

Financial Management Strategy

Overall purpose: to provide the necessary financial resources to enable the Service to make life safer in Hampshire, and to ensure a high standard in the management of public services.

Progress against the strategy is reported on below:

Financial Planning - Budget strategy

Commentary on progress

The budget strategy will be clearly related to the priorities set out in the HFRS Plan 2010 - 2013.

The medium-term financial strategy both informed and responded to the Authority's determination of its corporate aims and objectives as set out in the HFRS Plan 2010-13. The Plan and the Budget were approved at the same meeting of the Authority on 10 February 2010.

Growth and savings proposals to be presented in a transparent manner to members as part of the annual budget cycle, identifying planned outcomes and performance improvements for budget growth and mechanisms for achieving any significant savings.

The preparation of the Budget for 2010/11 included clear information about the impact of inflation, other budget pressures and new (growth) items. The same basic presentation of the budget that was given to stakeholders during formal consultation, was also given to explain reports made to both the Finance and General Purposes Committee (January 2010) and Authority (February 2010).

Ensure that the long-term level of revenue commitments does not exceed long-term funding likely to be available including reasonable expected levels of future grant settlement and council tax.

The Authority has been preparing its annual revenue budget within a three-year financial strategy for the last decade. It has taken fully into account the likely impact of the Government's Comprehensive Spending Reviews when planning for the three years ahead.

Maintain three-year budget projections based where necessary on alternative scenarios to reflect uncertainty of spending and resource assumptions in order to set the likely context for making final resource allocation decisions on an annual basis.

Seek to achieve Government targets for efficiency gains all targets have been met to date.

Set a prudent minimum level of reserves based on a strategic-level risk assessment and reassessed annually as part of the budget process.

Operate within firm cash limits, allocating provision for pay and other inflation at the start of the financial year.

Contain spending within the approved cash limit for the year with no supplementary allocations being made from reserves other than in exceptional circumstances.

Seek best value in services which should always include considerations for quality, risk to achieve sustainability, environmental impact, local economic development and equalities as well as price.

Taking into account the above planning context, current economic pressures and the Authority's determination delivering the right level of services, the Authority prepared a range of options for increasing Council Tax and consulted with stakeholders' representatives on these.

The Authority has achieved the £3.4m efficiency savings target one year ahead of time. Full details were presented in the 'backward looking Annual Efficiency Statement (AES) 2009/10'

Risk assessment was thoroughly reviewed, leading to a minimum reserve level of £2m for 2010/11 with separate reserves for specific purposes.

In-year pressures absorbed through application of these policies, for example with regard to increasing IT costs.

Achieved with contributions being added to reserves in excess of those budgeted for.

Although the CPA framework and Use of Resources assessment was removed for 2010/11 by the coalition Government, the Audit Commission has subsequently indicated that we were on track to receive (the highest) score of 4. In their last Annual Audit Letter, the Commission commented: "You have improved value for money in several areas in the last year, including changed crewing arrangements and efficiencies from partnership working, to achieve significant savings amounting to £0.9 million or 1.4 per cent of the total

budget.”

Aim to achieve a level of council tax that is in the lower quartile of the taxes of Combined Fire Authorities.

Council tax at band D was the 7th lowest of the 24 non-metropolitan Fire Authorities in 2010/11.

Seek to keep council tax increases at or below the average increase in state pensions

The budget for 2010/11 was set at a rate which required a council tax increase of 1.8% compared with an increase in state pensions of 2.5%.

Capital programming

Review capital strategy on an annual basis and prepare a three-year programme in the light of needs identified in the Corporate Plan, vehicle replacement programme and built estate condition survey, and prepare a three year capital programme in accordance with the strategy.

The three year capital programme addressed these needs. Vehicle replacement needs were addressed in full and the increased provision for buildings repairs and maintenance was continued.

Continue to reduce the proportion of vehicles leased and aim for full ownership of the fleet.

No new operational leases were taken out in 2010/11 – all vehicle purchases were made through capital receipts or revenue contributions. Certain lease extensions were taken out where it was more economical so to do.

Reinvest income from disposal of capital assets where possible in order to fund new developments and initiatives identified in the Corporate Plan.

Capital receipts from previous years' sales were applied to finance capital expenditure and therefore minimize unsupported borrowing.

Make full use of Government-supported borrowing.

Full use was made.

Make use of unsupported borrowing within the framework of the Prudential Code where there is a sound business case approved by the Authority.

Minimal use was made in 2010/11.

Provision of Financial Services - Effective management of budgets

Maintain rigorous annual budgeting and budget monitoring processes.

Quarterly monitoring reports are presented to the Finance and General Purposes Committee. Service managers and budget holders receive monthly monitoring statements.

Maintain integrated accounting, budgetary and human resources systems.

The Authority uses 'SAP' (via Hampshire County Council's contract with the supplier) as its strategic software application (i.e. for financial systems including payroll). FireWatch is being introduced to support workforce management. This application will be integrated with SAP.

Ensuring good practice and probity

Apply sound financial regulations and associated financial procedures in support of good practice in financial administration and corporate governance.

Financial regulations are reviewed on a regular basis with the last review being implemented from 1 January 2009. They will remain current until changes are required as a result of changes in legislation or guidance. Part of the annual audit report and assurance statement refers specifically to the compliance with financial regulations and other procedures which comprise the control framework. The Scheme of Delegation to Officers is also kept under review with the last update having been made in February 2008.

Provide an effective and efficient internal audit function which works co-operatively with the service's external auditors.

The Audit Commission continues to rely on the work of internal audit and has commented favourably, in the annual management letter and governance report, on quality and professional standards achieved.

Recognise the statutory role of the Treasurer in ensuring lawful and financially prudent decision making.

No breaches of compliance occurred or reported on.

Report the internal audit strategy to the Governance Committee.

Reviewed and updated annually in advance of the financial year.

Present an annual internal audit assessment for the Service to the Governance Committee.

Annual internal audit report includes an assurance opinion to support the Annual Governance Statement.

Operate and develop ICT systems with enhanced provision of financial management information to users.

'SAP' software operates on the basis of local data entry and access to financial management reports for all budget holders and managers.

Comply with the Cipfa Code of Practice for Treasury Management.

Code complied with.

Comply with accounting and audit standards contained in the relevant codes of practice and Cipfa guidance.

All standards complied with.

Efficient and accessible processing of transactions

Operate best practices in relationships with local contractors and suppliers, including payment of bills in line with the Government's prompt payment target.

The Service paid 98% of invoices within 30 days which it considers to be a good performance reaching the top quartile in a recent benchmarking exercise. None-the-less, in light of the recessionary economic circumstances, the Authority has introduced a policy of paying local suppliers within 10 days where possible. Average payment was 14 days.

Seek continuous improvement through "customer focus" in the delivering of financial services and support.

Regular reports and ad hoc support is given to budget holders. Members of finance team frequently involved at an early stage in providing advice in major projects.

Improve and extend the use of ICT in delivering financial support services to users.

A new network contract has been let providing improved resilience and capacity. The network is Public Services Network (PSN) compliant

which will enable secure communications with other fire and rescue services and with central government. The finance team, in conjunction with HCC trainers, continue to provide support and training to budget holders and their administrators in accordance with the roll out of devolved budgets.

Ensure that financial systems are set up in a way which facilitates use of e-government and e-procurement.

SAP is used for all financial transactions and reporting. HFRS complies with all government requirements for e-procurement and transparency by publishing all financial information on the website including payments over £500.

Review the balance of in-house and contracted-out provision of financial services with the aim of achieving Best Value.

Best value review of Service level Agreements with Hampshire County Council was undertaken in 2007. Conclusion was that generally good value being obtained – more of a partnership arrangement. More benchmarking of costs has been undertaken (e.g. ICT services SOCITIM results).

Maintain a separate bank account for the Fire and Rescue Service irrespective of any contracted-out arrangements for financial administration.

Account maintained.