

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 6

29 July 2011

Budget Monitoring: 1st Quarter 2011/12

Report by the Chief Officer

Contact: Sarah Pook, Deputy Treasurer Telephone: 01962 847405
David Howells, Director of Corporate Services Telephone 023 8064 6834

1 Summary

1.1 The first quarter's analysis of actual expenditure and that currently committed identifies a projected underspend of £1.7m (2.4%). The main variations may be summarised as follows:

	£000
Wholetime firefighters pay and allowances	-1,500
Retained pay and allowances	-78
Support staff pay	-300
Vehicle fuel	+71
Operational equipment	+97
Other minor variations	+50
Total net savings	-1,660

1.2 As a result of the Government's intention to make a 25% reduction in its grant to Fire authorities over the four years of the current spending review period, the Service is proposing to make substantial savings. The projected underspend mainly relates to the recruitment freeze in anticipation of the results of the Staff Review consultation. The forecast underspend represents early delivery on the savings programmes and helps to position the service to successfully manage the expenditure reductions.

2 Recommendations

2.1 That the latest financial position for 2011/12 be noted.

2.2 That the virements over £100,000 listed in section 4 be approved.

3 Revenue expenditure

- 3.1 The latest position is detailed in Appendix A. The main variances can be summarised as follows:

	Adjusted Original Budget £'000	Virements £'000	Projected outturn Q1 £'000	Variance £'000
Wholetime firefighters pay	33,956	-114	32,342	-1,500
Retained firefighters pay	6,403	-9	6,316	-78
Support staff pay	10,282	-246	9,736	-300
Transport	1,914	2	1,987	71
Operational equipment	1,533	-3	1,627	97
Other expenditure	16,744	628	17,417	45
Income / CT freeze grant	-2,318	-258	-2,571	5
Contribution to reserves	160	0	160	0
Total budget / projected outturn	68,674	0	67,014	-1,660

Wholetime firefighters pay and allowances (-£1,500,000, -4.4%)

- 3.2 As reported to the Human Resources Committee on 15 June 2011 there were 23 FTE vacancies. It is predicted there will be a further 21 vacancies by the end of the year. The estimated savings from the 44 vacancies, resulting from the recruitment freeze, is £1m. These savings are expected to continue into the future and demonstrate the Service is well on target to achieve the Staff Review and Efficient and Flexible Crewing efficiency savings targets.
- 3.3 Additionally there are £200,000 savings from the trainee firefighters budget this year. A further £300,000 savings in reduced employers pension contributions due to re-employed firefighters leaving the pension scheme makes a total of £1.5m projected underspend.

Retained firefighters pay and allowances (-£78,000, -1.2%)

- 3.4 The proposal to cease operating the Emergency Catering team, who are paid on a similar basis as retained firefighters, and replace with self-heating bag meals has been agreed. This will take place on 31 July 2011 and the part year effect is estimated at £78,000 savings in retained firefighters pay and allowances.

Support staff (-£300,000, -2.9%)

- 3.5 As reported to the Human Resources Committee on 15 June there were 33 posts held vacant awaiting the outcome of the Staff Review consultations. The cost savings of these vacancies is £700,000. The service currently includes a turnover assumption in its staffing budget totalling £300,000 (assuming turnover and then a delay between new staff starting after the previous staff member has left and at a lower point on the scale). Turnover savings are not likely to be realised in addition to the current recruitment freeze savings and the restructure resulting in a £400,000 budget underspend. However, subject to consultation and when the recruitment freeze comes to an end, some currently filled posts will be deleted, new posts will

be recruited to, and current vacant posts not proposed to be deleted will be filled. It is estimated there will be a net cost of these changes in 2011/12. The additional cost of these changes in 2011/12 is estimated at £100,000 resulting in a net saving of £300,000.

- 3.6 As explained there are a number of changes proposed to the support staff establishment over the remainder of the year but the savings achieved to date from the recruitment freeze demonstrate the Service is well on target to achieve the Staff Review efficiency savings target.
- 3.7 Elsewhere on the agenda, the Medium Term Financial Strategy report reviews the assumptions made in the support staff budget including the assumed turnover allowance.

Premises expenditure (+£50,000, 1.3%)

- 3.8 As part of the Service Headquarters carbon savings projects it is proposed to fit improved zone controls; improved insulation; fitting of thermostatic radiator valves; and reduction in hot water storage at an estimated cost of £54,000. More detail is provided in the "Reducing energy costs and our impact on the environment" report elsewhere on the agenda.
- 3.9 The proposed heating improvements will result in an estimated 20% to 25% cut in heating costs saving £8,000 to £10,000 a year. Part year savings of £4,000 are estimated for 2011/12.
- 3.10 Voltage optimisation equipment is being installed at Service Headquarters which is expected to make savings of £7,000 a year (and 47 tonnes of carbon dioxide). The cost of the equipment at £28,000 is being funded by an interest free loan repaid over four years. These savings will be used to finance the loan repayments for the first four years.

Transport expenditure (+£71,000, +3.8%)

- 3.11 The price of diesel as at June 2011 had increased by 18% compared to the assumed budget provision of 2.5%. Consequently the cost of vehicle fuel is projected to increase by £71,000.

Operational equipment (+£97,000, 6.3%)

- 3.12 The cost of the breathing apparatus upgrade project has increased by £360,000 partly due to price increases and exchange rate changes and partly due to the additional provision of breathing apparatus communications equipment.
- 3.13 The increased cost has been partly met by carrying forward £208,000 underspend from last year and partly from within existing resources by re-prioritising operational equipment requirements. This leaves a budget shortfall this year of £97,000. It was planned to spread the cost over two years but due to the age of the existing equipment this is not possible. This means the budget of £192,000 planned for

2012/13 can be saved.

4 Virements over £100,000

4.1 Under financial regulations virements over £100,000 have to be approved by elected members. The virements over £100,000 in this quarter are:

- We have been advised by Hampshire County Council, the Hampshire Pension Fund administrators, that the basis for calculating the employer contributions has changed and now consists of two elements: a fixed cash amount based on 6% of pensionable pay at 31 March 2010 which is for past service, and 13.1% for future service. This has no effect on the overall employer contribution. Consequently £460,000 has been transferred from the support staff pay budget to create the budget for the fixed contribution.

- Government grant income of £155,000 is expected to be received to meet the additional cost of FireLink charges. Consequently the income budget has been increased by £155,000 offset by an increase in the IT and Communications budget.

5 Reserves

Improvement and sustainability (I & S) reserve

5.1 The balance on the I & S reserve currently stands at £2,295,000. It is proposed to fund the following project included in the projected outturn from this fund if there are insufficient underspendings elsewhere in the budget at outturn:

	2010/11	2011/12
	£	£
Service HQ improvements to the heating and hot water systems	54,000	

The Reducing energy costs and our impact on the environment report elsewhere on the agenda identifies projects costing up to £1.4m which could be met from this reserve. However final decisions have yet to be made.

5.2 At present the projected outturn would not require a contribution as £54,000 can be met from the original budget.

Summary

5.3 The following table summarises movements in reserves and the general balance:

	Budgeted level 1/4/11 £000	Actual level 1/4/11 £000	Budgeted addition in year £000	Used in year £000	Balance before any in year underspend added 31/3/12 £000
I&S reserve	2,295	2,295	0	0	2,295
Grant reduction	947	1,447	440	0	1,887
Capital Payments	245	1,188	1,429	-116	2,501
Earmarked underspending	0	637	0	-637	0
Revenue Grants	0	401	0	-401	0
General Balance	2,500	2,500	0	0	2,500
	<u>5,987</u>	<u>8,468</u>	<u>1,869</u>	<u>-1,154</u>	<u>9,183</u>

6 Capital

6.1 Appendix B sets out the latest position for capital. It shows the changes proposed within the final accounts report elsewhere on the agenda together with the voltage optimisation equipment referred to in paragraph 3.9 which has been added to the capital programme under delegated powers. Overall there is little change to the spending side of the capital programme and it is pleasing to be able to report that on the financing side the position has improved. Mainly as a result of the increase made to the capital payments reserve from the 2010/11 underspend, the balance of the four year capital plan not yet funded has reduced from the £2.4m when the capital plan was approved by the Authority in February to £1.7m now.

7 People Impact Assessment

8.1 The proposals in this paper are not assessed to be discriminatory and considered compatible with the provisions of the European Convention on Human Rights, the Human Rights Act 1988 and the Race Relations (Amendment) Act 2000.

9 Background papers

11.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

None identified

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

