

9. Budget Monitoring 2011-12

Purpose of report

1. To inform the Policy and Resources Committee of the current position on budgets and expenditure for 2011-12.
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Recommendation

The Chief Fire Officer and Treasurer recommend the report be noted.

Introduction and Background

2. This is a routine review of the position on Revenue and Capital budgets, and follows on from the review cycle undertaken by the Service's Senior Management Board. The report represents the position after 9 months.

Revenue Budget

3. In February 2011 the Fire and Rescue Authority (FRA) set a net revenue budget requirement for 2011-12 of **£31.195m** made up as below:

	£m
Net Expenditure on Services	32.859
Special Grants	(1.145)
Council Tax Freeze Grant	(0.519)
	31.195

4. This budget was initially allocated to budget heads and amended as detailed in the September report to this Committee. The details are shown in Appendix 1.
5. Appendix 1 shows details of the budget and expenditure to date and a projection of the year end position. At this point in the year the significant variations are:
 - Wholetime Uniform and Support pay: are showing projected underspends due to a careful management of vacancies in light of the expected future grant cuts. The impact of changes to the pension scheme on the retirement pattern is unknown, but continues to be monitored.
 - RDS pay: this reflects the impact of the amended national terms and conditions (relating to sick pay and bank holiday leave) following settlement of the part-time working tribunal, and the fact that there is an increasing take up of the pension scheme by RDS staff.

- Unallocated budgets: Of the original £0.406m Officers have agreed to vire budget (with agreement of the Chief Fire Officer and Treasurer under Financial Regulations) to improve resilience in the Operational Logistics function (fleet and operational equipment). The anticipated cost of this in 2011-12 is now only £0.050m but the full year costs are £0.150m
- Facilities Management: During 2011/12 it has emerged that the County Council has been supplying heat and hot water to the Bromsgrove Fire Station since 1997/98 for which no payments had been made. There is a backdated cost of payments which should have been made over the 15 year period. This figure has been negotiated between officers of the Service and Worcestershire County Council.
- Operational Logistics: Additional costs incurred as part of the response to a Health and Safety alert in respect of Breathing Apparatus.
- Capital Financing: Re-profiling of major schemes (see below) has resulted in in-year savings.

6. At this point a net underspending of £0.586m is forecast.

Capital Programme

7. The Capital Programme is divided into 2 parts:

- The **Capital Strategy**: representing the level of capital expenditure for which revenue budget for capital financing costs has been provided within the revenue budget and Medium Term Financial Strategy.
- The **Capital Budget**: that part of the Strategy for which the FRA has given specific approval to spend, i.e. there are allocations for major building works, but no expenditure is permitted until the Committee has approved the individual schemes.

8. The budget is also divided into 3 blocks:

- Vehicle Replacement
- Major Buildings
- Minor Schemes – for which, by custom and practice, responsibility for allocation has been delegated to the Service's Senior Management Board.

9. The Capital Strategy is made up as follows:

		£m
2010-11 Strategy	<i>FRA - Feb 2011</i>	4.420
Re-phasing from 2010-11		4.895
Fire Control Project		2.350
Training Facilities	<i>Grant Funded</i>	0.276
		11.941

10. In respect of the Capital Strategy, £8.288m has been allocated to the Capital Budget, of which £4.126m relates to allocations for major building schemes. (see paragraph 13 below) leaving a balance of £4.162m on other schemes.
11. Of this, £1.751m has been spent and a further £1.447m committed by way of order or contract. These figures represent 42% and 35% respectively of the capital budget excluding major schemes.
12. Members' attention is drawn to 3 specific areas
13. Major buildings: FRA approval has been given to allocate a budget to the re-building of Malvern Fire Station and 3 of the 4 Strategic Training Facilities and these projects are now proceeding. At this stage negotiations are still on-going (under the framework agreement) regarding the construction contracts. It is considered prudent not to show this figure in a public document until these negotiations are complete in case it prejudices the outcome. When this is completed there will be a transfer of budget to the relevant schemes.
14. Fire Control: The budget has now been updated to take account of the revised project costs approved by this Committee in November 2011. The expenditure is expected to be funded by DCLG grant.
15. Vehicles: There are two aspects to report here.
 - For the 3rd year in succession 10 year leases on Fire Appliances acquired under the capital control regime prior to 2004/05 have expired. Once again it has proved more cost effective to purchase the appliances rather than to extend the lease for the remaining 5 years of the appliance life. Revenue costs of this additional borrowing are offset by the saving in provision within the leasing budget.
 - The cost of replacement pumps has exceeded the budget due to increased prices. The additional revenue financing costs of the current year increase can be met by adjustments within the 2012/13 programme, and the consequences of the price increases on the future programme are now included in the 2012/13 budget and MTFP projections.

Financial Considerations

Consideration	Yes/No	Reference in Report i.e paragraph no.
There are financial issues that require consideration	Yes	Whole report considers financial position

Legal Considerations

Consideration	Yes/No	Reference in Report i.e paragraph no.
There are legal issues e.g. contractual and procurement, reputational issues that require consideration	No	

Additional Considerations

16. The table below sets out any additional issues arising from the proposals contained in this report and identifies the relevant paragraphs in the report where such issues are addressed.

Consideration	Yes/No	Reference in Report i.e paragraph no.
Resources (e.g. Assets, ICT, Human Resources, Training & Development, Sustainability).	Yes	Paragraph 6
Strategic Policy Links (e.g. IRMP, Authority Plan, Equality & Diversity, Partnerships, Environmental Impact).	No	
Risk Management / Health & Safety (e.g. risk management and control measures, risk register score).	No	
Consultation with Representative Bodies	No	

Supporting Information

Appendix 1 : 2011-12 Revenue Budget Monitoring

Appendix 2 : 2011-12 Capital Budget Monitoring

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