
REVENUE BUDGET 2010/2011 - SECOND REVIEW

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report advises Members of issues relating to the 2010/2011 Revenue Budget position, and provides an updated Statement of Balances.

2. BUDGETARY CONTROL REPORT 2010/2011

- 2.1 Regular monitoring of the Revenue Budget continues to take place and the following areas are drawn to Members attention.

Employee Costs

- 2.2 At this stage in the financial year, a net estimated underspend of approximately £0.861 million is anticipated to arise in relation to Employee costs taking account of all of the variations and proposed actions detailed below.

Operational Staffing Budget

- 2.3 When setting the Authority's Revenue Budget each year, a prudent approach is taken to the anticipated level of staff turnover. In 2010/2011 to date, the Authority has experienced higher levels of staff turnover than was anticipated in the approved Revenue Budget, and this has given rise to an underspend against the budgeted position. This is, in part, a result of a freeze on filling all vacancies in response to the Spending Review 2010, an increase in the number of retirements and the effect of managing some of the changes to operational staffing requirements.

Firefighter Ill Health retirements

- 2.4 Members will be aware that the Authority's investment in its health awareness and intervention measures through the Occupational Health Unit has brought about a reduction in the number of ill health retirements, with no such retirements in 2008/2009, 2009/2010 and none to date in 2010/2011. This has resulted in an underspend of £161,000 to date and there will also be an additional £83,000 underspend if the 2010/2011 position continues.

Premises

- 2.5 When setting the utilities budget for 2010/2011, a prudent approach was taken to the expected level of price increases which the utilities companies would impose. As the price increase for Electricity charges is less than originally anticipated and also energy efficiency measures have been introduced this has resulted in an underspend of £60,000.

Supplies and Services

- 2.6 The funding for some Community Safety equipment replacement and HR computer development was originally provided for within the Revenue Budget. The nature of this expenditure has been classified as Capital so £38,500 of the Supplies and Services budget is to be transferred to Revenue Contribution to Capital Outlay to fund these items, see paragraph 2.9.

Leasing Charges

- 2.7 The Authority undertakes thorough options appraisal when deciding how to finance assets purchased through the Vehicle Replacement Programme. The latest options appraisal exercise which has been carried out for vehicles delivered earlier in 2010/2011 has identified that outright purchase provides the best value for money. The vehicles had originally been intended to be leased so an underspend of £124,000 has arisen.

Revenue Contribution to Capital Outlay

- 2.8 As reported in the 2010/2011 Capital Programme Second Review, elsewhere on today's agenda there is a net increase of £5,224 to the programme. This is a result of additional spend of £38,500 which is to be funded a budget transfer from the Supplies and Services revenue budget, see paragraph 2.7. There is also savings on other capital schemes of £33,276 which have resulted in a reduction to required Revenue Contribution to Capital Outlay.

Income

- 2.9 The ongoing economic difficulties felt by many organisations has had an impact on the demand for the Authority's conferencing and training facilities, with take up levels less than the budgeted level of income. An under recovery of income of approximately £108,000 is anticipated to arise as a result.

Additional Areas Under Review

- 2.10 A number of areas which could potentially give rise to a further underspend in 2010/2011 are being kept under regular review, and are noted below for information.

Revenue Contribution to Capital Outlay

- 2.11 In recent years, there has been significant levels of slippage in the Capital Programme, which has resulted in underspends arising in the Revenue Budget. The 2010/2011 Capital Programme Second Review has not identified any slippage at this stage in the year, however, this position will continue to be kept under review. As in previous years, any underspend arising from slippage will be transferred to the Budget Carry Forward Reserve to ensure that funding is carried forward to meet the cost of capital schemes as expenditure is actually incurred.

Vehicle Replacement Programme

- 2.12 Members will be aware that a range of options exist in relation to financing the Vehicle Replacement Programme. Whilst the Programme has been historically financed through leasing arrangements, the options appraisal is often marginal in relation to the options of leasing or buying outright.
- 2.13 The outright purchase of vehicles can provide additional flexibility to the Authority, and in this context, consideration will be given to funding the remainder of the 2010/2011 Vehicle Replacement Programme through outright purchase, funded through the Revenue Budget.

Service Pressures

- 2.14 A number of initiatives and priorities for reinvestment have been identified. These will be considered in the context of the reported underspend and subsequent updates and, if necessary, the preparation of the Revenue Budget and Capital Programme for next year, and will be subject to separate Member approval, if appropriate, in due course. These initiatives and priorities are in various stages of development in terms of the business cases being worked up, and include:
- Firelink – the government will continue to meet the capital costs of the new Firelink radio system but it is expected that the ongoing revenue costs will place an additional net overall burden on FRAs. The full impact of this has not been quantified as the final phase of the project is yet to be completed, but there may be the need to set aside additional funds to meet these costs.
- 2.15 The position will be kept under close review and proposals for reinvestment brought forward to future Fire and Rescue Authority meetings in due course, as appropriate.

3. STATEMENT OF BALANCES

- 3.1 Appendix A shows the movement of balances within 2010/2011 and includes an update on the estimated level of balances as at 31st March 2011, taking account of the position outlined in this report.

4. RECOMMENDATIONS

- 4.1 Members are requested to note the position with regard to the Revenue Budget for 2010/2011 as set out in this report, including the updated Statement of Balances set out at Appendix A.

Statement of General Balances

	£'000
Balance as at 1st April 2010	3,070
First Review 2010/2011:	
- Underspend on Leasing Budget	256
Second Review 2010/2011:	
- Underspend on Employee Budget	861
- Underspend on Premises Budget	60
- Underspend on Supplies and Services Budget	39
- Underspend on Leasing Budget	124
- Overspend on RCCO Budget	(5)
- Under recovery of Income Budget	(108)
- Estimated Provision for purchase of vehicles	(1,227)
Estimated Balance as at 31st March 2011	3,070

