

### Financial Management Strategy

**Overall purpose: to provide the necessary financial resources to enable the Service to make life safer in Hampshire, and to ensure a high standard in the management of public finances.**

Progress against the strategy is reported on below:

#### Financial Planning - Budget strategy

The budget strategy will be clearly related to the priorities set out in the HFRS plan 2012 to 2015

Growth and savings proposals to be presented in a transparent manner to Members as part of the annual budget cycle, identifying planned outcomes and performance improvements for budget growth and mechanisms for achieving any significant savings.

Ensure that the long-term level of revenue commitments does not exceed long-term funding likely to be available including reasonable expected levels of future grant settlement and council tax.

Maintain three-year budget projections based where necessary on alternative scenarios to reflect uncertainty of spending and resource assumptions in order to set the likely context for making final resource allocation decisions on an annual basis.

Set a prudent minimum level of reserves based on a strategic-level risk assessment and reassessed annually as part of the budget process.

#### Commentary on progress

The medium-term financial strategy both informed and responded to the Authority's determination of its corporate aims and objectives as set out in the HFRS Plan. The Plan and the budget were approved at the same meeting of the Authority on 9 February 2012.

The preparation of the budget for 2012/13 included clear information about the impact of inflation and other budget pressures. The same basic presentation of the budget that was given to stakeholders during formal consultation, was also given to explain reports made to both the Finance and General Purposes Committee (January 2012) and Authority (February 2012).

The Authority has been preparing its annual revenue budget within a three-year financial strategy for the last decade. It has taken fully into account the likely impact of the Government's Comprehensive Spending Reviews and now plans for the next four years ahead.

Taking into account the above planning context, current economic pressures and the Authority's determination to deliver the right level of services, the Authority prepared a range of options for increasing Council Tax and consulted with stakeholders' representatives on these.

The risk assessment was thoroughly reviewed in 2012/13, leading to a minimum general reserve level of £2.5m and separate reserves for specific purposes.

Operate within firm cash limits, allocating provision for pay and other inflation at the start of the financial year.

Achieved.

Contain spending within the approved cash limit for the year with no supplementary allocations being made from reserves other than in exceptional circumstances.

Achieved with significant contributions in excess of the budget plan being added to specific reserves. This will assist the Authority in funding its future capital programme..

Seek best value in services which should always include considerations of quality, risk to achieve sustainability, environmental impact, local economic development and equalities as well as price.

The Financial Challenge programme is designed to secure the necessary savings whilst achieving the best value for money. So there are examples of sharing support service and premises, reducing staffing levels by focussing on core activities and enhanced partnership working.

Aim to achieve a level of council tax that is in the lower quartile of the taxes of Combined Fire Authorities.

Council tax was the 6<sup>th</sup> lowest of the 24 non-metropolitan fire authorities in 2012/13, moving down one place on the previous year

Seek to keep council tax increases at or below the average increase in state pensions

The council tax for 2012/13 was set at the same level as in 2011/12, This was below the average increase in state pensions.

### **Capital programming**

Review capital strategy on an annual basis and prepare a four-year programme in the light of needs identified in the HFRS Plan, vehicle replacement programme and built estate condition survey.

The four year capital programme was prepared. Vehicle replacement needs were addressed in full and the increased provision for buildings repairs and maintenance was continued. Given the uncertainties surrounding financing just the first year was approved.

Continue to reduce the proportion of vehicles leased and aim for full ownership of the fleet.

No new operational leases were taken out in 2012/13 – all vehicle purchases were made through capital grant or revenue contributions. Certain lease extensions were taken out where it was more economic.

Reinvest income from disposal of capital assets where possible in order to fund new developments and initiatives identified in the Corporate Plan.

In year capital receipts from sales were put into the Capital Receipts reserve to help avoid unsupported borrowing in future years.

### **Provision of Financial Services - Effective management of budgets**

Maintain rigorous annual budgeting and budget monitoring processes.

Quarterly monitoring reports were presented to the Finance and General Purposes Committee. Service managers and budget holders

Maintain integrated accounting, budgetary and human resources systems.

received monthly monitoring statements.

The Authority uses 'SAP' (via Hampshire County Council's contract with the supplier) as its strategic financial system including payroll. FireWatch is being introduced to support the Service's operational requirements including workforce management. This application will be interfaced with SAP.

### **Ensuring good practice and probity**

Apply sound financial regulations and associated financial procedures in support of good practice in financial administration and corporate governance.

Financial regulations were reviewed in 2008 with changes being implemented from 1 January 2009. Part of the annual audit report and assurance statement refers specifically to the compliance with financial regulations and other procedures which comprise the control framework. The scheme of delegation and financial regulations were due to be updated in 2012/13. This has been postponed to take account of the potential for the joint working project to explore developing a common set of Financial Regulations across Hampshire County Council, Hampshire Constabulary and HFRS.

Provide an effective and efficient internal audit function which works co-operatively with the Service's external auditors.

The HFRA has maintained an effective internal audit service provided by Hampshire County Council.

Ernest and Young has taken over from the Audit Commission as the Authority's external auditors. It is anticipated they will continue to seek to rely on the work of internal audit.

Recognise the statutory role of the Treasurer in ensuring lawful and financially prudent decision making.

No breaches of compliance occurred

Report the internal audit strategy to the Governance Committee.

The Audit Strategy and Audit Plan are reviewed and updated annually in advance of the financial year. These are reported to the Standards and Governance Committee.

Present an annual internal audit assessment for the Service to the Governance Committee.

The annual internal audit report to the Standards and Governance Committee includes an assurance opinion. This is used to support the HFRA Annual Governance Statement.

Operate and develop computing systems with enhanced provision of financial

'SAP' software operates on the basis of local data entry and access to financial

management information to users.

management reports for all budget holders and managers.

Further work is required to make the system easily accessible by budget holders and to provide improved monitoring reports.

Comply with the CIPFA Code of Practice for Treasury Management.

Code complied with.

Comply with accounting and audit standards contained in the relevant codes of practice and CIPFA guidance.

All standards complied with.

### **Efficient and accessible processing of transactions**

Operate best practices in relationships with local contractors and suppliers, including payment of bills in line with the Government's prompt payment target – achieving 97% within 10 days.

The Service paid 97% of invoices within 30 days which it considers to be a good performance reaching the top quartile in a recent benchmarking exercise. None-the-less, in light of the recessionary economic circumstances, the Authority has introduced a policy of paying local suppliers within 10 days where possible, achieving 68% of invoices being paid within this timescale.

Seek continuous improvement through "customer focus" in delivering financial services and support.

Regular reports and ad hoc support is given to budget holders. Members of the finance team are frequently involved at an early stage in providing advice in major projects.

Improve and extend the use of computing systems in delivering financial support services to users.

A network contract has been implemented providing improved resilience and capacity. The network is Public Services Network (PSN) compliant which will enable secure communications with other fire and rescue services and with central government. The finance team, in conjunction with HCC trainers, continues to provide support and training to budget holders and their administrators.

Ensure that financial systems are set up in a way which facilitates use of e-government and e-procurement.

SAP is used for all financial transactions and reporting. HFRS complies with all government requirements for e-procurement and transparency by publishing all financial information on the website including payments over £250.

The introduction of shared services will provide further opportunities to enhance procurement processes and develop e-procurement.

