



**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item No 9**

**MEETING: FIRE AUTHORITY 22 JANUARY 2024**

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**SUBJECT: REVENUE BUDGET 2023/2024 - THIRD QUARTERLY REVIEW**

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

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## **1. Introduction**

- 1.1 This report updates Members on all of the financial issues relating to the 2023/2024 Revenue Budget position at the third quarter stage of the financial year.

## **2. Budgetary Control Report 2023/2024**

- 2.1 The Revenue Budget Second Review reported to Members in November 2023 projected an underspend of £632,000.
- 2.2 Regular monitoring of the Revenue Budget has continued to take place and the underspend at outturn is now projected to be £607,000. 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 (+£347,000)**

- 2.3 At this stage in the financial year a net overspend of £347,000 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. Recruitment for all vacancy positions is continuing with a number of key posts recruited to in recent months.

- 2.6 Ill Health Pensions are projected to overspend in this financial year due to a number of ill health retirements happening above the number anticipated when the budget was originally agreed for which the service has to make annual payments to the employee in line with the Firefighters pension scheme.
- 2.7 Operational overtime costs continue to be a budget pressure. The costs have however reduced with the number of trainee recruitments taking up posts 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 is being monitored very closely, with actions considered and taken to control expenditure as appropriate.

**Premises (-£147,000)**

- 2.8 A net underspend of £147,000 is projected across premises costs. Savings have been made on business rates from a review that was completed at the end of the last financial year. These savings have now been realised and will be reflected when setting the rates budget for 2024/2025.
- 2.9 Energy charges continue to be closely monitored with information provided from Sunderland City Council (as we are part of the NEPO contract) and it is currently expected that there will be a small overspend on gas.
- 2.10 Water charges are estimated to be overspent due to a water leak at Wallsend Fire Station. This issue has now been resolved and the service is looking to recover some of the costs incurred.

**Transport (-£21,000)**

- 2.11 The transport budget is projected to underspend by £21,000 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 (+£169,000)**

- 2.12 An overspend of £169,000 is projected across supplies and services due to a combination of costs from writing off obsolete COVID related 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 Outturn.

### **Income (+£207,000)**

- 2.14 There is a projected net over achievement of income of £207,000. 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;
  - Contributions of £16,000 from assisting at incidents;
  - Apprenticeship payments from New College of £93,000;
  - Income from training courses of £12,000; and
  - Other miscellaneous income of £9,000.

### **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, the actual position will not be known until outturn but will be a significant, favourable, variation.

## **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 2023/2024 on 31<sup>st</sup> March 2023 to the Home Office which specified estimated saving initiatives of £586k for 2023/2024 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 Third Quarter, all of these initiatives are progressing well and are on target with no anticipated issues.

#### **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 Third Quarter position with regard to the Revenue Budget for 2023/2024 as set out in this report and summarised at Appendix A.