

GREATER MANCHESTER FIRE AND RESCUE AUTHORITY

POLICY RESOURCES AND PERFORMANCE COMMITTEE

2 FEBRUARY 2012

Subject: BUDGET MONITORING QUARTER 3 2011/12: REVENUE/CAPITAL

Report of the Treasurer

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SUMMARY

1. This report sets out the position of expenditure against the Revenue Budget (Appendix 1 - 3) including the Fire-fighters' Pensions Account (Appendix 4) and the Capital Programme (Appendix 5) at the end of the third quarter for 2011/12. At Quarter 3 it is anticipated that by the end of the year there will be a £4.296m underspend when compared against the Annual Budget.

BACKGROUND

2. This report is the third budget monitoring report for the year. The report shows the summary position for both capital and revenue expenditure. It is more important than ever to ensure that close monitoring of these budgets is undertaken and scrutinised to identify at the earliest possible time any potential impact upon balances and deviation from the current year's budget. The report now shows the summary position to highlight to Members any major variances and to provide explanations for those variations.

REVENUE BUDGET MONITORING 2011/12 – QUARTER 3

3. The figures contained in the report have been prepared on an accruals basis. Items have been included for expenditure or income that have been incurred by the Authority but not yet paid or received. Accruals for this period have been included for gas, electricity, fuel, business rates, employee allowances and accrued Princes Trust income receivable. Prepayment adjustments are included for contract payments in respect of software maintenance agreements. In addition, adjustments have been made to committed expenditure which assists in comparing the financial position to budgets.

ANALYSIS OF SIGNIFICANT VARIATIONS – REVENUE BUDGET

4. The following table shows variations against budget in the year to 31 December 2011 and the projected outturn. Detailed explanations of the significant variations are set out below.

Table 1

Variations	Quarter 3 Under/ Overspend £m	Quarter 2 Under/ Overspend £m	Change £m	Under/ Overspend	Year-end Variance Projection (at Qtr 3) £m	Year-end Variance Projection (at Qtr 2) £m	Change £m
Pay related	-2.390	-1.677	-0.713	Underspend	-2.671	-1.589	-1.082
Pensions	-0.392	-0.140	-0.252	Underspend	-0.280	-0.142	-0.138
Indirect employee expense	-0.143	0.061	-0.204	Underspend	-0.292	0.042	-0.334
Premises related expenditure	-0.149	-0.033	-0.116	Underspend	-0.313	-0.242	-0.071
Transport Related expenses	-0.011	-0.003	-0.008	Overspend	0.050	0.100	-0.050
Supplies and Services	-0.647	-0.255	-0.392	Underspend	-0.494	-0.373	-0.121
Agency & Contracted Services	-0.004	-0.003	-0.001	Underspend	0.000	0.000	0.000
Support Services	-0.195	-0.161	-0.034	Underspend	-0.173	-0.036	-0.137
Capital Charges	0.001	0.001	0.000	Underspend	0.000	0.000	0.000
Government Grants	-0.028	0.008	-0.036	Overspend	0.027	0.060	-0.033
Customer & Client Receipts	-0.131	-0.046	-0.085	Underspend	-0.150	0.000	-0.150
Recharges	0.001	-0.002	0.003	Underspend	0.000	0.000	0.000
Overall Total	-4.088	-2.250	-1.838	Underspend	-4.296	-2.180	-2.116

Pay Related Variations

-£2.390m Quarter 3 (Underspend)

-£2.671m Year –end Outturn Projection (Underspend)

5. Variances up to December 2011 include £0.496m for Uniformed and Control employees and £1.150m for Non-uniformed employees. Further details on each section are outlined below.
6. The approved establishment and actual strength of employees in terms of both numbers and budgets is monitored closely by the Strategic Career Management Group as this is a key area of risk to the Authority and is the largest area of expenditure for the Authority. As Members will be aware there are no courses of recruits planned during 2011/12 or in the next 3 years of the medium term financial strategy in light of the Comprehensive Spending Review. Vacant posts have been held due to the reviews and strategies that are now being implemented or scheduled for implementation and continuous monitoring is required against retirees alongside the implementation of the new Prevention and Protection structure.

7. Members are advised that up to December 2011 there have been 81 uniformed retirements (5 of which were ill-health) compared with a projection of 63. Monthly expenditure on uniformed pay continues to reduce as officers retire from the service. There are a further 19 officers who have confirmed they will be leaving in the final quarter of the financial year. There is a projected underspend anticipated of £1.482m for 2011/12 which is net of any overspends in overtime budgets. This is based on including the further confirmed retirees over the period from January to March as confirmed by the Strategic Career Management Group. An increased projected underspend is therefore reported since quarter two due to further retirements. Vacancies are held in the establishment in anticipation of introducing a new roster duty system in April 2012 and the Corporate Plan including the Operational Strategy for 2012-15 which are both currently under consultation. This excludes the Prevention and Protection directorate.
8. The prevention and protection directorate new structure is underspent by a further £0.426m during the 3rd quarter making the full year projected underspend of £0.590m. This will need to be monitored closely for 2012/13 as there is a risk of overspend where green book posts are currently filled by grey book personnel (currently affecting 27 posts). There were 32 remaining posts to be filled during the final quarter of which 2 CYP Co-ordinators and 18 Community Safety Advisors (CSAs) have begun in January 2012, 7 CSAs are due to commence in February 2012 and this will leave a following 5 further vacancies.
9. The Administration review new structures were implemented earlier than originally anticipated in the budget. This is due to the consultation periods running alongside the catering review which was planned earlier in budgetary phasing terms. The catering review has achieved the target savings anticipated and the administration review has overachieved savings expecting an underspend of £0.307m by year-end.
10. Further underspends on Non-Uniform pay headings have also been identified as a result of the ongoing implementation of the new agreed structures in Corporate Communications and Corporate Planning and Performance which represents a one-off additional in year saving expected to be £0.300m by year-end. Included in this saving is the freeze of the post for the Commercial Manager. Further savings have been made in the Human Resources function due to a number of vacancies held which provides a projected underspend of £0.100m (including the freezing of the post of the recent vacancy of Head of Human Resources).
11. The Control review implementation was budgeted to be in place by November 2011. There have been delays to this due to the decisions on the Regional Control Centre and also the consultation period was been rescheduled due to accommodating the Rostering consultation. The phasing of the internal review will now be across 2012/13 for the savings due and this has been updated in the Budget Strategy modelling as reported elsewhere on the agenda in the Estimates Report. The shortfall in projected control savings of £0.100m can be offset by other pay savings as set out in this report.

Pension Related Variations

-£0.392m Quarter 3 (Underspend)

-£0.280m Year-end Outturn Projection (Underspend)

12. There have been 5 ill-health retirements up to the 3rd Quarter and the cost of these will exceed the budget for 2011/12. There are no further anticipated ill-health retirees during the final quarter of the year and the estimated overspend in this area at year-end is £0.130m. However, due to the underspends on firefighter's employers pension contributions there is still an underspend expected for pensions overall so this cost can be covered. The underspends expected from employer's pension contributions are £0.350m and injury awards of £0.060m which offset the previous overspend and result in an overall predicted underspend for this heading of £0.280m.
13. The costs of the Firefighter Pension Scheme are funded from employer and employee contributions and a top-up grant from CLG. Currently there is an expectation that the number of leavers will exceed previous estimates in part resulting from speculation about adverse changes to the commutation tables which did not occur. The cost of lump sums payments for these accelerated leavers and the ongoing monthly pension costs are met from the Central Government top-up grant.
14. It should be noted that there is a risk that the impact of the Scheme Sanction Charge resulting from the revised Commutation factors, which were announced in April 2011, may not be funded from the grant and representations have been made to CLG on this matter. As an example the estimated impact on the Authority for a firefighter retiring on the increased factor is £1,000. Work is ongoing nationally with CLG to resolve this issue.

Indirect Employee Related Expenditure

-£0.143m Quarter 3 (Underspend)

-£0.292m Year-end Outturn Projection (Underspend)

15. Detached duty payments are currently overspent by £0.106m at December and are expected to overspend by £0.144m by year-end which is a small reduction on the figures reported at quarter two. Increasing requirements are expected under the current duty system with the numbers of employees reducing. These costs need to be netted off against the savings on uniformed pay. The introduction of a new duty system and revisions to the number of watches which are linked to the proposed Operational Strategy are major changes which will need to be managed carefully prior to the transition by the Strategic Career Management Group.
16. Training Course Fees are predicted to be underspent at year-end by £0.300m due to the delay of development gateway courses linked into the planned changes for rostering.

17. There are further year-end anticipated underspends of £0.136m due to expected underspends in medical fees, CRB checks and equality budgets. This makes the overall projected underspend on this heading a total of £0.292m.

Premises Related Expenditure

-£0.149m Quarter 3 (Underspend)
-£0.313m Year-end Outturn Projection (Underspend)

18. This underspend relates to utilities expenditure where gas and electricity costs are less than budgeted and is expected to continue into the final quarter with a projected outturn underspend of £0.313m. Price increases which were previously expected from November 2011 have not now occurred and increases are not expected until April 2012 at the earliest. This has increased the forecast year-end underspend accordingly from the previous estimate of £0.242m. The financial benefits of the range of sustainability investments that the Authority has made are now becoming apparent and consumption is continuing to reduce which assists in counter balancing the increased rates to remain on track within budgets.

Transport Related Expenditure

-£0.011m Quarter 2 (Underspend)
£0.050m Year-end Outturn Projection (Overspend)

19. Whilst transport expenditure is running on track to budget, there is an overspend on fuel expected of £0.050m for the financial year. Costs have reduced in the 3rd quarter and had reduced the year-end expected variance accordingly. This is due to the volatility of fuel prices which has seen the price of diesel increase by 15% since November 2010. It should be noted however that this remains a budget risk if prices continue to be volatile.

Supplies and Services

-£0.647m Quarter 3 (Underspend)
-£0.494m Year-end Outturn Projection (Underspend)

20. The North West Fire & Rescue Services recently awarded a new contract for personal protective equipment for firefighting clothing based on PBI Gold which is different to the current operational firefighting PPE. Officers are currently assessing the optimum transition arrangements whilst ensuring current stocks of the existing kit are maintained prior to any transition taking place and analysing the age of the current issued supplies. The strategy for uniform replacement is yet to be finalised but it is confirmed that no new roll out will occur until 2012/13 hence an expected underspend by year-end of £0.300m and an underspend to December 2011 of £0.268m. This expected underspend will be requested to be earmarked at year-end to support the future strategy for replacement in addition to the earmarking which was approved in the revenue outturn report.
21. Smoke alarm issues are currently underspending by £0.083m and this is expected to increase to £0.100m by year-end.

22. Corporate Communications budgets for events and communication activities are underspent by £0.094m due to the implementation of the new staffing structure during the year. This is now in place and the Business Plan and Communications Strategy will now be developed in the remaining part of the year.
23. There are further in-year savings and underspends under this heading which include stationery, consultancy fees, subsistence and investors in people budgets making the total underspend to December 2011 £0.647m and the projection to year-end £0.494m underspend.

Support Services

-£0.195m Quarter 3 (Underspend)

-£0.173m Year-end Outturn Projection (Underspend)

24. The underspend in this section relates to £0.179m from the Partnership and Innovation Board (PIM). The PIM board has been re-launched this financial year and innovation is being promoted across the Authority with a challenging process in place to ensure that any schemes approved reflect the purpose of GMFRS, contribute to achieving the outcomes associated with our aims and provide added value to Brigade activities. At this stage a year-end underspend has been included in the projection of £0.160m but this is subject to change if further funding is allocated against schemes during the final quarter.
25. Audit Fees are currently underspending to December by £0.013m and this is anticipated to remain the same for year-end due to reductions in fees charged. There has been a change since quarter 2 which has reduced this variation due to investing a small value of budget into a future firefighting and rescue research project.

Government Grants and Contributions

-£0.028m Quarter 2 (Underspend)

£0.027m Year-end Outturn Projection (Overspend)

26. A projected year-end overspend of £0.027m relates to the National Firelink Grant from CLG which has been reduced from the indicative grant allocations with the figures being revised to take into account the RPI being applied to the legacy costs and the reduced service fee in respect of the late delivery of phase B. These are all national contracts which are centrally managed by CLG.
27. Offset against this is the receipt of a grant in respect of the riots in Manchester. Costs have been reclaimed from CLG in respect of this totalling £0.033m which in turn offset the additional overtime costs incurred. This funding will be reinvested into the service and operational needs.

Customer and Client Receipts

-£0.131m Quarter 2 (Underspend)

-£0.150 Year end (Underspend)

28. Princes Trust income has exceeded the budget for delivering CYP activities up to December and is expected to overachieve the annual budgeted income by £0.150m. This is in part offset by some additional staffing costs to provide and deliver the courses

FIREFIGHTERS PENSION FUND ACCOUNT – ANALYSIS OF SIGNIFICANT VARIATIONS

29. The budget funding and transactions within this scheme are statutorily separate from the main Authority income and expenditure account. The items listed under the Firefighters' Pension Fund Account are expected to be offset by an adjustment to the top up grant. Details of the pensions account are set out in Appendix 4.
30. The Pensions Fund Account is used to pay the majority of pension related liabilities to retired firefighters and their dependants. The Pensions Fund Account is funded from the contributions made by employees and employers, with any deficit met by a top-up grant from Department for Communities and Local Government (CLG). CLG is the scheme administrator. The pension fund includes commuted lump sum payments and pensions paid to Firefighters, their widows and children.
31. Appendix 4 shows figures for the expenditure up to December 2011 compared to the profiled budget. There is a significant variation at this stage of the year which relates to an increase in leavers than the number previously anticipated. During the 3rd quarter there have been 22 further leavers 2 of which were Ill Health retirements. As a result of the higher than expected numbers of retirements up to 31 December and the revised commutation factors which were applied from April 19 this year whereby the average lump sum has increased by c.£11,000 at firefighter level, there is a projected year end out-turn position for lump sum costs of £11.2m which is £3.4m higher than expected. There is also an associated projected overspend of £0.500m in pension payments due to the acceleration in leavers.
32. There have been 2 additional ex-employees who have applied for a transfer value of their accrued pension values resulting in a total of 5 up to 31 December 2011. These are valued at £0.366m and this will result in a projected year end variation of £0.400m.
33. Due to accelerated leavers there will be a decrease in the employer's and employee's contributions into the pension fund. The projected variation is expected to be £0.400m.
34. A charge is made against the Pensions Fund for Ill Health retirements. It is anticipated that 5 who have already retired on Ill Health grounds will result in an additional contribution of £0.200m.

35. The increased pension fund deficit will be fully funded by the CLG top-up grant but only in July 2012. This could result in a potential short term cashflow issue for the Authority and there may be cost involved in the short term as borrowing may be required. Note should also be made of the comment regarding scheme sanction charges above. The Director of Finance and Technical Services is leading discussions with CLG on behalf of a number of FRA's who are similarly affected.

CAPITAL PROGRAMME MONITORING

36. The forecasted capital spending for 2011/12 is £6.676m which is £1.490m less than the previous programme reported to Committee on 10 November 2011.

Details of the changes are shown in the table below (further information in respect of financial years 2012/13 onwards is provided elsewhere on the agenda):

	£m
Bury Fire Station Builds Rephasing spend to 2012/13	-0.100
Day Crewing Plus Rephasing spend to future years	-0.400
Minor Works – moved to Asset Strategy Group	-0.040
Blackley Refurbishment - moved to Asset Strategy Group	-0.020
Asset Strategy Group (including CSG change)	0.074
ICU IT Rephasing spend to 2012/13	-0.175
MIC Vehicles	-0.050
P&P Community Engagement Equipment	0.056
Training Schemes Rephasing spend to 2012/13	-0.600
Sustainability Rephasing spend to 2012/13	-0.125
Community Safety Vehicles Rephasing spend to 2012/13	-0.065
Diversity Rephasing spend to 2012/13	-0.045
Total	-1.490

37. A revised capital programme can be seen in Appendix 5, with further information in respect of these changes given later in the report.

EXPENDITURE IN 2011/12 AND LATER YEARS

38. The forecast of spending for 2011/12 to 2013/14 have been revised from the previously approved programme as shown in the table below:

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
	£m	£m	£m
Approved Programme November 2011	8.166	5.483	6.205
Revisions to Programme	-1.490	0.360	1.250
Programme now Submitted	6.676	5.843	7.455

CAPITAL FINANCING LIMITS 2011/12 AND ONWARDS

39. A comparison between the revised spending forecast and available capital finance is set out below.

	<u>2011/12</u> £m	<u>2012/13</u> £m	<u>2013/14</u> £m
Estimated Spending	6.676	5.843	7.455
Remaining SCE(R) from 2010/11	1.365	0	0
Capital Grant Allocation	2.881	2.881	0
Capital receipts (estimated)	0	1.260	0
Diversity Grant	0	0.045	0
Direct Revenue Financing	0.331	1.600	0
Estimated Resources	4.577	5.786	0
Deficit / (Surplus)	2.099	0.057	7.455

USE OF CAPITAL FUND

40. The Committee will recall that a capital fund has been established for the purpose of partially funding the capital programme. As identified in the Medium Term Forecast a contribution of £1.000m to the Capital Fund is assumed in 2011/12.
41. The following table shows how the shortfall identified in this report will affect the capital fund.

	<u>Estimated</u> <u>Opening</u> <u>Balance</u> <u>On Fund</u>	<u>Estimated</u> <u>Shortfall</u> <u>to be met</u> <u>by</u> <u>Fund</u>	<u>Transfers</u> <u>to</u> <u>Fund</u>	<u>Estimated</u> <u>Closing</u> <u>Balance</u> <u>on Fund</u>	<u>Amount</u> <u>not</u> <u>covered</u> <u>by the</u> <u>Capital</u> <u>Fund</u>
	£m	£m	£m	£m	£m
2011/12	7.612	2.099	1.000	6.513	nil
2012/13	6.513	0.057	0	6.456	nil
2013/14	6.456	7.455	0	-0.999	0.999

42. It can be seen from the table that based on the resources assumptions within this report and the use of the capital fund, the proposed programme of expenditure could be met in full in the period to 2012/13.
43. Members will be aware of the Authority's response to the recent consultation exercise carried out by the Department of Communities and Local Government on the future arrangements for capital funding in the Fire and Rescue Service. Once

the outcome of this consultation review is known the above tables will be updated and Members will be informed of the impact on the capital fund.

44. However, Members will note that in the absence of any Government capital funding from 2013/14, Prudential Borrowing of £0.999m would be required in 2013/14 if the programme remained unchanged. The programme for 2013/14 currently includes the provision of £2.000m for Station Rebuilds and £2.800m for Operational Vehicles. These amounts are indicative at this stage and will be refreshed when the precise details of the requirements of the new risk model are known. Any capital funding received from the revised process following the consultation exercise, will reduce the requirement to utilise Prudential Borrowing from 2013/14. Alternatively the scope of the capital programme and the underlying asset management plans may also be revisited.

UPDATE ON CURRENT CAPITAL SCHEMES

45. Bury/Rochdale Fire Station Builds. A rephasing of £0.100m in to 2012/13 to reflect the timing of contract payments is to be made in respect of the Bury development. Planning permission for the new Rochdale Fire Station has now been granted, and a programme of works is being developed with land preparation to be completed by Rochdale MBC . A deal in respect of the land at Rochdale is nearing final agreement with financial adjustment in favour of the Fire Authority for delays caused to the project.
46. Asset Strategy Group – £0.060m is to be transferred into this budget from the Minor Works Budget and Blackley Refurbishment budget. A further contribution from the revenue budget of £0.014m is made in respect of alterations in the Corporate Support Group Office.
47. Incident Command Unit IT – The position in respect of the replacement of the Incident Command Unit is still being reviewed and as a result it is proposed to rephase the budget of £0.175m in to 2012/13. A decision to rephase the budget for the bodywork of the proposed unit (£0.100m) in to 2012/13 was reported to Members in the previous report to Committee on 10 November 2011
48. Members will recall in the previous report to Committee on 10 November 2011 a new budget of £0.050m had been created in respect of a trial vehicle for Mobile Incident Command. However a further review of requirements has determined that this trial will no longer be undertaken and as a result this element of the Operational Vehicles budget is no longer required.
49. It is proposed to utilise the monies available from the Operational Vehicle budget to fund the purchase of Prevention and Protection Community Engagement Equipment. This equipment includes a Caged Soccer Facility, a Multi Use Games Area and Climbing Wall. This equipment will allow the Brigade to provide a wider range of youth engagement activities at a cost of £0.056m (the additional cost of £0.006m will be funded via a transfer from the revenue budget).
50. Training Facilities Schemes - A project is underway in respect of the provision of new Training Facilities however due to the likely timings involved with the

procurement exercise along with the requirements to obtain planning permission it is proposed to rephase £0.600m into 2012/13 in respect of a range of these schemes. This project includes the following initiatives:

- Provision of Compartment Fire Behaviour Units at Oldham and Manchester International Airport.
- Provision of an Incident Command Practical site to provide a suite of facilities and props to ensure Incident Command simulations are resourced correctly.
- A Multi-Rig providing GMFRS with a multi functional resource that will service BA search & rescue, Incident Command and ability to progress to sequential ventilation, vertical rope work and roof training capability, as well as many other areas. This facility will provide a future proof approach to the delivery of operational training with the design solution being flexible and adaptable.
- At Leigh it is proposed to provide a BA Search & Rescue facility and secondly a bespoke Incident Command training site. Cost includes new driving manoeuvring area.
- Fire Investigation units will allow operational officers to observe, investigate and excavate a fire scene, possibly in partnership with GMP officers and Crime Scene Investigators. This training has previously been purchased from regional FRS's.

51. Sustainability – An appointment has recently been made to the position of Environmental Manager. In order to allow an evaluation of potential new initiatives it is proposed to rephase £0.125m in to 2012/13.
52. Community Safety Vehicles – A procurement exercise is underway in respect of a Community Safety Event Vehicle and associated equipment. Due to the timescales involved with this initiative it is proposed to rephase £0.065m in to 2012/13.
53. Diversity – This budget has been funded by a government grant and it is proposed to rephase the £0.045m budget to 2012/13. It is anticipated that this budget will be used to fund adaptations to the Community Safety Vehicle to support DDA requirements.

EFFICIENCY TARGETS

54. Members will be aware of the efficiency savings submitted in the 2011/12 budget in January which total £4.655m and the removal of temporary budgets totalling £1.009m. These savings include the full year effect of the Service Wide Implementation Group (Borough Review), the Star Chamber savings, savings from the catering, control, administration and organisational development reviews and also the removal of temporary budgets in relation to Organisational Development and the HR/Payroll system project.
55. A tracking log is being maintained providing the status of these efficiency savings during 2011/12 in order to continually update Members on progress. This can be found at Appendix 6.

56. Total efficiencies continue to be collated by the Authority in order to track and report achievements. The latest position for backward looking 2010/11 is £5.6m and forward looking 2011/12 of £10.3m. This will result in the cumulative efficiencies achieved for the 4 years from 2008/09 of £20.6m.

RISKS

57. The following is a list of known changes which may impact upon 2011/12 but which cannot be quantified with any precision at the present. Further risks which may impact on the Medium Term Financial Strategy are reported in the Estimates report elsewhere on the agenda.
58. Slippage, phasing and delivery of change in the implementation of the proposed efficiency savings identified in reviews in the medium term budget for 2011/12 and 2012/13 and transitional costs - some aspects of the reviews may require negotiation and therefore current implementation plans are best estimates. The Strategic CMM is overseeing any establishment related issues arising from all reviews to ensure a balanced approach between recruitment into the organisation and any exit related issues arising from reviews. The remaining outstanding review in 2011/12 is Control which will be implemented in due course. The catering and administration review have been implemented and achieved and exceeded the savings for 2011/12. Members will be aware of the recent response to the Pensions Amendment Order consultation which supported the introduction of a new scheme rule allowing firefighters aged 50 with 25 years service to access their pension on better terms than are currently available. If the law changes and the Authority wishes to use this route to resize the operational workforce significant restructuring funds will be required and £5m has been set aside for this purpose.
59. Potential fall out of external and partnership income following local spending decisions made from the results of the Comprehensive Spending Review. There may be significant financial pressure on resources for partners that have invested in Community Safety activities.
60. FireBuy and National Functions: It has now been confirmed that Firebuy's framework contracts have been formally transferred to Wiltshire County Council and authorities have been encouraged to continue using these contracts to maintain the benefits of collaborative procurement.
61. The 2011/12 Revenue Budget has been prepared with an overall average of 1% increase for inflation. This will be challenging as there are some areas of the budget that are particularly volatile e.g. fuel and there may be a need to call on our revenue balances as previously agreed by Members. This will be kept under review by the Budget Management Group.
62. Please also refer to the risks logged on the Corporate Risk Register.

REVENUE BALANCES AND RESERVES

63. Balances at 31 March 2011 are £15.575m. The 2011/12 budget identified a deficit of £2.482m which will reduce this level. However the projected outturn as at quarter

3 shows the underspend against the budget of £4.296m. In addition Members have already approved the creation of a restructuring reserve of £5m from the use of balances. This would then leave a remaining balance of £12.389m as per the table below. The use of balances and earmarked reserves will be utilised to provide the necessary funding required in support of the medium term financial strategy. Balances will be available to meet potential timing differences on the delivery of the savings required.

Opening General Balances	£15.575m
Planned Use of Balances	-£2.482m
Projected Underspend	£4.296m
Restructuring Reserve	-£5.000m
Projected Closing Balances	£12.389m

64. £0.010m has been utilised from the Partnerships & Innovation/CYP reserve leaving a current balance of £1.233m.
65. The Grants reserve has been utilised in year and will be reviewed at year-end for any remaining surpluses which need to be carried forward into the reserve.
66. The earmarked budgets reserve has been transferred to expenditure budget requirements and profiled across the year accordingly. At this stage the £0.300m is expected to remain in the reserve until 2012/13 due to the Uniform replacement strategy to be rolled out in the following financial year and the £0.250m contingency for uniformed pay remains in reserve as was not required for Operation County Guard. The remaining £0.744m has been allocated to the areas as reported in the provisional outturn report in May 2011. Members will be updated in due course.
67. The balance of £0.578m remains to be held in the projects reserve until required in support of the move to a North-West Regional Control solution.

CONCLUSION

68. The review of spending shows that in overall terms Brigade net expenditure is currently below the original budget.
69. The predicted position reported as part of this quarter monitoring should provide assurances to Members that efficiencies are being achieved and that the position will help underpin the financial future of the Authority and that the Authority's financial management systems remain sound.

RECOMMENDATIONS

Members are asked to:

- Note the contents of the report and the projected year end variations.

- Approve the revised position on the capital programme, including the movement of budgets between schemes.

Paul McKeivitt
Treasurer

LIST OF BACKGROUND PAPERS UNDER SECTION 100D
OF THE LOCAL GOVERNMENT ACT 1972

Document	Date	File or Other Reference	Place of Inspection
Report to Policy, Resources and Performance Committee	10/11/11	-	Democratic Services Department, Fire & Rescue Service HQ 146 Bolton Road Swinton Manchester M27 8US

P. McKeivitt
(Proper Officer)
23.1.12