

TYNE & WEAR FIRE AND RESCUE AUTHORITY

Item: 5

MEETING 25TH JANUARY 2010

REVENUE BUDGET 2009/2010 - THIRD REVIEW

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report advises Members of issues relating to the 2009/2010 Revenue Budget position, and provides an updated Statement of Balances.

2. BUDGETARY CONTROL REPORT 2009/2010

- 2.1 The Revenue Budget Second Review, reported to Members in November 2009, outlined an estimated underspend of £907,000. Regular monitoring of the Revenue Budget continues to take place and the following additional areas are drawn to Members attention.

Employee Costs

- 2.2 At this stage in the financial year, an additional net estimated underspend of approximately £150,000 is anticipated to arise in relation to Employee costs. This represents an updated assessment of the variations previously reported at the Second Revenue Review in November 2009 which included higher levels of turnover than were budgeted for in relation to Operational and Corporate Staff, savings in relation to the contingency provided to meet the costs of the staff pay award, and savings in relation to pension costs.

Debt Charges

- 2.3 As reported to Members previously, the ongoing economic difficulties have resulted in interest rates remaining at an all-time low level. The continued low interest rates have enabled the lead authority, which undertakes all borrowings on this Authority's behalf, to restructure its debt portfolio, and it is estimated that this will lead to lower borrowing costs in 2009/2010 than originally anticipated of £200,000.

Leasing

- 2.4 The 2009/2010 Capital Programme Third Review, included elsewhere on today's agenda, identifies slippage in the procurement of two Operational Support Units and a Special Rescue Tender where, in order to benefit from a Firebuy framework agreement, delivery is not anticipated until the next financial year. This will give rise to an estimated underspend in the 2009/2010 Leasing budget of £65,000.

Additional Areas Under Review

2.5 A number of areas were also highlighted at the Second Revenue Review which could potentially give rise to a further underspend in 2009/2010. These are being kept under review, and an update is set out below, for information.

- Revenue Contribution to Capital Outlay - whilst a number of scheme delays have been noted in the 2009/2010 Capital Programme Third Review, elsewhere on today's agenda, there has been no slippage identified at this stage. Any underspend arising from slippage at the year-end will be transferred to the Budget Carry Forward Reserve to ensure that funding is carried forward to meet the cost of the relevant capital schemes as expenditure is actually incurred;
- Firefighter Recruits Course - the 2009/2010 Revenue Budget includes budget provision of £177,000 to meet the cost of a firefighter recruits course. At this stage, it is unlikely that a recruits course will be held in the current financial year, and an underspend is, therefore, likely to result. Any such underspend will be confirmed in the Revenue Budget Outturn report in June 2010;
- Firefighter Ill Health retirements – there have been no ill health early retirements to date in 2009/2010. If this position continues to the end of the financial year then an additional underspend of £81,000 will result.

Service Pressures

2.6 Paragraphs 2.2 to 2.5, above, outline a number of actual and potential variations against the 2009/2010 Revenue Budget, amounting to a total estimated net underspend of £1.322 million.

2.7 A number of initiatives and priorities for reinvestment have been identified, and were referred to at the Second Review, and are summarised below:

- Firelink – whilst further clarification is being requested from CLG in relation to this issue, and the position remains unclear, there is a risk that additional costs fall on this Authority, and if so, additional funds may need to be set aside to meet these costs;
- Carbon Reduction – as part of the 2009/2010 IRMP Action Plan, the Authority is currently working in partnership with the Carbon Trust and other FRAs in the region to develop a Carbon Reduction Plan. It is anticipated that the implementation of this Plan will necessitate some investment in order to make future savings both in carbon emissions and energy bills;
- Equality and Diversity - the Authority is in the process of reviewing and evaluating a number of capital schemes to support its commitment to achieve higher equality and diversity ethnic recruitment targets, and consideration will be given to creating a reserve to contribute towards

the cost of these initiatives.

- 2.8 In addition, the following areas 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:

Vehicle Replacement Programme

- 2.9 Members will be aware that a range of options exist in relation to financing the Vehicle Replacement Programme. Whilst the Programme has been historically financed through leasing arrangements, the options appraisal is often marginal in relation to the options of leasing or buying outright.
- 2.10 The outright purchase of vehicles can provide additional flexibility to the Authority, and in this context, consideration will be given to funding the remainder of the 2009/2010 Vehicle Replacement Programme through outright purchase, funded through the Revenue Budget.

Estates Development Strategy

- 2.11 A report was presented to Members in December 2009 providing an update in relation to the Estates Development Strategy. Members will be aware that funds have been set aside in the Development Reserve and consideration will be given to setting aside additional funds in the Development Reserve in order to ensure the deliverability of schemes as and when specific schemes are developed and presented to Members for consideration.

Summary

- 2.12 The position in relation to the Authority's Revenue Budget 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 2009/2010 and includes an update on the estimated level of balances as at 31st March 2010, 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 2009/2010 as set out in this report, including the updated Statement of Balances set out at Appendix A.

Statement of General Balances

	£'000
Balance as at 1st April 2009	3,068
First Review 2009/2010:	
- Underspend on Leasing Budget	50
Second Review 2009/2010:	
- Underspend on Employee Budget	1,080
- Underspend on Leasing Budget	77
- Overspend on Income Budget	(300)
Third Review 2009/2010:	
- Underspend on Employee Budget	150
- Underspend on Debt Charges	200
- Underspend on Leasing Budget	65
- Estimated provision for Carbon Reduction measures	(600)
- Estimated provision for Equality and Diversity	(200)
- Estimated provision for purchase of vehicles	(300)
Estimated Balance as at 31st March 2010	3,290