

6. Budget Monitoring Report 2011-12

Purpose of report

1. To inform Members 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 monthly review cycle undertaken by the Service's Senior Management Board.

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 as shown in Column 4 of Appendix 1, but has subsequently been amended.
5. As part of the continuing review of expenditure being carried out in preparation for the significant grant cuts expected in 2013/14 and 2014/15, officers have identified savings within the current budget totalling £0.399m. These are shown in Column 5 of Appendix 1 and the balance has been placed under control of the Senior Management Board (SMB).
6. There have been further minor reallocations of budget shown in Column 6 which comprise:
 - Temporary funding a non-uniform Aerial trainer by holding uniform trainer post vacant

- Temporary funding of Community Safety Technicians (from Community Safety budget)
 - Allocation of approved use of Development Contingency
 - Re-allocation of Firelink Service charges to ICT
7. These adjustments culminate in the Current Annual Budget shown in Appendix 1 Column 7.
8. 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 (after only the first quarter) the only significant variations are:
- Whole-time Uniform and Support pay: are showing projected underspends due to a careful management of vacancies in light of the expected future grant cuts, however between June and September the Service will have recruited 18 Whole-time firefighters. 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.
 - Unallocated budgets: (see paragraph 5 above). Of the original £0.399m Officers have agreed to vire budget to improve resilience in the Operational Logistics function (fleet and operational equipment). The anticipated cost of this in 2011-12 is £0.090m, and it is vired with agreement of the Chief Fire Officer and Treasurer under Financial Regulations.
9. At this point a net underspending of £0.668m is forecast, which will have an impact on future savings requirements.

Capital Programme

10. In accordance with the requirements of the former Budget Committee, 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.
11. 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 SMB.

12. The Capital Strategy is made up as follows:

		£m
2010-11 Strategy	<i>FRA - Feb 2011</i>	4.420
Fire Control Project		0.800
Re-phasing from 2010-11	<i>FRA - Jun 2011</i>	4.869
adjustment to re-phasing	<i>Year end Accounts</i>	0.026
		10.115

13. The budget allocations are shown in detail in Appendix 2, and now show details of the Minor Schemes (see paragraph 11 above) which were previously only reported in summarised form.

14. In respect of the Capital Strategy of £10.115m, only £2.525m (see paragraph 11 below) has been allocated to the Capital Budget.

15. Of this, £0.260m (10%) has been spent and a further £1.013m (40%) committed by way of order or contract.

16. Members attention is drawn to 2 specific areas

17. Major buildings: FRA approval has been given to allocate a budget to the re-building of Malvern Fire Station, and the project is now proceeding. At this stage negotiations are still on-going (under the framework agreement) regarding the construction contract. 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 from Unallocated Major Buildings of no more than the approved budget.

18. Fire Control:

- The original budget estimate envisaged that certain costs would be outside the scope of the project, e.g. it was identified that DCLG would be funding replacement Mobile Data Terminals under the Firelink contract; and that the resilience link to Shropshire would form part of a Phase 2 project.
- As the project has progressed it has become clear that some of the “out of scope” issues will now have to be brought into scope. This is partially because the assumption on DCLG funding has materialised, and partially because DCLG has announced up to £1.8m of funding available for each FRA to bid for to procure a replacement resilient control arrangement – for which collaborative arrangements are favoured.
- In addition the cost of the required building modifications is significantly higher than originally expected.

- As a consequence it is necessary to review the current project to bring into scope items that were previously outside the scope, in order to comply with the funding bid arrangements.
- Assuming that the FRA is successful in its grant bid to DCLG, it is likely that Phases 1 and 2 of the project will be completed at a cost to the FRA of around £0.4m (a saving of £0.4m on the approved budget). The grant bidding process has specific criteria and the FRA's bid meets all of these. When considering the robustness of the FRA's bid, in association with DCLG's statement that there is £1.8m available for each FRA, an assumption of a successful grant bid is considered reasonable.
- However, it is not proposed to amend any budgets until the outcome of the grant bid is known.

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

19. 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 8
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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