



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/10/17
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	29 NOVEMBER 2010
SUBJECT OF REPORT	REVENUE BUDGET MONITORING REPORT 2010/2011
LEAD OFFICER	TREASURER
RECOMMENDATIONS	<p>(a) <i>That it be recommended to the next meeting of the Devon and Somerset Fire and Rescue Authority that the budget virements outlined in paragraph 8.1 of this report be approved;</i></p> <p>(b) <i>That, subject to (a) above, the budget monitoring position in relation to projected spending against the 2010/2011 revenue budget be noted.</i></p>
EXECUTIVE SUMMARY	<p>This is the third revenue budget monitoring report to be considered for the current financial year which provides an indication of projected spending against the 2010/2011 agreed revenue budget.</p> <p>At this stage, projections indicate that revenue spending will be £0.991m less than budget, equivalent to 1.32% of the total budget.</p> <p>The previous report considered at the last meeting of Resources Committee held on the 21 October 2010, was part of the half-year Financial Performance Report 2010-2011, which also included forecast performance against other financial indicators such as Prudential Indicators, aged debt and payment of invoices. The next full Financial Performance Report will be considered at the next meeting of this Committee to be held in February 2011, based on the position at the end of December 2010.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Subjective Analysis of 2010/2011 Revenue Spending.
LIST OF BACKGROUND PAPERS	Personal Preventative Equipment (PPE) Replacement – Integrated Clothing Project (ICP) Report RC/09/9 to Resources Committee 16 November 2010.

1. INTRODUCTION

- 1.1 This report provides a further update of projected spending against the agreed revenue budget for 2010/2011, based upon the spending position as at 31 October 2010. The last report was considered at the last meeting of Resources Committee held on the 21 October 2010 as part of the half-year Financial Performance Report.
- 1.2 Current projections are for total revenue spending in 2010/2011 to be £74.144m, as compared to an approved budget of £75.135m, representing an underspend of £0.991m (previous projection of £0.879m), equivalent to 1.32% of the total budget.
- 1.3 It should be emphasised that this underspend position is net of a transfer of £0.726m to an Earmarked Reserve 'CSR 2010 Budget Strategy Reserve' from savings already achieved in the current year, as agreed at the last meeting of Resources Committee, held on the 21 October 2010, and ratified at the full Authority meeting held on the 3 November 2010.
- 1.4 Given the announcement within the Comprehensive Spending Review (CSR 2010), that the Fire and Rescue Service can expect a 25% reduction in government grants over the next four years., it is pleasing that the Authority has already identified an amount of £0.726m to be utilised to assist budget planning over the next four years.
- 1.5 Much of this underspend has been achieved as a direct result of managers reducing spending to essential areas only in view of the forecasted savings required. The savings 'in year' will offset the level of budget reductions required in future years and details as to additional budget savings will be consulted on shortly as part of the 2011/12 budget setting process.
- 1.6 The latest projection is based upon the spending position at the end of October 2010, 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 volatility in spending patterns during the year, in particular retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report. Appendix A provides an analysis of projected spending against each of the subjective budget headings, and explanations of the more significant variations from budget are explained below in paragraphs 2 to 7 below.

2. EMPLOYEE COSTS

Wholetime Staff

- 2.1 At this stage spending against wholetime pay costs is anticipated to be £0.400m less than budget, based on the assumption of a zero pay increase from July 2010, as compared to the 1.0% provision that had been made in setting the 2010/2011 budget.

Retained Staff

- 2.2 Spending is forecast to be £0.104m under budget primarily from assumed savings from a zero per cent pay award. In making this projection an assumption has also been made that activity levels in the remainder of the financial year are consistent with the average for the same period for the last three financial years. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions.

Non-Uniformed Staff

- 2.3 The saving of £0.114m against non-uniformed pay costs again makes an assumption that the national pay settlement will result in a zero pay award from April 2010. Further savings from this budget line result from the Senior Management restructure which resulted in the deletion of two non-uniformed posts.

Training Expenses

- 2.4 A projected underspend of £0.096m from training costs is as a result of an anticipated slippage in the delivery of courses.

Fire Service Pension Costs

- 2.5 It is anticipated that Fire Service Pension costs will be £0.111m less than budget as a result of the recovery of overpaid pensions relating to injury awards.

3. TRANSPORT RELATED COSTS

Repair and Maintenance

- 3.1 At this stage it is projected that savings of £0.077m will be achieved against vehicle repair and maintenance costs.

4. PREMISES RELATED COSTS

Energy Costs

- 4.1 It is anticipated that energy costs will be £0.080m less than budget as a result of the impact of carbon management initiatives introduced during 2010 e.g. installation of smart meters into stations to monitor usage.

5. SUPPLIES AND SERVICES

Uniforms and Personal Protective Equipment

- 5.1 Members may recall that a previous decision was taken by the Authority (report RC/09/9 to Resources Committee 16 November 2009 refers) to implement the Integrated Clothing Project (ICP) as a replacement for the previous Personal Protective Equipment (PPE) contract which expired last year. In terms of the funding of this project it had been agreed that an amount of £0.357m would be set aside from an anticipated underspend against the 2009/2010 revenue budget, to part fund the total additional costs. In the event, the final outturn position for 2009/2010 did not provide sufficient underspend for this total amount to be set aside, and only £0.066m was able to be set aside, leaving the project £0.291m short of its implementation plan. The projections included in this report provide for this shortfall to be funded from the 2010/2011 revenue budget.

6. INCOME

Treasury Management Investment Income

- 6.1 At this stage it is anticipated that investment income will be £0.076m more than budgeted for, as a result of an improved cash flow position following early borrowing in the financial year when borrowing rates were particularly low.

Grants and Reimbursements

- 6.2 It is anticipated that additional partnership funding over and above budget will be achieved to support community fire safety initiatives.

Other Income

- 6.3 It is anticipated that income targets are unlikely to be achieved this financial year as a result of the economic downturn. At this stage it is forecast that the income levels will be £0.174m short of the budgeted target, primarily from a drop in training course income.

7. CONTRIBUTION TO/FROM RESERVES

- 7.1 In anticipation of reductions in government grant levels over the next four years from 2011/2012, an exercise to identify in-year savings of 10% from non-pay budget heads has been carried out by the officer led Service Improvement Group (SIG). This exercise involved all budget managers throughout the organisation scrutinising their devolved budget areas and making proposals to SIG for reductions of 10% savings. Each of the proposals were then risk assessed by the Senior Management Board to assess the impact of each proposal against the Corporate Plan and Service Delivery.
- 7.2 The total savings identified from this exercise amounts to £0.726m. The range of proposals varied from the smaller savings from better local management of costs e.g. travel, utilities, equipment, conference/seminars attendance, to the larger savings from cessation of non-essential work programmes or deferral of projects e.g. savings on leasing costs from the extension of the life of existing vehicles and equipment.
- 7.3 At the meeting of the Fire and Rescue Authority meeting, held on the 3 November 2010, it was approved that this total saving of £0.726m be transferred to an Earmarked Reserve, to be called 'CSR 2010 Budget Management Reserve', to be utilised to provide some financial contingency towards the budget strategy to be adopted in response to the reductions in government grants over the next four years from 2011/2012.

8. BUDGET VIREMENTS

- 8.1 Financial Regulations stipulate that in-year virements between subjective budget lines in excess of £50,000 require the approval of the Resources Committee, and the full Authority where the amount exceeds £150,000 (Regulations A19 and A20 refers). Table 1 overleaf provides details of two proposed virements, both of which exceed £150,000 in total, and therefore require the approval of the full Authority.

TABLE 1

Budget Line	From £m	To £m	Reason
Grants and Reimbursements Communications	(0.293)	0.293	<p>Up until June 2010 the Department of Communities and Local Government (CLG) have paid for the annual Service Fees associated with the usage of the new national radio system (Firelink).</p> <p>From July 2010 the charging arrangements have changed so as individual FRSs will now be charged for their share of the regional Service Fees. For 2010-11 the total charge for DSFRA will be £0.506m. The CLG will fund the difference between this cost and the cost of legacy radio systems, which are already included in the base budget, through New Burdens grant. For DSFRA the amount of New Burdens grant has been announced as £0.293m,</p> <p>This proposed virement is to increase the Communications budget line by £0.293m to fund the cost of Firelink charges over and above existing budget, with a corresponding increase in the Grants and Reimbursements income budget.</p>
Furniture and Equipment External Fees and Services	(0.258)	0.258	<p>Included in the base budget for this financial year is an allocation of £0.555m to fund the initial costs associated with the business transformation programme.</p> <p>This proposed virement is to move an amount of £0.258m from the ICT Equipment budget line to External Fees and Services to reflect the change in how the original allocation for the business transformation programme is to be spent.</p> <p>The total sum for business transformation allocated by the Fire Authority remains the same.</p>

8.2 For presentation purposes the impact of these two virements has already been included in Appendix A on the basis that they are both approved.

9. **SUMMARY OF REVENUE SPENDING**

9.1 Given the announcement within the Comprehensive Spending Review (CSR 2010), that fire and rescue authorities can expect a 25% reduction in government grants over the next four years, it is pleasing that the Authority has already secured savings of £0.726m from in-year savings which has been set aside to an Earmarked Reserve, to be utilised to assist budget planning over the next four years.

- 9.2 Even after this transfer the revenue position is still one of a forecast underspend position of £0.991m (primarily from a zero pay award). This Committee will be asked to consider how the final underspend position is to be utilised at its meeting to be held in May 2011, after the year-end.
- 9.3 Further updates of forecast spending will be provided at each future meeting of Resources Committee, together with any proposed actions in relation to significant variations from budget.

KEVIN WOODWARD
Treasurer

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY

APPENDIX A

Revenue Budget Monitoring Report 2010/11

Line No	SPENDING	2010/11	Year To	Spending to	Projected	Projected
		Budget	Date Budget	Month 7	Outturn	Variance over/ (under)
		£000 (1)	£000 (2)	£000 (3)	£000 (4)	£000 (5)
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,568	18,896	18,747	32,168	(400)
2	Retained firefighters	12,181	7,063	6,628	12,077	(104)
3	Control room staff	2,160	1,251	1,192	2,092	(68)
4	Non uniformed staff	9,234	5,386	5,273	9,120	(114)
5	Training expenses	1,183	691	706	1,087	(96)
6	Fire Service Pensions recharge	1,939	1,346	1,353	1,828	(111)
		59,265	34,633	33,899	58,372	(893)
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,062	619	499	1,012	(50)
8	Energy costs	626	365	167	546	(80)
9	Cleaning costs	380	221	139	356	(24)
10	Rent and rates	1,238	984	754	1,240	2
		3,306	2,189	1,559	3,154	(152)
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	674	393	203	597	(77)
12	Running costs and insurances	1,088	675	525	1,088	-
13	Travel and subsistence	1,502	777	619	1,452	(50)
		3,264	1,845	1,347	3,137	(127)
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,390	1,546	1,282	2,389	(1)
15	Hydrants-installation and maintenance	115	67	43	90	(25)
16	Communications	1,423	809	798	1,414	(9)
17	Uniforms	1,060	618	358	1,351	291
18	Catering	244	142	104	195	(49)
19	External Fees and Services	439	105	131	440	1
20	Partnerships & regional collaborative projects	120	70	24	120	-
21	USAR Equipment	25	15	1	25	-
		5,816	3,372	2,741	6,024	208
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	430	264	178	405	(25)
23	Advertising	54	32	9	26	(28)
24	Insurances	319	267	176	318	(1)
		803	563	363	749	(54)
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	617	334	310	638	21
		617	334	310	638	21
	CAPITAL FINANCING COSTS					
26	Capital charges	4,858	2,184	918	4,782	(76)
27	Revenue Contribution to Capital spending	0	0	0	41	41
		4,858	2,184	918	4,823	(35)
28	TOTAL SPENDING	77,929	45,120	41,137	76,897	(1,032)
	INCOME					
29	Treasury management investment income	(70)	(41)	(53)	(146)	(76)
30	Grants and Reimbursements	(2,357)	(1,009)	(1,839)	(2,414)	(57)
31	Other income	(1,025)	(598)	(489)	(851)	174
32	Internal Recharges	(68)	(39)	(32)	(68)	-
33	Contribution to Earmarked Reserve	726	24	0	726	-
34	TOTAL INCOME	(2,794)	(1,663)	(2,413)	(2,753)	41
35	NET SPENDING	75,135	43,457	38,724	74,144	(991)