularly working with a reduced establishment, so this position is not unexpected. The costs have reduced in recent months after trainees have been allocated to watches on stations. The savings in salaries and pensions are currently absorbing the increased costs of overtime which continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate. It is anticipated that as a result of further trainees graduating onto stations in the coming months, the reduction in overtime costs will be sustained.

Premises (+£86,000)

- 2.9 An overspend of £86,000 is projected on premises costs largely due to increased gas and electricity charges as well as increased rates. Energy charges are being closely monitored with information from Sunderland City Council (NEPO contract) and any changes to the forecasts will be reported at Third Review.

Transport (+£115,000)

- 2.10 The transport budget is projected to overspend by £115,000 largely due to increased fuel costs during the first part of the financial year. In addition there is an increased cost for outside contractors and an increase in travel.

Supplies and Services (-£6,000)

- 2.11 A net underspend of £6,000 is projected across supplies and services due to savings in catering costs, partly reduced by increased subsistence costs.

Contingencies

- 2.12 The Contingency provision continues to be monitored with budget allocated out in to other budget heads for events and budget pressures as they become certain. The position will be fully reviewed and reported in the third review report to Members in January 2023.

Income (+£8,000)

- 2.13 There is a projected net over achievement of income of £8,000. This is due to a combination of the following factors:
- An additional one-off PFI Authority Support repayment of (£22,000);
 - Reduced income from Canteen food sales of £17,000; and
 - One-off income from the sale of equipment of (£3,000).

3. Reserves

- 3.1 The position with regards to pay awards as set out in section 2.7 is still not certain but, as indicated, there will inevitably be a significant budget pressure for the service to accommodate. The pay awards are expected to be agreed over the coming months and Members will be updated at Third Review or whenever the pay awards have been settled.
- 3.2 Actions will be taken in the rest of this financial year to try and manage the additional costs and the overspend already identified up to this point within existing resources but it is very likely that reserves will be needed to fund part of these increased costs.
- 3.3 The Budget for 2023/24 will then have to reflect the ongoing increased costs along with any changes to government funding resulting from the Autumn Statement due to be announced on 17 November 2022. If the changes to funding are significant then a revised Medium Term Financial Plan will be need to be further developed and reported to members.

4. Statement of Balances

- 4.1 The General Fund balance of £4.089m is within reasonable and agreed tolerances.

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 2022/2023 as set out in this report and summarised at Appendix A.