



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/08/7
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	3 OCTOBER 2008
SUBJECT OF REPORT	REVENUE BUDGET MONITORING REPORT 2008/2009
LEAD OFFICER	Treasurer and Head of Financial Management
RECOMMENDATIONS	<p>(a) <i>That the budget monitoring position as outlined in this report be noted;</i></p> <p>(b) <i>That given the underspend position against the current year budget, it be recommended to the next meeting of the Fire and Rescue Authority, that the contribution of £0.153m from the General Reserve, originally approved at the budget meeting as part of the process of setting a balanced budget for 2008/2009, is no longer made.</i></p> <p>(c) <i>That in compliance with Financial Regulations, which requires that any proposed budget virement in excess of £50,000, be approved by the Resources Committee, approval be granted to the proposed budget virement outlined in paragraph 8.1 of this report;</i></p>
EXECUTIVE SUMMARY	<p>This report provides Members with a further revenue budget monitoring report for the current financial year. It provides projections of spending against individual budget lines and explanations of any significant variations.</p> <p>At this stage, projections indicate that spending will be £0.703m less than the approved revenue budget, equivalent to 0.99%. A summary of the main reasons for this underspend position are provided within the report.</p>
FINANCIAL IMPLICATIONS	As indicated in the report.
APPENDICES	Appendix A – Revenue Budget Monitoring Report.
LIST OF BACKGROUND PAPERS	Nil.

1. **INTRODUCTION**

- 1.1 This report provides Members with an update of projected spending against the 2008/2009 revenue budget. Monitoring of income and expenditure for the first five months of the financial year, to the end of August 2008, would indicate that total revenue spending will be £69.599m, against an approved budget of £70.302m, resulting in an underspend position of £0.703m, equivalent to 0.99% of budget. This compares to the previous projection of an underspend of £0.727m, as reported to the last meeting of the Resources Committee, held on the 21 July 2008. This latest projection is based upon spending to date, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to significant change during the year, such as retained pay costs, and it is inevitable therefore that final spending figures for the financial year will differ from those projected in this report. It is important therefore that regular reports are brought to this Committee during the course of the financial year to highlight those changes and consider any management action where significant variations are identified.
- 1.2 As was reported to the last meeting, the main reason for such an underspend position is as a consequence of a higher level of uniformed retirements than had been anticipated, resulting in one-off savings against pay costs. Savings against retained pay costs from reduced activity, and debt charges from slippage in the capital programme had also been highlighted.
- 1.3 Appendix A to this report provides a subjective analysis of projected spending against each individual budget line, and more detailed explanations of the significant variations (in excess of £50,000) from budget are provided below: -

2. **EMPLOYEE COSTS**

Wholetime Pay

- 2.1 At this time it is projected that spending against wholetime pay costs will be £0.699m less than budget, or just 2.15% of the wholetime pay budget, primarily as a consequence of vacancies across the Service. As was reported to the last meeting of the Human Resources Management and Development Committee, held on the 12 September 2008, the Service is currently well below the full establishment, albeit that most of this has been planned in order to facilitate the introduction of dual crewing of the Aerial appliances and also for the reduction in Area Managers. In addition, the number of vacancies has increased as a consequence of a higher than expected number of retirements during the first half of the financial year.

Retained Pay Costs

- 2.2 At this stage retained pay costs are projected to be £0.172m less than budget, primarily as a consequence of fewer calls than had been anticipated. In addition, the number of retained firefighters opting to join the new Firefighter Pension Scheme is less than had been anticipated resulting in reduced employer's pension contributions. It should be emphasised that by its very nature retained pay costs can be subject to significant variations, dependant on activity levels during the course of the year, e.g. volatility caused from spate weather conditions.

Non-Uniformed Pay

- 2.3 As a consequence of a relatively high number of non-uniform vacancies across the Service in the early part of the financial year, it is projected that one-off savings of £0.089m will be achieved against this budget line. The final figure will be dependent on the speed at which these posts can be filled during the course of the year. This projection also includes assumptions in relation to the outcome of the pay settlement for non-uniformed staff, effective from April 2008, and the financial impact from the outcome of the Job Evaluation process, which is yet to be finalised.

Training Expenses

- 2.4 At this stage, it is anticipated that spending against the training budget will be £0.148m less than budget, primarily as a consequence of further economies of scale in training delivery being achieved from combination, and the impact on training requirements from the relatively high level of vacancies across the organisation.

Fire Service Pensions

- 2.5 Based upon current information it is anticipated that there will be fewer ill-health retirements in the current financial than had been budgeted for, resulting in savings against pension costs of £0.078m.

3. TRANSPORT RELATED COSTS

- 3.1 At this time, it is estimated that spending on overall transport costs will be £0.218m more than budget, primarily as a consequence of the significant increases in fuel costs over and above budget provision, and increases in insurance premiums.

4. SUPPLIES AND SERVICES

Equipment and Furniture

- 4.1 Whilst spending on equipment and furniture is projected to be £0.089m more than budget, the additional spending, in the main, relates to training equipment and consumables required to cover additional courses scheduled for the year, which is more than offset by additional training income generated from external organisations.

5. ESTABLISHMENT COSTS

Insurances

- 5.1 Members will be aware of the decision by the mutual insurance company, FRAML, to suspend trading in light of a recent legal judgement, as reported to the meeting of Devon and Somerset Fire and Rescue Authority held on the 31 July 2008. As a consequence of that decision it is projected that non-fleet insurance costs will be £0.080m more than had been budgeted. This includes, not only the additional premium cost from the alternative insurance provider, but also a prudent assumption relating to premiums which are due to be refunded by FRAML, which may not be received in the current financial year.

6. CAPITAL FINANCING COSTS

Capital Charges

- 6.1 Elsewhere on the agenda is a report from the Head of Physical Assets relating to spending against the approved capital programme. That report identifies that as a consequence of slippage in capital spending; there will be savings against the debt charges budget. For 2008/2009, this revised assessment indicates that debt charges for 2008/2009 will be £0.246m less than that budgeted.

Revenue Contribution to Capital Spending

- 6.2 Given the savings on debt charges highlighted in paragraph 6.1, it was agreed at the last meeting of Resources Committee, that an amount of £0.170m be utilised to fund the urgent purchase of replacement Breathing Apparatus cylinders, therefore avoiding the need to borrow for this spending.

7. INCOME

Treasury Management Investment Income

- 7.1 At this stage it is anticipated that income achieved from the investment of surplus working balances will be £0.079m less than budgeted. This is as a consequence of a higher number of uniformed officers retiring than had been expected, resulting in the earlier payment of pension commutation payments. Whilst the cost of the commutation payments will ultimately be funded by the CLG, under the new pension funding arrangements, reimbursement for this cost will not be received until July 2009, resulting in less working balances available for investment during the year. The reduction in investment income is more than offset by resultant savings on whole-time pay costs from reduced employer pension contributions.

Other Income

- 7.2 As a consequence of securing additional contracts to deliver recruit training for other Fire Services, additional training income will be achieved over and above that budgeted. At this stage it is estimated that additional total income of £0.115m will be achieved.

Contribution from Reserves

- 7.3 Members may recall as part of the budget setting process for 2008/2009, that it was agreed that an amount of £0.153m be transferred from the balance in the General Reserve, in order that a balanced budget could be set. Given that projections are now indicating an underspend position for 2008/2009, this contribution is no longer required and it is my recommendation therefore that this contribution is no longer made. As Financial Regulations requires that any budget virement in excess of £0.150m is approved by the full Fire and Rescue Authority, this recommendation will be referred to the next meeting of the Devon and Somerset Fire and Rescue Authority, to be held on the 23 October 2008. The impact of this recommendation is reflected in Appendix A

8. **BUDGET VIREMENTS**

- 8.1 Table 1 below shows details of an additional spending pressure identified by a budget holder as requiring funding in the current year, which had not been included in the approved budget. It is proposed that this spending be approved to be funded from savings on wholetime pay costs. Financial Regulations require that any proposed virement from a subjective budget line that is in excess of £50,000 requires the approval of the Resources Committee (Regulations A20 and A21 refers). The budget figures in Appendix A include the impact of this virement.

TABLE 1 – VIREMENTS IN EXCESS OF £50,000

Budget Line	From £	To £	Reason
Wholetime Pay Costs Equipment and Furniture	(60,000)	60,000	To accelerate the purchase of Technical Rescue equipment and Personal Protective Equipment required to enhance Technical Rescue capability, incorporating both Water Rescue and Rope Rescue. Funding has been provided for this purchase to be made over a three-year period; therefore approval to procure in this financial year will enable budgets for the next two financial years to be reduced by £30,000 each year.

9. **SUMMARY AND RECOMMENDATIONS**

- 9.1 Whilst it is still relatively early in the financial year, and projections of spending will inevitably change during the course of the financial year, at this time spending against the revenue budget is anticipated to be well within the approved budget. Given this position, it is my recommendation that the transfer of £0.153m from the General Reserve, originally agreed by the authority as a contribution to the 2008/2009 budget, is no longer made. Further budget monitoring reports will be presented to each meeting of the Resources Committee held during the financial year, to provide an update to this position together with officer recommendations as to how any variances from budget are to be managed.

KEVIN WOODWARD
Treasurer and Head of Financial Management

APPENDIX A TO REPORT RC/08/7

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2008/09

Line No		2008/09 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 5 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/(under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,501	13,362	13,058	31,802	-699
2	Retained firefighters	12,374	4,692	4,237	12,202	-172
3	Control room staff	1,827	746	764	1,870	43
4	Non uniformed staff	7,691	3,192	2,850	7,602	-89
5	Training expenses	1,192	497	588	1,044	-148
6	Fire Service Pensions recharge	1,797	899	919	1,719	-78
		57,382	23,388	22,416	56,239	-1,143
	PREMISES RELATED COSTS					
7	Repair and maintenance	874	364	355	891	17
8	Energy costs	470	195	121	490	20
9	Cleaning costs	383	160	48	395	12
10	Rent and rates	1,248	572	581	1,249	1
		2,975	1,291	1,105	3,025	50
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	511	213	168	523	12
12	Running costs and insurances	1,127	424	503	1,237	110
13	Travel and subsistence	1,000	352	402	1,096	96
		2,638	989	1,073	2,856	218
	SUPPLIES AND SERVICES					
14	Equipment and furniture	1,847	745	698	1,936	89
15	Hydrants-installation and maintenance	151	63	24	120	-31
16	Communications	1,202	562	551	1,202	0
17	Uniforms	764	318	293	754	-10
18	Catering	118	49	68	144	26
19	External Fees and Services	98	27	6	98	0
20	Partnerships & regional collaborative projects	159	66	38	159	0
		4,339	1,830	1,678	4,413	74
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	409	187	164	401	-8
22	Advertising	60	25	24	60	0
23	Insurances	321	160	312	401	80
		790	372	500	862	72
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	623	212	197	608	-15
		623	212	197	608	-15
	CAPITAL FINANCING COSTS					
25	Capital charges	4,413	107	544	4,167	-246
26	Revenue Contribution to Capital spending	0	0	0	170	170
		4,413	107	544	4,337	-76
27	TOTAL SPENDING	73,160	28,189	27,513	72,340	-820
	INCOME					
28	Treasury management investment income	-352	-147	-121	-273	79
29	Grants and Reimbursements	-1,335	-359	-1,134	-1,335	0
30	Other income	-965	-402	-526	-1,080	-115
31	Internal Recharges	-53	-22	-13	-53	0
32	Contribution from Reserves	-153	-51	0	0	153
33	TOTAL INCOME	-2,858	-981	-1,794	-2,741	117
34	NET SPENDING	70,302	27,208	25,719	69,599	-703