

## Hampshire Fire and Rescue Authority

### Finance and General Purposes Committee

Item 5

13 January 2012

Budget Monitoring: 3rd Quarter 2011/12

Report by the Chief Officer

Contact: Rob Carr, Deputy Treasurer, telephone: 01962 845708  
John Beckerleg, Director of Corporate Services, telephone 023 8062 6833

#### 1 Summary

- 1.1 The latest analysis of expenditure forecasts a projected underspend of £3.6m (5.0%). The main variations are:

	Q1	Q2	Q3	Total
	£'000	£'000	£'000	£'000
Wholetime firefighters pay and allowances	-1,500	-326		-1,826
Retained pay and allowances	-78		-120	-198
Support staff pay	-300	-150		-450
Other employee expenses			-67	-67
Transport	71	-50		21
Operational equipment	97			97
Unallocated efficiency gains	-35	-135	-303	-473
Premises	50		-74	-24
Other minor variations	35		-76	-41
Pensions			-163	-163
Interest payments			-258	-258
Contingencies			-262	-262
<b>Total net savings</b>	<b>-1,660</b>	<b>-661</b>	<b>-1,323</b>	<b>-3,644</b>

- 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. Reduced interest and ill health payments, and release of contingencies and unallocated efficiency gains have contributed to this year's

£3.6m projected underspend.

## 2 Recommendations

- 2.1 That the 3<sup>rd</sup> Quarter budget monitoring report and the projected underspend for 2011/12 be noted.
- 2.2 That the virements over £100,000 [listed in section 5 of the report] be approved.
- 2.3 That it be recommended to the Authority that the changes to the capital programme as set out in section 7 of the report be approved.

## 3 Revenue expenditure

- 3.1 The latest position is detailed in Appendix A. The main variances in the 3<sup>rd</sup> quarter can be summarised as follows :

	Adjusted Original Budget	Projected outturn Q2	Virements and eff gains / allocations	Projected outturn Q3	Variance Q2 to Q3
	£'000	£'000	£'000	£'000	£'000
Wholetime firefighters pay	33,956	32,069	2	32,071	0
Retained firefighters pay	6,403	6,605	-28	6,457	-120
Support staff pay	10,282	9,582	177	9,759	0
Other employee expenses	1,111	920	30	883	-67
Utilities, rents, rates, etc	1,931	1,931	0	1,857	-74
Transport	1,914	2,009	-26	1,984	1
Operational equipment	1,533	1,583	-56	1,528	1
Unallocated efficiency gains	1	321	22	40	-303
Other expenditure	13,903	14,620	-416	14,209	5
Income / CT freeze grant	-2,318	-2,900	-59	-2,959	0
Contribution to / -from reserves	160	17	0	-7	-24
Pensions	764	764	0	601	-163
Interest payments	632	632	43	417	-258
Contingencies	578	376	-19	95	-262
Capital adjustment account	-2,176	-2,176	330	-1,905	-59
<b>Total budget / projected outturn</b>	<b>68,674</b>	<b>66,353</b>	<b>0</b>	<b>65,030</b>	<b>-1,323</b>

**Retained firefighters pay and allowances (-£120,000, -1.5%)**

- 3.2 This projected underspend is mainly due to the additional 1% employers pension contribution included in the base budget that has not been required this year. In addition, changes in the way of working introduced last year continue to achieve some efficiency savings.

**Other employee expenses (-£67,000, -7.3%)**

- 3.3 Cost savings in training expenses have been achieved by using good value overnight accommodation. In addition attendance at conferences is well below previous years.

**Utilities, rents, rates, etc. (-£74,000, -3.8%)**

- 3.4 Business rates are expected to be £74,000 less than originally estimated due to the sale of the housing properties in Winchester, the sale of Copnor Fire Station and a lower rating valuation for the new Winchester Fire Station than originally estimated. The on-going full year savings of these changes is estimated at £94,000.

**Pensions expenditure (-£163,000, -21.3%)**

- 3.5 The reason for this reduction is that it is now anticipated that the whole year's provision for ill health charges will not be required as fortunately, to date, there have not been any.

**Interest payments (-£258,000); Capital adjustment account (-£59,000)**

- 3.6 The main reason for these decreases is that there were less of the 2011/12 capital payments financed from loan than had been assumed. This is also the reason for the reduction in the provision for debt repayment (within the Capital Adjustment Account).

**General Contingency and unallocated inflation provision (-£262,000)**

- 3.7 Having reviewed the position at the end of November it has been decided to release £262,000 of unspent contingencies which will leave a total of £95,000 available for any unexpected budget pressures, such as FireWatch.

**Unallocated efficiency gains (-£303,000)**

- 3.8 At the end of last quarter there was a balance of £401,000 of potential savings available. Further savings of £33,000 have been identified this quarter bringing the total potential savings to £434,000, of which £92,000 has been allocated to other budget pressures and £303,000 is to be declared as an underspend.

The balance of £40,000 is being held for possible IT development costs.

The position may be summarised as follows:

	£'000	£'000
Balance b/f		401
Efficiency savings this quarter:		
Reduction in consultancy costs	13	
Staff Review savings	20	33
Savings allocated this quarter:		
Grant income shortfall	-30	
Recruitment costs	-44	
Audit commission – reinstate savings removed too early	-17	-91
Balance available		343
Balance to be declared as underspend		-303
Balance retained		40

#### 4. Savings Programmes

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

	Forecast savings 2011/12	Actual savings 2011/12	Forecast savings 2015/16
	£'000	£'000	£'000
Efficient and Flexible Crewing	399	399	1,440
Staff Review	565	640	2,450
Eight efficiency proposals:			
Travelling and overtime	76	76	230
Operational equipment and appliances	0		100
Rationalising our emergency response	0		868
Training and development	60	60	60
Emergency catering at incidents	44	44	81
Networked Fire Control Services	0		275
Selective paging	0		100
Partnership working	0		250
ICT / Printsmart			50
Members training	8	30	8
Inflation savings from reduced salary base			260
Total	1,152	1,249	6,172

- 4.2 The savings targets are reviewed and monitored by the Financial Challenge Programme Board.
- 4.3 Total actual savings of £1,249,000 for 2011/12 are included within the cumulative forecast underspend of £3.6m.

## **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:
- The FireWatch budget was originally set up as an IT related expenditure budget. £119,000 of the IT budget has been allocated to pay and allowances to fund the project team to the end of the financial year.
  - Due to a change in accounting treatment £330,000 of principal repayments and £43,000 of interest payments have been transferred from Operational Leasing payments to the Capital Adjustment Account (for the principal element) and Interest payable on finance lease account.
  - An accounting entry 'The revenue contributions to capital – financed from reserves' budget has been reduced by £297,000 to reflect the planned use of reserves to finance part of the estimated capital spend in 2011/12. The opposite entry is an increase of £297,000 in the contributions to the capital payments reserve. The total contributions remain unchanged at £1,429,000 as per the original budget.

## **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 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.
- 6.3 It is intended to mainly use the balance of the reserve for improvements that reduce energy consumption and our carbon footprint.

### **Capital payments reserve**

- 6.4 As agreed at the Authority's meeting in December any underspending occurring in

the year will be added to the capital payments reserve. There is currently predicted to be an underspending of £3.6m and this is now shown as being added to this reserve.

## Summary

6.5 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	Under- spend added £'000	Used in year £000	Estimated balance 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	3,644	-775	5,486
Earmarked underspending	0	637	0		-637	0
Revenue Grants	0	401	0		-401	0
General Balance	2,500	2,500	0		0	2,500
	<b>5,987</b>	<b>8,468</b>	<b>1,869</b>	<b>3,644</b>	<b>-1,813</b>	<b>12,168</b>

## 7 Capital

7.1 The fees for the Basingstoke Fire Station feasibility scheme are expected to be £100,000 during the year as originally planned. The transfer of £50,000 to the 2011/12 capital repairs budget agreed earlier in the year now needs to be reversed alongside the reversal to 'repay' it next year. There are no financing implications from doing this.

## 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.

