

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/09/3
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	4 FEBRUARY 2009
SUBJECT OF REPORT	REVENUE BUDGET MONITORING REPORT 2008/2009
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That the budget monitoring position as outlined in this report be noted.</i>
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>Based upon spending to the end of December 2008, it is projected that spending will be £0.665m less than the approved revenue budget, equivalent to 0.95%. The main reason for such an underspend position is as a consequence of savings from staffing costs, primarily from a high number of vacancies due to retirements, and reductions in retained pay costs as a consequence of relatively low activity levels. 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	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	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 nine months of the financial year, to the end of December 2008, would indicate that total revenue spending will be £69.637m, against an approved budget of £70.302m, resulting in an underspend position of £0.665m, equivalent to 0.95% of budget. It should be noted that this projection reflects the decisions made at the previous meeting of Resources Committee, held on the 8 December 2008, to utilise an amount of £0.386m from the current year underspend to fund two spending items i.e. purchase of replacement alerter transmitter systems, and decommissioning of legacy radio systems, that would have been required to have been funded in 2009/2010.
- 1.2 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.
- 1.3 As has been reported in previous budget monitoring reports to this Committee during the financial year, 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, and savings against retained pay costs from reduced activity levels. 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 £0.489m less than budget, or just 1.52% of the wholetime pay budget, primarily as a consequence of vacancies across the Service. As was reported to the 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 £0.456m 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 issues 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 £0.122m.

Training Expenses

- 2.4 At this stage, it is anticipated that spending against the training budget will be £0.082m 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 £0.138m.

3. PREMISES RELATED COSTS

Energy Costs

- 3.1 As a consequence of significant increases in utility costs during the course of the year it is projected that spending against this budget line will be £0.066m more than had been budgeted.

4. TRANSPORT RELATED COSTS

- 4.1 At this time, it is estimated that spending on overall transport costs will be £0.095m more than budget, primarily as a consequence of the significant increases in fuel costs in the early part of the financial year, and increases in insurance premiums as a consequence of the change in insurance provider.

5. SUPPLIES AND SERVICES

Equipment and Furniture

- 5.1 Whilst spending on equipment and furniture is projected to be £0.121m more than budget, the additional spending primarily 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.

6. ESTABLISHMENT COSTS

Insurances

- 6.1 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 £0.082m 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.

7. CAPITAL FINANCING COSTS

Capital Charges

- 7.1 As has been reported to this Committee throughout the financial year, slippage against the capital programme, for both 2007/2008 and 2008/2009, has resulted in savings against capital financing costs. For 2008/2009, this revised assessment indicates that debt charges for 2008/2009 will be £0.325m less than that budgeted. Given this position and the fact that borrowing rates have reduced during this year, consideration will be given, in the remaining few months of the financial year, as to the viability of utilising some of these savings to fund the cost of rescheduling existing long-term debt onto more favourable interest rates. This would be particularly beneficial in relation to those loans taken out many years ago on long-term fixed rates. Such action would only be taken where a financial appraisal would clearly demonstrate that savings can be achieved over the period of the new loan.

Revenue Contribution to Capital Spending

- 7.2 Given the projected underspend position for the current year, 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 £0.035m has been utilised to fund the purchase of vehicles, and £0.027m to fund the purchase of three oil tanks for bulk oil storage.

8. INCOME

Treasury Management Investment Income

- 8.1 Whilst recent reductions in interest rates will have a detrimental impact to future investment income on working balances, for the current year, income is projected to exceed budget by £0.137m, as a consequence of higher levels of working balances available for investment purposes, primarily caused by slippage in the cash spending profile of the major capital projects.

Other Income

- 8.2 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 of recruit training for other Fire Services, and secondly, the Service has recently signed a Memorandum of Undertaking with the Westcountry Ambulance Trust (WAT) relating to the co-responder arrangements, which will result in the Service receiving additional income from the WAT, based on performance levels.

Contribution to/from Reserves

- 8.3 At its meeting on 3 October 2008 the Committee resolved to recommend to the Authority 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 was no longer required (Minute RC/10 refers). This was duly approved by the Authority at its meeting on 23 October 2008 (Minute DSFRA/48(e) refers). At its meeting on 8 December 2008 the Committee resolved that an amount of £0.175m of the underspend be transferred to an Earmarked Reserve to provide funding for the costs associated with the decommissioning of existing radio systems following the implementation of the national radio scheme Firelink (Minute *RC/14 refers).

9. SUMMARY AND RECOMMENDATIONS

- 9.1 Whilst there are still three months of spending to consider, and projections of spending will inevitably change as we get closer to the year-end, it is still projected that spending against the revenue budget will be well within the approved budget. The current forecast is that spending will result in an underspend of £0.665m. A further update will be provided to the next meeting of the Resources Committee, and the final outturn position reported to the Authority, on completion of the closure of the Accounts in May 2009, together with recommendations as to how the final outturn position is to be dealt with.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RMB/09/3

Line No		2008/09 Budget £000	Year To Date Budget £000	Spending to Month 9 £000	Projected Outturn £000	Projected Variance over/ (under) £000 (5)
		(1)	(2)	(3)	(4)	(5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,147	24,193	23,532	31,658	(489)
2	Retained firefighters	12,089	8,798	8,044	11,633	(456)
3	Control room staff	1,827	1,356	1,439	1,949	122
4	Non uniformed staff	7,657	5,740	5,368	7,589	(68)
5	Training expenses	1,193	895	804	1,111	(82)
6	Fire Service Pensions recharge	1,797	1,498	1,420	1,659	(138)
		56,710	42,480	40,607	55,599	(1,111)
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,046	669	597	1,066	20
8	Energy costs	469	352	306	535	66
9	Cleaning costs	375	281	90	379	4
10	Rent and rates	1,234	1,082	902	1,274	40
		3,124	2,384	1,895	3,254	130
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	586	380	297	575	(11)
12	Running costs and insurances	1,127	826	1,047	1,195	68
13	Travel and subsistence	1,002	675	811	1,040	38
		2,715	1,881	2,155	2,810	95
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,120	1,423	1,364	2,241	121
15	Hydrants-installation and maintenance	102	113	54	74	(28)
16	Communications	1,420	910	849	1,424	4
17	Uniforms	767	575	531	769	2
18	Catering	118	88	131	148	30
19	External Fees and Services	98	73	16	86	(12)
20	Partnerships & regional collaborative projects	157	129	63	157	0
		4,782	3,311	3,008	4,899	117
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	408	319	279	417	9
22	Advertising	59	45	52	79	20
23	Insurances	326	322	529	408	82
		793	686	860	904	111
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	623	435	372	619	(4)
		623	435	372	619	(4)
	CAPITAL FINANCING COSTS					
25	Capital charges	4,413	2,164	1,805	4,088	(325)
26	Revenue Contribution to Capital spending	0	0	0	232	232
		4,413	2,164	1,805	4,320	(93)
27	TOTAL SPENDING	73,160	53,341	50,702	72,405	(755)
	INCOME					
28	Treasury management investment income	(352)	(264)	(439)	(489)	(137)
29	Grants and Reimbursements	(1,357)	(1018)	(1,105)	(1,352)	5
30	Other income	(943)	(708)	(889)	(1,049)	(106)
31	Internal Recharges	(53)	(39)	(60)	(53)	0
32	Contribution to/from Reserves	(153)	(115)	0	0	153
33	Earmark Rerserve	0	0	0	175	175
33	TOTAL INCOME	(2,858)	(2,144)	(2,493)	(2,768)	90
34	NET SPENDING	70,302	51,197	48,209	69,637	(665)