

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item: 7

24 July 2013

Final Accounts 2012/13

Report of the Treasurer and Chief Officer

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1 Summary

- 1.1 The Authority has been preparing for some time for the Government Grant reductions in the second half of the CSR 2010 period and has implemented a strategy of making savings in advance of need in order to provide funding for investment in service improvement and further measures to generate savings. This strategy is evident within the 2012/13 outturn position as the Authority continues to deliver savings well in advance of need and indeed ahead of its own savings programme.
- 1.2 Expenditure was £1.9m below the revised budget position, of which £414,000 is requested to be carried forward to spend in 2013/14 and £125,000 relates to slippage in grant funded expenditure which is transferred to the revenue grant reserve to spend in 2013/14. It is proposed not to make the previously planned contribution of £0.9m from the I&S reserve with the balance of £384,000 being added to the grant reduction reserve.
- 1.3 The additional underspending has been achieved across many expenditure heads including retained firefighters pay, operational equipment, uniform, vehicle fuel, interest receivable, revenue contributions to capital, interest receivable and printing and stationery. The underspend was offset by the need to increase provisions, in particular the provision for part-time workers.
- 1.4 The overall underspend for the year increases from the revised budget underspend of £4.1m to £6m. However, £0.9m of this is requested to be carried forward to 2013/14 to fund slipped expenditure.
- 1.5 This underspending will help the Authority to deal with government grant reductions in subsequent years.

2 Recommendations

- 2.1 That the carry forward of specific underspendings set out in paragraph 8.2

of this report be approved.

- 2.2 That the accounts for 2012/13 be approved including the use of reserves set out in paragraph 8.7 of this report.
- 2.3 That capital payments for the year be financed as set out in paragraph 5.11 of this report.
- 2.4 That it be recommended to the Authority that the annual treasury outturn report set out in appendix 3 of this report be approved.

3 Revenue Expenditure

- 3.1 The significant variations leading to the net underspending are summarised in the following table and set out in more detail in the following paragraphs. Appendix 1 sets out the details of the other variances.

	Original Budget £000	Revised budget £000	Outturn £000	Variance £000
Community Response	43,191	41,783	40,947	-836
Management and Support Services	15,116	14,163	13,598	-565
Contingency	317	51	0	-51
Interest receivable	-30	-96	-177	-81
Revenue contributions to capital	777	1,664	1,266	-398
Increase in provisions (See para 6)	0	0	148	148
Other				-46
				<hr/> -1,862

Community Response (-£836,000, -2%)

- 3.2 A number of issues have combined to continue the reduction in expenditure on community response activities. Overall the number of incidents attended continues to fall with only (South Central Ambulance Service funded) Co-Responder activity increasing. Reduced numbers of fires and particularly less large fires has meant that overall operational activity has gone down significantly and the associated costs of retained firefighters pay, wear and

tear on equipment and personal protective equipment are all lower than anticipated. All of this has been underpinned by greater management scrutiny and analysis of all expenditure and a service wide acceptance of the need to reduce spending. More detail is available at Appendix 1.

- 3.3 Additional savings have also been realised by closer matching of resources to the risks and making changes to the vehicle fleet and usage, such as introducing small fires vehicles, and using Land Rover appliances for small fires in rural areas.
- 3.4 The underspend was partly offset by environmental works completed in the year at £221,000. It was originally intended to charge these to capital but due to the unsuccessful bid for capital grant it is more appropriate to treat these works as revenue expenditure. The additional expenditure has a neutral effect on the overall outturn as contributions to revenue expenditure have been reduced accordingly.
- 3.5 £304,000 of this underspend relating to repairs and maintenance and operational equipment resulting from the Shirley Towers inquest is requested to be carried forward. (See para 8.2 for more details)

Management and support services (-£565,000, -4%)

- 3.6 Reduced operational activity has also had an impact in the HR and Corporate Services Directorates. Reduced wear and tear on fleet vehicles, using surplus capacity in the Fleet Maintenance Centre to generate additional income, fewer minor vehicle insurance claims and less demand for vehicle fuel has led to further savings. More detail is available at Appendix 1.
- 3.7 Some project and development work (e.g. continuous improvement, Hantsfile, breathing apparatus chamber improvements) has slipped and a request to carry forward £265,000 of this underspend has been requested. (See para 8.2 for more details).

Contingency (-£51,000, -100%)

- 3.8 This budget was revised down to £51,000 and held centrally to meet any unexpected costs. In the event this budget was not required.

Interest receivable (-£81,000, +110%)

- 3.9 The increase in interest has resulted from the significant cash underspends which were achieved this year coupled with the early, one off payments of grants which both enabled a more active cash management strategy this year with greater investment of cash balances.

Revenue contributions to capital expenditure (-£398,000, -24%)

3.10 The main reason for this underspend is due to the change in treatment of environmental works from capital to revenue expenditure. The planned revenue contribution of £378,000 was no longer required.

Impact on future years

3.11 The savings achieved in 2012/13 are part of the early delivery of the four year Financial Challenge programme. This programme is designed progressively to reduce spending to the level of funding from Government grant expected in 2014/15. The savings in 2012/13 are at or slightly above the target level.

3.12 The addition to reserves will help the Authority to meet future spending. This applies particularly to funding the capital programme in future years without the need to resort to borrowing.

3.13 The level of underspend is not permanent and will reduce because the annual grant from Government will reduce. However the opportunity is being taken to review all significant budget underspending to identify if permanent budget reductions can be made.

4 Revenue Grants

4.1 The following table sets out the amount of revenue grants we held in the revenue grants unapplied reserve at the beginning of the financial year, the grants received in year, the spending against these grants and the balance left in the reserve at year end.

Grant	Balance at 1.4.12 £'000	Received in the year £'000	Used in the year £'000	Balance at 31.3.13 £'000
New Dimensions	238	1,075	-1,123	190
Flood Rescue	147	0	-89	58
FireLink	0	216	-216	0
Network FireControl	1,695	0	-202	1,493
New Risks	61	21	-43	39
Council Tax transition support	0	27	-27	0
Council tax freeze grant	0	1,175	-1,175	0
Total	2,141	2,514	-2,875	1,780

5 Capital

5.1 Capital payments during the year totalled £2.7m compared with the £4.2m forecast in January 2012. Full details are given on a scheme-by-scheme basis in Appendix 2. Any changes required to the budgets are addressed in the budget monitoring report. Significant variations are summarised in the following paragraphs.

Vehicle replacement programme

5.2 The 2009/10 and 2010/11 vehicles have all been delivered on budget and are in service.

5.3 Whilst there have been no changes to the planned purchases of the 2011/12 vehicle replacement programme a £110,000 variance is being reported. This is due to £37,000 slipping further into 2013/14 due the late approval of the combined purchase of the two Ariel Ladder Platforms (ALPs) and a small carry forward for the fit out on the 7 pumping appliances. The remaining £73,000 has been declared as an underspend arising out of the purchase of the two ALPs off an expiring, non inflated framework.

5.4 The whole 2012/13 vehicle replacement programme (-£822,000) has now

slipped due to the late approval of projects following a re-evaluation of operational needs.

Other Capital Schemes (-438,000)

- 5.5 Environmental works expenditure totalling £378,000 that was planned for 2012/13 has been funded through the revenue budget.
- 5.6 Expenditure planned for the new Fire Control System (-£41,000) in 2012/13 has slipped into 2013/14. £25,000 related to a contingency for Ground Based Network (GBN) connection works which was not required in 2012/13 but has been retained for 2013/14 and £16,000 related to GBN survey work which was planned to be completed towards the end of the financial year but was actually completed in April slipping into the new financial year.
- 5.7 Major building repairs shows an underspend of £50,000. This is partly due to £18,000 of retention costs slipping into 2013/14. The rest of this has been declared as an underspend on the programme arising from the tenders for new showers being returned at lower prices than pre tender estimates and is being requested to be used for other capital works.
- 5.8 These reductions have been offset by a slight increase of £10,000 on the refurbishment of the Fire Control Suite due to a change in the expenditure profile and an additional purchase of a small parcel of land to the rear of Havant Fire station amounting to £21,000 which was purchased under delegated powers, to increase the yard size at Havant and reorganise the way the fire station is managed.

Basingstoke Fire Station Feasibility (- £15,000)

- 5.9 The expenditure pattern on this scheme is different to that assumed when the payments profile was compiled. Part of this has slipped and will now be incurred in 2013/14.

Winchester Fire Station (-£103,500)

- 5.10 The final account for construction of Winchester Fire Station has been settled. Therefore the under spending shown this year will be needed to be carried forward into 2013/14 to pay for retention and the last remaining charges.

Financing

- 5.11 Capital payments can be financed from the following sources:

	£'000
Capital grants	1,402
Revenue contributions	1,266
Total	<u>2,668</u>

5.12 The Authority received £2,083,196 in the form of a capital grant in 2012/13 from the Department for Communities and Local Government (CLG) for 'capital priorities'.

5.13 The excess of the capital grant not spent this year has been transferred to the capital grants unapplied reserve and will be used next year to fund the slipped expenditure.

5.14 By using the capital grant and revenue contributions this year the Authority has not had to use any unsupported borrowing.

6 Treasury Management

6.1 The treasury management strategy approved by the Authority in February 2013 was followed throughout the year. All the limits and boundaries set were fully complied with.

6.2 The year end report is set out as Appendix 3 for Members' approval.

7 Provisions (+£147,000)

Uninsured losses provision (+£17,000)

7.1 An assessment of the uninsured losses provision has been undertaken and, as a result, it has been increased by £17,000.

Part Time Workers provision (+£110,000)

7.2 There has been an increase in the provision relating to payments made in connection to an equal treatment claim by part time workers. This was due to fact there was a time lag involved in the Authority being able to implement the payments gross of NI and tax to the affected firefighters following the ruling that Fire Authorities must do so.

7.3 Also there has been a further decision to extend the previous settlement ruling. It now includes whole time employees who had been employed on the retained duty system between 1 July 2000 to 30 June 2010 but had resigned their retained employment at the time of the settlement. This has been estimated to affect around an additional 100 firefighters.

Provision for tax liabilities (+£20,000)

7.4 This year the provision for potential tax liabilities has been increased. This increase relates to an additional two possible payments due to HMRC in respect of pensions of staff who have retired from the Service and have subsequently been re-employed.

8 Reserves and general balance

8.1 At the revised budget the Authority had already agreed the principle that any further underspend should be added to the capital payments reserve. However, an additional £384,000 of unearmarked underspend was achieved after this and for the reasons set out in paragraph 8.3 it is recommended that this is added to the Grant Reduction Reserve .

Earmarked Underspendings reserve (+£859,000)

8.2 Several requests for carrying forward underspendings have been made. These total £859,000 and Members are asked to approve the following;

Expenditure planned for 2012/13 that will be incurred in 2013/14:	£000
Continuous improvement - training on and implementation of continuous improvement based on system thinking/business process re-engineering/Lean/Process mapping/etc.	149
Project Support Officers - To facilitate projects, such as the New Basingstoke Fire Station. The Heads of Service Team (HoST) agreed the funding of 2 project support officers for 12 months to 31.12.13 to be funded from the Project and programme management budget under spend.	45
Operational Equipment - £144,000 from the under spend in the post Shirley Towers funding (agreed by Directors in November) which relates to the delay in purchasing additional Breathing apparatus (BA) communications equipment due to further development work in this area being undertaken. Also the printing of copies of the final Shirley Towers report slipped into the new financial year. Other equipment that slipped into 2013/14:- £20,000 from the spend on BA Compressor Replacement programme relating to the procurement of a new compressor for Eastleigh Fire Station which was not delivered by 31.3.13, £8,000 from the underspend on the Gas Tight Suit Replacement programme which relates to a reduction in the number of these type of suits purchased in 2012/13 but will be utilised to procure an alternative type in the forthcoming financial year; £20,000 from the underspend on the ALP Replacement Equipment which is due to the replacement ALP's not being ready for operational service in 2012/13	192

and various items of equipment not being required for allocation.

Community Safety – protection change projects such as data cleansing, Community, Fire, Risk management information system (CFRMIS) developments, and mobile working for inspectors. 102

Retained fire-fighters management system - the licence was extended for one year in 2012/13. A request to carry forward the budget underspend would allow a further 12 month extension - as reported to F&GP in October 12. 26

Staffing costs in connection with the Environmental Management system. A fire-fighter secondment during the year was cancelled due to other operational priorities. A crew manager secondment for 11 months started in April 2013. 37

Temporary finance assistant – a post to help support the Joint Working project was not filled throughout the period and therefore a request to carry forward the underspend would allow support to be extended during the transitional period. 15

Royal Berkshire Fleet maintenance partnership – partnership approved in October 12 which including sharing the cost of a Project Manager. The set up costs are estimated at £90,000 over the next 12 months and will be shared with RBFRRS. A request to carry forward the budget underspend would allow the setting up of the project to be completed. 39

Performance Review - insurance and risk officer's fixed term contract ends Dec 13. The role will combine all insurance related work which is currently split across the Fleet Management, Property, HR Business Partners and Performance Review Team. Having these roles combined into one will provide a more efficient service and increased claims management should reduce the overall cost of risk 25

Various building, repairs and maintenance projects which have slipped into 2013/14:- New appliance bay doors at Redbridge and Lymington £53,658 - supplier produced the wrong doors and is having to remake; External decorations £31,815 - exceptionally inclement weather delayed works; Training pad tank repair £26,053 - delay in obtaining consent to discharge from Southern Water. 112

New expenditure in 2013/14:

Business Improvement developers - existing budget provision is available to cover 12 months to May 2013. A request to extend the work for a further 12 months is requested. This is supported by HoST 66

Tiny Noticeable Things (TNTs) - This is a new initiative started in 2012 which was designed to fund relatively small items of expenditure which 50

would have a significant impact in the work place, for example, replacing a window in disrepair which was not scheduled for replacement for some time. If approved the request will enable the initiative to continue for another year.

Total

859

Grant reduction reserve (+337,000)

8.3 This reserve is to finance the costs of the voluntary redundancy scheme of which a total of £47,000 has been paid out in 2012/13. The balance of this reserve has been increased by the extra underspend identified on top of the revised budget position amounting to £384,000 (after earmarked underspends have been carried forward) with the intention that the balance on this reserve, once all the exit package costs have been met, could be used to fund other priorities such as investment in the new Integrated Business Centre (IBC).

Improvement and Sustainability Reserve (+£1,000,000)

8.4 It is recommended that the planned contribution of £1,000,000 be made to this reserve. No further additions are required to this reserve as the proposed £942,000 contribution from the reserve was not required as the Authority was able to fund the proposed expenditure from the revenue budget.

Capital payments reserve (+£7,651,000)

8.5 It is recommended that the contribution to the capital payments reserve is made in line with that agreed when the revised budget was presented in January 2013.

Capital and Revenue grants unapplied reserve

8.6 Accounting regulations require that any unspent capital and revenue grants are allocated to the capital and revenue grants unapplied reserve at the end of the financial year. By using these reserves grant income will be matched with the relevant expenditure when incurred.

Reserves and general balance summary

8.7 The movements in these reserves and the general balance, including the proposed adjustments to reserves, can be summarised as follows:

Reserve	Balance at 1 April 2012	Used during the year	Planned Addition	Further Addition	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Capital payments	7,008	0	7,651	0	14,659
Improvement & sustainability	2,853	0	1,000	0	3,853
Earmarked underspendings	587	-587	445	414	858
Grant reduction	1,811	-47	0	384	2,148
Revenue grants	2,141	-399		38	1,780
Earmarked Revenue Reserves	14,400	-1,033	9,096	836	23,298
Capital grants	0	0	0	681	681
Capital Receipts	1,042	0	12	0	1,054
Capital Reserves	1,042	0	12	681	1,735
General balance	2,500	0	0	0	2,500
Total reserves	17,942	-1,033	9,108	1,517	27,534

9 Financial Management Strategy

9.1 The Authority has made good progress against the Financial Management Strategy. Full details of the progress are set out in Appendix 4.

10 People impact assessment

10.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

Section 100 D – Local Government Act 1972 – background documents

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

None identified

NB the list excludes published works and documents which disclose exempt or confidential information as defined in the Act.