

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 5

28 October 2011

Budget Monitoring: 2nd Quarter 2011/12

Report by the Chief Officer

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1 Summary

- 1.1 The second quarter's analysis of expenditure to date, and that currently committed, shows a projected underspend of £2.3m (3.3%). The main variations are:

	Q1	Q2	Total
	£'000	£'000	£'000
Wholetime firefighters pay and allowances	-1,500	-326	-1,826
Retained pay and allowances	-78		-78
Support staff pay	-300	-150	-450
Transport	71	-50	21
Operational equipment	97		97
Unallocated efficiency gains	-35	-135	-170
Premises	50		50
Other minor variations	35		35
Total net savings	-1,660	-661	-2,321

- 1.2 As a result of the Government's intention to reduce its grant to fire and rescue authorities by 25% over the four years of the current spending review period, we will need to make substantial savings. The Authority has previously agreed, as part of its medium-term financial strategy, that we will strive to achieve underspendings in 2010/11 and 2011/12. Last year the final underspend was £3.2m. The projected underspend for this year results mainly from the continuing recruitment freeze to generate the staffing reductions required under the Staff Review and Efficient and Flexible Crewing projects.

2 Recommendations

- 2.1 That the 2nd Quarter budget monitoring report and the projected underspend for 2011/12 be noted.
- 2.2 That the virements over £100,000 [listed in section 4 of the report] be approved.
- 2.3 That it be recommend to the Authority:

that the Treasury Management report [set out as Appendix B to this report] be approved.

3 Revenue expenditure

- 3.1 The latest position is detailed in Appendix A. The main variances in the 2nd quarter can be summarised as follows :

	Adjusted Original Budget £'000	Projected outturn Q1 £'000	Virements £'000	Projected outturn Q2 £'000	Variance Q1 to Q2 £'000
Wholetime firefighters pay	33,956	32,342	53	32,069	-326
Retained firefighters pay	6,403	6,316	289	6,605	0
Support staff pay	10,282	9,736	-4	9,582	-150
Transport	1,914	1,987	72	2,009	-50
Operational equipment	1,533	1,627	-44	1,583	0
Unallocated efficiency gains	1	17	439	321	-135
Other expenditure	16,743	17,400	-333	17,067	
Income / CT freeze grant	-2,318	-2,571	-472	-2,900	143
Contribution to reserves	160	160	0	17	-143
Total budget / projected outturn	68,674	67,014	0	66,353	-661

Wholetime firefighters pay and allowances (-£326,000, 1.0%)

- 3.2 Since April 2006 all new trainee firefighters have joined the New Firefighters Pension Scheme (NFPS). The employers pension contribution for the NFPS is 11% compared to 21.3% for the ('old') Firefighters Pension Scheme (FPS). Based on the number of firefighters currently in the NFPS it is estimated there will be savings of £300,000 in employers pension contributions both this year and next.

- 3.3 As part of the savings programme, a reduction in the cost of overtime estimated at £26,000 is expected to be achieved this year.

Support staff (-£150,000, -1.5%)

- 3.4 Since the last quarter there have been eight further vacancies resulting in additional savings of £150,000.

Transport expenditure (-£50,000, -2.0%)

- 3.5 As part of the savings programme, a reduction in the cost of car allowances estimated at £50,000 is expected to be achieved this year.

Pensions expenditure (on target)

- 3.6 Most pension expenditure is in line with budgeted expectations. The budget for 'ill-health pension charges' is currently showing an underspend; but, it is too early in the year to be certain that there will be underspending.

Contingency – no change

- 3.7 Although there are no known calls on the contingency budget of £250,000, at this stage of the year it is prudent to retain the provision in case any unexpected budget pressures emerge. The position will be reviewed again at the third quarter.

Unallocated efficiency gains (-£135,000, -30.8%)

- 3.8 Budget holders have identified - across various expenditure headings - potential underspending totalling £519,000. It has already been accepted that £384,000 of this can be held as unallocated efficiency gains until such time as budget holders can be more confident about containing expenditure during the second-half of the financial year. When this sum is added to the balance of £17,000 brought forward from the first quarter, there is a further potential underspend in excess of £400,000. The position will be reviewed at the third quarter.

The main underspends identified to date are:

	2011/12 Efficiencies identified £'000	2011/12 Savings deducted from budget £'000	2011/12 Balance of unallocated efficiencies £'000
Replacing uniforms on wear and tear basis rather than the previous points system.	75	75	0
Training expenses and savings in the cost of attending conferences – staff and members.	280	60	220

Corporate agency staff budget – no commitments as cost of agency staff currently being met from within existing budgets	61		61
Administrative equipment	30		30
Other	73		73
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Total quarter 2	519	135	384
Balance brought forward from Quarter 1			<hr/> 17
Balance carried forward			401

4. Savings Programmes

- 4.1 The savings programmes planned over the next four years total £6m and are summarised as follows:

	Latest planned savings 2011/12 £'000	Savings target 2014/15 £'000
Efficient and Flexible Crewing	396	1,440
Staff Review	686	2,500
Eight efficiency proposals:		
Travelling and overtime	76	230
Operational equipment and appliances	0	100
Rationalising our emergency response	0	868 to 1300
Training and development	60	60
Emergency catering at incidents	44	79
Networked Fire Control Services	0	275
Selective paging	0	100
Partnership working	0	250
Total	<hr/> 1,262	5,902 to 6,334

- 4.2 The savings targets are reviewed and monitored by the Financial Challenge Programme Board.
- 4.3 Total planned savings of £1,262,000 for 2011/12 are included within the cumulative forecast underspend of £2.3m.

5 Virements over £100,000

- 5.1 Under financial regulations virements over £100,000 must be approved by the

Committee on behalf of the Authority. There are two virements over £100,000 in this quarter:

- Following confirmation of this year's allocation of government grant for 'New Dimensions' operations, the relevant budget will be increased by £194,000 to fund the cost of Urban Search and Rescue activities (mainly retained firefighters' pay and allowances).
- Later this year £20,000 of savings in the cost of running training courses will be used instead to fund 'Additional Responsibility Allowances' (ARAs) for retained firefighters who undertake training responsibilities. In 2012/13 the full year effect of paying these ARAs will be £100,000.

6 Reserves

Improvement and Sustainability (I&S) reserve

- 6.1 The balance of the I&S reserve is currently £2,295,000. We had previously indicated that improvements to the Headquarters' heating and hot water systems would be eligible for funding from the I&S reserve. But, given the current level of underspending, this will not be required.
- 6.2 A potential investment up to £1.5m to install solar photovoltaic systems is reported in a separate item on the Committee's agenda. This could be met from the reserve, but final decisions will rest on sound business cases being made.
- 6.3 The original estimates for the FireWatch project were up to £3.1m. Funding of £2.7m was identified from within existing resources leaving £0.4m to be met from the I&S reserve. Current projections would not require using the reserve in the current financial year, but there may be further budget pressures as the project moves into Phases 2 and 3.

Summary (no change)

6.4 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
Totals	5,987	8,468	1,869	-1,154	9,183

7 Capital

- 7.1 There are two changes to the programme. The first is the additional vehicle to be added to the current year's programme - recommended in the report on the vehicle replacement programme (also on the Committee's agenda) If Members agree to this addition it would be funded from the capital payments reserve. (*note – this cost is not yet included in the figures above*).
- 7.2 Secondly, based on new guidance from the Carbon Trust, the 'voltage optimisation project' has been put on hold in favour of making energy efficiency improvements to lighting in some areas of Service Headquarters. To meet the requirements of a £27,500 interest free loan, the project must be completed by the end of December - and the pay back period must be no longer than five years. The loan has to be repaid over four years.

8 Mid-year Treasury Management report

- 8.1 Set out in Appendix B is the mid-year review of treasury management.. It is a requirement of the CIPFA Treasury Management code that such a report be presented to Members of the Authority for approval.
- 8.2 The report shows treasury management activity for the first six months of the year. It gives details of the investments and borrowings carried out in the Authority's own name: and, concludes that the Authority operated within the treasury management indicators set out in the Authority's treasury management strategy.

8.3 Members are asked to recommend to the Authority that the report be approved.

9 People Impact Assessment

9.1 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.

10 Background papers

10.1 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.