

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 7

31 July 2012

Budget Monitoring: 1st Quarter 2012/13

Report by the Chief Officer

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1 Summary

- 1.1 The first quarter's analysis of actual and committed spending identifies a projected underspend of £1.2m (1.7%). The main variations are:

| | £'000 |
|----------------------------------|--------|
| Community Response - employees | -899 |
| Revenue contributions to capital | 1,756 |
| Corporate efficiency savings | -145 |
| Contributions from reserves | -1,866 |
| Other | -46 |
| Total net savings | -1,200 |

- 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 2011/12 to 2014/15, the Service is proposing to make substantial savings. The projected underspend, mainly relating to the recruitment freeze, represents early delivery on the savings programmes and helps to position the Service to successfully manage the expenditure reductions.
- 1.3 Over the next few months we will be working with budget holders to review significant 2011/12 underspends to establish if there is any on-going impact on this and future years' budgets.

2 Recommendations

- 2.1 That the latest financial position for 2012/13 be noted.
- 2.2 That the virements over £100,000 listed in section 5 be approved.
- 2.3 That the Authority is recommended to approve the changes to the capital

programme set out in section 7 of this report.

3 Revenue expenditure

- 3.1 The format of the revenue budget monitoring report attached at Appendix A has changed since the last budget monitoring report. It analyses net expenditure by service area in line with the management structure and the Statement of Accounts. As the analysis by type of expenditure (wholetime firefighters pay, retained firefighters pay, operational equipment, etc.) is less detailed than previously, an analysis of pay budgets, which represents 70% of the total budget, is included in the main report.
- 3.2 The latest position is detailed in Appendix A. The main variances can be summarised as follows:

| | Original Budget £'000 | Virements £'000 | Adjusted original budget £'000 | Projected outturn Q1 £'000 | Variance £'000 |
|---|-----------------------------|--------------------|---|----------------------------------|-------------------|
| Community Response - employees | 37,868 | -175 | 37,693 | 36,794 | -899 |
| Revenue contributions to capital | 777 | | 777 | 2,533 | 1,756 |
| Contributions from I&S reserve | 0 | | 0 | -949 | -949 |
| Contribution from revenue grant reserve | 0 | | 0 | -917 | -917 |
| Corporate efficiency savings | -161 | 323 | 162 | 17 | -145 |
| Other expenditure | 31,984 | -148 | 31,836 | 31,790 | -46 |
| Total budget / projected outturn | 70,468 | 0 | 70,468 | 69,268 | -1,200 |

Staff Pay

- 3.3 The staff pay budget, at £50m, is the main part of the employee budget which also includes £1m other employee expenses such as training expenses, staff advertising and relocation expenses. The pay budget is forecast to underspend by just under £1m as follows:

| | Community Response variance £'000 | Community Safety variance £'000 | Management and Support Services variance £'000 | Total variance £'000 |
|----------------------------|--|--|--|----------------------------|
| Wholetime firefighters pay | -839 | | +71 | -768 |
| Support staff pay | -60 | -11 | -106 | -177 |
| Total staff pay budget | -899 | -11 | -35 | -945 |

The pay budgets do not include any allowance for pay awards. A 1% pay award would increase costs by £0.5m in a full year.

Wholetime firefighters pay and allowances (-£768,000, -2.3%)

- 3.4 As reported to the Human Resources Committee on 17 July 2012 there were 31 wholetime firefighter posts vacant, of which four have been identified as on-going efficient and flexible crewing (EFC) savings. These are included under efficiency savings in para 3.15. The other 27 vacant posts are held open for when staff return from temporary postings such as career breaks, temporary promotions, external secondments, etc and cannot be declared as EFC savings at this stage. These temporary vacant posts account for £850,000 of savings this year.
- 3.5 More leavers are predicted this year which could mean the efficient and flexible crewing target of minus 40 firefighter posts could be achieved by the end of the year, 2 years earlier than planned. This would save a further £300,000 this year but until the predicted vacancies are more certain the forecast will not be reduced.
- 3.6 The estimated savings from the vacant posts result from the recruitment freeze. However, due to the accelerated rate of leavers (mainly retirees) the Service is currently reviewing when to begin recruiting wholetime firefighters again. If there is no recruitment this year further savings of £200,000 from the trainee firefighters budget could be achieved. This will be confirmed later in the year.
- 3.7 The wholetime firefighters and retained firefighters pay budgets both include a 1% contingency, £300,000 and £50,000 respectively. The wholetime firefighters contingency is not expected to be required this year but it is proposed to keep both contingencies until later in the year in case a pay award is agreed.
- 3.8 At its last meeting this Committee agreed to fund the set up costs for the Joint Working in Hampshire project from the Investment and Sustainability reserve. The set up costs included the cost of a project manager at £71,000 which is included in the latest forecast.

Retained firefighters pay and allowances (no change)

- 3.9 Based on the first three months spend the retained firefighters pay budget is forecast to underspend by £150,000. However, this budget is difficult to predict and is influenced by weather conditions and other factors beyond our control. So it is proposed to make no changes to the budget at this stage and retain the contingency provision.

Support staff (-£177,000, -1.8%)

- 3.10 Until the Staff Review plans have been fully implemented, only business critical posts may be filled on a permanent basis, otherwise vacant posts may be filled

temporarily. At 1 June 2012 there were 50 support staff posts vacant some of which were covered by 24 agency staff. If spending continues at the current rate, savings of up to £800,000 are forecast. However budget holders are currently reviewing their establishment and expect to be able to identify savings at the end of the second quarter when their forecasts will be more certain.

- 3.11 Savings achieved in the first quarter are estimated at £200,000. It is assumed that savings of at least this amount will be made this year and the forecast has been reduced accordingly.
- 3.12 A temporary project and support administrator post for the Network Fire Control Strategic Partnership is estimated at £23,000 and will be funded from the revenue grant reserve.

Community response – employees (-£899,000)

- 3.13 The projected underspend is due to variations in pay budgets and has been explained above.

Revenue contributions to capital (+£1,756,000)

- 3.14 Changes to the capital programme are set out in paragraph 7. It is proposed to use revenue contributions to fund the capital elements of the fire control project, the control room refurbishment and the capital environmental works.

Corporate efficiency savings (-£145,000)

- 3.15 As mentioned above when explaining the wholetime firefighters pay underspend, four wholetime vacant posts have been identified as on-going EFC savings, resulting in £145,000 of additional savings this year.
- 3.16 All anticipated efficiency savings in 2012/13 have been achieved. Appendix B shows progress against each efficiency proposal and that actual efficiency savings achieved so far this year are £1.47m.

Impact of 2011/12 outturn

- 3.17 The final accounts report elsewhere on the agenda explains the underspend of £1.9m in 2011/12 compared to the revised budget. Over the next few months we will explore with budget holders whether any of these savings will be on-going and can be removed from the base budget, thereby helping to achieve our savings target.

4 Carry forward of 2011/12 underspends (+£587,000)

- 4.1 The final accounts report elsewhere on the agenda requests £587,000 of underspends in 2011/12 are carried forward to 2012/13. The forecast at Appendix A includes the carry forwards.

5 Virements over £100,000

- 5.1 Under financial regulations Members are responsible for agreeing virements over £100,000. The virements over £100,000 in this quarter are:

- £182,000 of the FireWatch supplies and services budget has been used to fund the cost of the implementation team (employees budget) this year.

- £124,000 of savings, mainly in training expenses (employees) and setting up conferences (supplies and services) have been identified. The savings have been temporarily held as unallocated efficiency savings budget until final decisions have been made on budget priorities.

6 Reserves

Improvement and sustainability (I & S) reserve (-£949,000)

- 6.1 The balance on the I & S reserve currently stands at £2,853,000. It is proposed to fund the following projects included in the projected outturn from this fund if there are insufficient underspendings elsewhere in the budget at the end of the year:

| | 2012/13 £ |
|---|--------------|
| Joint working project manager | 71,000 |
| Revenue contributions to capital: | |
| - Control Room refurbishment | 500,000 |
| - Capital environmental works | 378,000 |
| Total included in the projected outturn | 949,000 |

- 6.2 At its last meeting of this Committee it was agreed to fund up to £558,000 to meet the set up costs of the joint working project, of which £71,000 is for the project manager. It was also agreed to use this reserve to fund the refurbishment of the Control Room at an estimated cost of £500,000 and £421,000 is to be used to complete the FireWatch programme. Elsewhere on this agenda the "Energy efficient and carbon management" report proposes investing £1,178,000 to fund schemes aimed at reducing energy costs and our impact on the environment. The environmental works are part of the capital grant bid to the Department of Communities and Local Government (CLG) and if successful this will result in

capital funding to wards this investment of £800,000. At this time it is therefore only proposed to commit a programme of £378,000 until December when the outcome of the capital funding will be known. The balance of the I and S reserve is £996,000.

- 6.3 At present the projected outturn would not require a contribution towards the project manager position and revenue contributions as £949,000 can be met from the original budget. However for presentation purposes it is proposed to show these being met from the I&S reserve and reporting the £1.2m underspend.

Revenue grant reserve (-£917,000)

- 6.4 Last year £1.8m government grant was received to help fund the fire control project. After funding the project implementation team costs incurred in 2011/12, the balance of the grant, along with other unspent grants, was transferred to the revenue grant reserve. £917,000 of the reserve is being used to fund the revenue contributions that fund the capital element of the fire control project (£878,000) and some grant funded posts (£39,000).

Summary

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

| | Budgeted level 1/4/12 £000 | Actual level 1/4/12 £000 | Budgeted addition in year £000 | Used in year £000 | Balance before any in year underspend added 31/3/13 £000 |
|-------------------------|----------------------------------|--------------------------------|--------------------------------------|-------------------------|---|
| I&S reserve | 2,295 | 2,853 | 0 | -949 | 1,904 |
| Grant reduction | 1,887 | 1,811 | 0 | 0 | 1,811 |
| Capital Payments | 6,261 | 7,008 | 4,920 | -1,759 | 10,169 |
| Earmarked underspending | 0 | 587 | 0 | -587 | 0 |
| Revenue Grants | 0 | 2,141 | 0 | -917* | 1,224 |
| Total specific reserves | 10,443 | 14,400 | 4,920 | -4,212 | 15,108 |
| General Balance | 2,500 | 2,500 | 0 | 0 | 2,500 |
| Total | 12,943 | 16,900 | 4,920 | -4,212 | 17,608 |

* As the grant is committed throughout the year it will be counted as 'used'.

7 Capital

- 7.1 Appendix C sets out the latest position for capital. It reflects the slippage and declared underspends from 2012/13 as well as the three changes to the programme set out below.

- 7.2 The first relates to now incorporating the capital elements of the fire control project approved by the Authority in April 2012. The capital programme has been increased by £878,000 for the system (this being the estimated capital element of the project, to be funded by capital grant) and £500,000 for the refurbishment of the control suite (funded from the I&S reserve). No further Member approval is required for this project.
- 7.3 A major review of the Authority's specialist vehicle requirement has been undertaken and it is proposed not to purchase the seven specialist vehicles currently in the capital programme for 2012/13, 2013/14 and 2014/15. The specification for the vehicles that will replace them is being worked on and it is hoped that the details will be brought to this Committee at the next meeting. For the purposes of this budget monitoring, these vehicles have been removed from the capital programme (saving £2,004,000) and have been replaced with a specialist vehicle budget of £1,004,000 as one of the aims of the project is to save £1m.
- 7.4 At its last meeting in June 2012, the Authority received details of the capital grant bids for environmental works (for 2013/14 and 2014/15) that have been submitted to the CLG. These works total £1,178,000 in total and bids to the value of £800,000 have been made (£400,000 for each of the two financial years). Given that these works will actually save money it is felt to be beneficial to go ahead regardless of whether or not the bid is successful. Members are therefore requested to recommend to the Authority that the scheme be added to the capital programme as a start in the current financial year. This position will be reviewed in December when the outcome of the capital bidding is known. For the purposes of planning it has been assumed in Appendices A and C that the scheme receives Member support.
- 7.5 Appendix C also sets out the funding available to support the capital programme. There are a number of uncertainties about funding including: changes in the methods of allocating Government capital grant incorporating a bidding element; timing of capital receipts and the money that will be made available from the annual budget. Assuming a basic level of capital grant funding, no capital receipts used until 2016/17 and no borrowing, the Authority can pay for its planned programme. This position will need to be kept under review but does support a case for bringing forward schemes which will have on-going revenue benefits (such as the environmental programme).

People Impact Assessment

- 8.1 The proposals in this paper are considered compatible with the provisions of the equality and human rights legislation.

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.