



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/08/9
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	8 DECEMBER 2008
SUBJECT OF REPORT	REVENUE BUDGET MONITORING REPORT 2008/2009
LEAD OFFICER	Treasurer and Head of Financial Management
RECOMMENDATIONS	<p>(a) <i>That, given the indicative underspend against the Revenue Budget for 2008/09, the Devon and Somerset Fire and Rescue Authority be recommended to approve the following:</i></p> <p>(i) <i>in accordance with Financial Regulations, the virement of £0.211m from wholtime pay costs to fund in the current financial year the one-off purchase of replacement alerter transmitters, as outlined in paragraph 8.8 of this report, and;</i></p> <p>(ii) <i>the establishment of an earmarked reserve of £0.175m to fund the de-commissioning costs associated with the existing radio systems, as outlined in paragraph 8.9 of this report;</i></p> <p>(b) <i>That, subject to (a) above, the revenue budget monitoring position as outlined in this report be noted.</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 £0.887m less than the approved revenue budget, equivalent to 1.26%. The main reason for such an underspend position is as a consequence of a higher number of vacancies than anticipated resulting in savings on pay costs. A summary of the main variations from individual budget lines are provided within the report.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	This report has undergone an initial Equality Impact Assessment (EIA) screening which has not identified any potential negative impact that would warrant a full impact assessment on this occasion.
APPENDICES	Appendix A – Revenue Budget Monitoring Report.
LIST OF BACKGROUND PAPERS	Nil.

1. INTRODUCTION

- 1.1 This report provides the Committee with an update of projected spending against the 2008/2009 revenue budget. Monitoring of income and expenditure for the first seven months of the financial year (to the end of October 2008) would indicate that total revenue spending will be £69.415m, against an approved budget of £70.302m, resulting in an underspend position of £0.887m, equivalent to 1.26% of budget. This compares to the previous projection of an underspend of £0.684m, as reported to the last meeting of the Resources Committee, held on the 3 October 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 than 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 has been reported previously, 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-savings against pay costs. Savings against retained pay costs from reduced activity, a reduction in training costs, and savings on 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 £0.792m less than budget, or just 2.44% of the wholetime pay budget, primarily as a consequence of vacancies across the Service. The Human Resources Management and Development Committee, held on the 12 September 2008, was advised that 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 £0.220m 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.

Control Room Staff

- 2.3 As a consequence of a higher level of sickness absence within the control room and the need to maintain cover arrangements, it is projected that the budget for control room pay costs will be overspent by £0.119m.

Training Expenses

- 2.4 At this stage, it is anticipated that spending against the training budget will be £0.150m 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 year than had been budgeted for, resulting in savings against pension costs of £0.129m.

3. TRANSPORT RELATED COSTS

- 3.1 At this time, it is estimated that spending on overall transport costs will be £0.186m 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 £0.106m 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 The mutual insurance company, FRAML, suspended trading in light of a recent legal judgement, as reported to the meeting of Devon and Somerset Fire and Rescue Authority held on 31 July 2008. As a consequence of that decision it is projected that non-fleet insurance costs will be £0.075m 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 As was reported by the Head of Physical Assets at the meeting of Resources Committee in July 2008, there has already been some slippage in the 2008/2009 to 2010/2011 capital programme, resulting in savings against the debt charges budget. For 2008/2009, this revised assessment indicates that debt charges for 2008/2009 will be £0.269m 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 meeting of Resources Committee held on the 21 July 2008, 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. In addition, an amount of £0.013m has been utilised to fund the purchase of vehicles which had originally been funded from leasing, and which have now come to the end of the lease period.

7. INCOME

Other Income

- 7.1 At this stage, it is anticipated that the Other Income budget will be over achieved as a consequence of two main issues. Firstly, additional training income will be achieved from the delivery recruit training for other Fire Services, and secondly, the Service has recently signed a Memorandum of Undertaking with the South Western Ambulance NHS Trust (SWAT) relating to the co-responder arrangements, which will result in the Service receiving additional income from the SWAT, based on performance levels.

Contribution from Reserves

- 7.2 At the previous meeting of Resources Committee, held on the 3 October 2008, it was agreed, that in light of the underspend position, the contribution from the General Reserve of £0.153m, originally agreed as part of the of the budget setting process for 2008/2009, is no longer required.

8. ADDITIONAL SPENDING PRESSURES

- 8.1 Whilst this report relates to spending against the current year budget, work is well underway in terms of considering the compilation of the revenue budget for 2009/10 and its associated impact on the level of Council Tax. This will involve consideration of potential new projects or initiatives, as identified by departmental heads in compiling their individual Area/Department/Section Plans, that can be supported financially. Early consideration of those projects suggests that approximately £0.940m will be required to be included in the base budget for 2009/2010 to fund only those projects which are considered to be essential. This does not include any provision for a number of other projects which, whilst have been identified as desirable; have not, at this stage been included in the Medium Term Financial Plan, subject to further consideration relating to affordability. Two such issues identified as requiring funding in 2009/2010 relate to;

- the replacement of alerter base station transmitters (£0.211m)
- the de-commissioning of legacy radio systems following the introduction of Firelink (£0.175m)

Alerter Base Station Transmitters

- 8.2 The method of mobilising retained fire-fighters to incidents is via an electronic communications system that is initiated in the Control room, routed to the relevant retained fire station and then routed via a paging mechanism to all local retained fire-fighters employed at that station. The electronic 'routing box' at the station is referred to as an alerter base station transmitter. These items have been in use within Devon and Somerset for 12 – 15 years and are now due for replacement. The equipment is obsolete and the Service is relying on a dwindling pool of spare parts and maintenance expertise currently. This equipment falls outside the scope of the regional FiReControl project. There are certain considerations with regard to the timing of the replacement. The equipment needs to be fully compatible with the new FiReControl protocols. Included 'in scope' and funded by the FiReControl project is the 'Station End Equipment' (SEE). This is the equipment used to communicate mobilising information from Control for both Wholetime and Retained requirements. The programme for installation of SEE is underway with station surveys having commenced in November 2008. Equipment will commence installation in about three months' time. As surveys, rewiring considerations and station visits pertain to both SEE and alerter base station transmitters, it clearly makes sense to plan and install the two items of equipment together as this will save considerable costs. This is the plan being adopted.
- 8.3 The costs associated with this replacement are £0.306m for the initial purchase and £0.055m for additional maintenance costs per annum. In relation to the funding of the initial purchase costs, an amount of £0.095m has already identified from within the ICT budget, leaving a residue of £0.211m required to fund the complete replacement programme.

De-commissioning of Legacy Radio systems

- 8.4 The decommissioning of the legacy radio microwave transmitting system to hill top masts throughout Devon and Somerset is a cost that falls to the Service. This radio scheme was shared with Devon & Cornwall Constabulary in the case of most Devon sites and Avon & Somerset Constabulary in the case of most Somerset sites. These police forces have ceased usage of the facility as they have already migrated to the new Airwave Tetra radio system that is now the core of the Firelink project for the fire service. Upon cessation by the police service, different agreements were left in place with each force regarding decommissioning.
- 8.5 The decommissioning project will need to be planned to follow on from when the new Firelink radio scheme is in operation. The planned date for this is May 2009. It is currently documented that payment for the new airwave radio system will not commence until the Service commences operation with the Regional Control. Dependant on the speed at which the decommissioning exercise can be completed, there is an opportunity saving on license costs between the old and new radio scheme charges being levied.
- 8.6 The costs associated with this issue had originally been estimated to be £0.250m, however through further negotiation with the police over certain aspects of the arrangement, the estimated cost has been reduced to £0.175m.

- 8.7 Both of the two spending issues identified above are mandatory projects which will require additional financial provision to be made. Given that the majority of the costs associated with both projects are 'one-off' (£0.211m for the alerter base stations, and £0.175m for the decommissioning costs), it is recommended that funding for the 'one off' element of the costs is earmarked from the underspend against the current years budget, as identified in this report. This approach would be extremely helpful in terms of the setting of the revenue budget for 2009/10, as it will remove £0.386m from the base budget requirement.
- 8.8 In relation to the replacement of the alerter base station transmitters, if approval can be given to the costs being funded from the underspend in 2008/09, then arrangements can be made for the installations to take place in this financial year. The Committee is asked to approve the recommendation that a budget virement of £0.211m be made from the savings against wholetime pay costs.
- 8.9 In relation to the decommissioning costs of existing radio systems, as these costs will fall in 2009/2010, it is recommended that an earmarked reserve of £0.175m be established, to be funded from the underspend in 2008/09, to provide the funding specifically for these costs when they occur.
- 8.10 Financial Regulations require the approval of the Fire and Rescue Authority for any virements on items over £0.150m. The Committee is asked to approve the recommendations, outlined in paragraphs 8.8 and 8.9 above, to the next meeting of the Fire and Rescue Authority, to be held on the 18 December 2008.

9. CONCLUSION

- 9.1 Whilst this report has been prepared at month 7 and projections of spending will inevitably change during the remaining five months of the financial year, at this time spending against the revenue budget is anticipated to be well within the approved budget. Given this position and the pressures on future budget requirements as identified in the Medium Term Financial Plan, it is considered prudent that the Authority considers to what extent this one-off underspend could be utilised to fund known spending items, that are one-off in nature, and would have been required to be included in setting the 2009/2010 revenue budget. The Committee is therefore asked to recommend the Devon and Somerset Fire and Rescue Authority to approve:
- (i) in accordance with Financial Regulations, the virement of £0.211m from wholetime pay costs to fund the one-off purchase of replacement alerter transmitters in the current financial year, as outlined in paragraph 8.8 of this report, and;
 - (ii) the establishment of an earmarked reserve of £0.175m to fund the decommissioning costs associated with the existing radio systems, as outlined in paragraph 8.9 of this report.
- 9.2 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

Revenue Budget Monitoring Report 2008/09

Line No		2008/09 Budget	Year To Date Budget	Spending to Month 7	Projected Outturn	Projected Variance over/ (under) £000
		£000 (1)	£000 (2)	£000 (3)	£000 (4)	£000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,502	18,784	18,312	31,710	(792)
2	Retained firefighters	12,339	6,732	6,081	12,119	(220)
3	Control room staff	1,827	1,053	1,100	1,946	119
4	Non uniformed staff	7,675	4,464	4,045	7,653	(22)
5	Training expenses	1,192	695	736	1,042	(150)
6	Fire Service Pensions recharge	1,797	1,198	1,175	1,668	(129)
		57,332	32,926	31,449	56,138	(1,194)
	PREMISES RELATED COSTS					
7	Repair and maintenance	874	510	513	894	20
8	Energy costs	469	273	195	494	25
9	Cleaning costs	383	223	75	395	12
10	Rent and rates	1,248	889	842	1,258	10
		2,974	1,895	1,625	3,041	67
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	506	295	235	498	(8)
12	Running costs and insurances	1,127	665	682	1,237	110
13	Travel and subsistence	999	518	573	1,083	84
		2,632	1,478	1,490	2,818	186
	SUPPLIES AND SERVICES					
14	Equipment and furniture	1,874	1,096	1,021	1,980	106
	Hydrants-installation and maintenance	151	88	37	74	(77)
16	Communications	1,214	831	641	1,220	6
17	Uniforms	767	447	368	785	18
18	Catering	118	69	99	144	26
19	External Fees and Services	98	57	7	94	(4)
20	Partnerships & regional collaborative projects	172	100	53	172	0
		4,394	2,688	2,226	4,469	75
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	408	253	234	417	9
22	Advertising	59	35	33	79	20
23	Insurances	326	319	327	401	75
		793	607	594	897	104
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	623	340	315	608	(15)
		623	340	315	608	(15)
	CAPITAL FINANCING COSTS					
25	Capital charges	4,413	1,627	1,251	4,144	(269)
26	Revenue Contribution to Capital spending	0	0	0	183	183
		4,413	1,627	1,251	4,327	(86)
27	TOTAL SPENDING	73,161	41,561	38,950	72,298	(863)
	INCOME					
28	Treasury management investment income	(352)	(205)	(307)	(381)	(29)
29	Grants and Reimbursements	(1,336)	(680)	(1,125)	(1,336)	0
30	Other income	(965)	(563)	(697)	(1,113)	(148)
31	Internal Recharges	(53)	(31)	(22)	(53)	0
32	Contribution from Reserves	(153)	(89)	0	0	153
33	TOTAL INCOME	(2,859)	(1,568)	(2,151)	(2,883)	(24)
34	NET SPENDING	70,302	39,993	36,799	69,415	(887)