

9. Budget Monitoring Report 2010-11

Purpose of Report

1. To inform Members of the current position on Budgets for 2010-11.

Recommendations

The Treasurer recommends that:

- i) the current revenue and capital budget positions be noted.*
- ii) the Organisational Development Reserve position as indicated at paragraph 5 be noted.*

Background

2. In February 2010 the Fire and Rescue Authority (FRA) set a net budget requirement for 2010-11 of £31.395m made up as below:

	£m
Net Expenditure on Services	32.309
Special Grants	-1.186
	<hr/>
	31.123
Strengthening of Balances	0.272
	<hr/>
	31.395

Revenue Budget

3. This report provides information on expenditure to date against the profiled budget, and the current forecast out-turn position. It is based on actual expenditure for 11 months, and Appendix 1 sets out the position at approved budget level.
4. A forecast net underspending of £0.560m was reported in the 2011/12 Budget and Precept Report to the FRA on 16 February and it was agreed that any underspending would be used to create an Organisational Development Reserve, to be used on an “invest to save” or capacity building basis.
5. Over the last 6 months HMRC have been carrying out a national review of taxation of Fire Service employee benefits – notably provided response cars. In the last week the FRA has been notified of one potential non-compliance on a technical matter of calculation of employers NI contributions.
6. The potential net cost of this is estimated to be around £0.070m and it is considered prudent to provide for this, and the sum has been included in Appendix 1 under “Other Employee Costs”.

7. In addition there have been other net minor changes to the forecast totalling £0.005m.

8. This brings the total potential Reserve to £0.495m as detailed in the table below:

£m		
Reserve	per Feb FRA	0.560
less :	Provision - NI	0.070
plus:	net other changes	0.005
		0.495
less :	ORH Ltd.	0.039
	Pinpoint	0.059
		0.397

(ORH and Pinpoint are software programmes used for independent data analysis).

9. Whilst allocation from the reserve covers the total expected costs; for accounting purposes parts of the costs and reserve transfers may be made in future years.

Capital Budget

10. The Capital Strategy for 2010-11 was approved by the Fire and Rescue Authority on 18 February 2010 and subsequently amended as follows:

£m		
<i>FRA - Feb 2010</i>	2010-11 Strategy	3.980
<i>FRA - Jun 2010</i>	Slippage from 2009-10	3.050
USAR retentions	from USAR grant reserve	0.020
		7.050

11. The 2010-11 revenue budget was built on the basis that these slipped capital sums would have been spent in 2009-10. Therefore, there are no adverse revenue consequences of the slippage.

12. At present no expenditure is permitted on the IRMP building schemes until the Committee has considered a full business case, and therefore the IRMP Strategy allocation has not yet been allocated to the budget.

13. Of the £7.050m strategy, £2.916m has been allocated to the budget and £2.480m (85%) has been spent or committed.

14. The over-commitment on Pump replacements (totalling £0.042m for 6 appliances) relates to additional diversity equipment being fitted to these pumps. The additional revenue cost of £0.004m will be contained within the existing capital financing budget.

15. The apparent over-commitment on the Betony Road scheme (the Operational Logistics facility) relates to expected Retention on the scheme and revenue costs are provided for within the capital financing budget.

16. Expenditure of £0.132m has been incurred to purchase 4 existing appliances that have reached the end of their primary lease period (10 years) but have not yet reached the end of their expected useful life (15 years).
17. When the appliances were acquired, central government tightly limited capital expenditure and the only way to procure replacement vehicles was by using leasing and the maximum available lease period was 10 years.
18. Budget provision has been made from the costs of extending these leases for a further 5 years, but it has proved cheaper to purchase them outright and finance as capital expenditure.
19. Capital Budget details are shown in Appendix 2.

Supporting Information

Appendix 1 – 2010-11 Revenue Budget Monitoring

Appendix 2 – 2010-11 Capital Budget Monitoring

Background papers - None

Contact Officer

Martin Reohorn, Director of Finance and Assets
(0845 12 24454)

Email: mreohorn@hwfire.org.uk