

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item: 8

24 July 2013

Budget Monitoring: 1st Quarter 2013/14

Report by the Chief Officer and the Treasurer

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1 Summary

1.1 Budget managers have identified a number of budget pressures this year and anticipate further spending to deliver the Service Improvement Plan will be needed. They have reviewed their budgets (taking account of emerging underspendings elsewhere and areas which underspent last year) and re-prioritised spending plans to keep within the approved budget. There is a balance of £1.213m which it is expected will be committed during this year and next.

1.2 After reflecting these changes, the first quarter's analysis of actual and committed spending identifies a net projected underspend of £77,000. The main variations are:

	£'000
Community Response	-203
Community Safety	20
Management and Support Services	-840
Contingency	-100
Service Improvement	1,213
Council Tax support transition grant	-77
Other	-90
Total net savings	<u>-77</u>

1.3 Over the next three months budget managers will review significant 2012/13 underspends to establish any on-going impact on future years' budgets.

2 Recommendations

2.1 That the latest financial position for 2013/14 be noted.

- 2.2 That the contributions to the Blue lamp Trust at para 3.18 be noted.
- 2.3 That the investments over £100,000 listed at paragraph 3.26 be approved.
- 2.4 That the Authority is recommended to approve the changes to the capital programme and its financing as set out in this report.

3 Revenue expenditure

- 3.1 The position as at 13 June 2013 is detailed in Appendix A. The main variances can be summarised as follows:

	Original Budget £'000	Carry Forwards and Virements £'000	Adjusted original budget £'000	Projected outturn as at Q1 £'000	Variance £'000
Community Response	43,366	1,336	44,702	44,499	-203
Community safety	4,849	87	4,936	4,956	20
Management and Support Services	15,066	599	15,665	14,825	-840
Contingency	364	-10	354	254	-100
Service Improvement	0	0	0	1,213	1,213
Council Tax support transition grant	0	0	0	-77	-77
Other expenditure	3,828	-2,012	1,816	1,726	-90
Total budget / projected outturn	67,473	0	67,473	67,396	-77

Staff Pay

- 3.2 The employee budget consists of mainly the staff pay budget, at £51m. It also includes £2m other employee expenses such as training expenses, redundancy costs, ill health pension costs, staff advertising and relocation expenses. For example, in addition to the management and support services underspend below of £421,000 there are £133,000 other employee related underspends (mainly training expenses plus removal and staff advertising costs) which gives a total employee underspend of £555,000. The pay budget is forecast to underspend by £897,000 as follows:

	Community Response variance £'000	Community Safety variance £'000	Management and Support Services variance £'000	Total variance £'000
Wholetime firefighters pay	-267	+21	-161	-407
Retained firefighters pay	-200	0	-86	-286
Support staff pay	-19	-11	-174	-204
Total	-486	+10	-421	-897

- 3.3 A 1% pay award with effect from 1 July 2013 has been agreed for grey book employees (wholetime and retained firefighters and control room staff) . This is in line with the budget assumptions and will have a neutral effect on the budget.

Wholetime firefighters pay and allowances (-£407,000, -1%)

- 3.4 At 1 June 2013 there were 19 wholetime firefighter posts vacant. It is forecast that a further 20 firefighters will leave over the next 10 months.
- 3.5 It is planned to permanently recruit 7 retained firefighters to the wholetime establishment in July 2013 and recruit externally up to 12 trainees in March / April 2014. Also, fixed term contracts will continue to be offered to retained firefighters where applicable and applications from firefighters wishing to transfer to Hampshire will be considered.
- 3.6 It is difficult to forecast vacancies given the relatively high turnover currently being experienced. However, assuming that 12 firefighter posts will remain vacant for the rest of the year, it is estimated that this budget will underspend by £684,000 this year.
- 3.7 The underspend is partly offset by investment in additional temporary resources for Service improvements at an estimated cost of £116,000 and £160,000 of one-off payments to staff who have been temporarily promoted and on development grade for 12 months or more.

Retained firefighters pay and allowances (-£286,000, -4%)

- 3.8 Based on the last two year's annual spend, the retained firefighters pay budget at stations is forecast to underspend by £200,000. This forecast is also supported by the spend to date at fire stations assuming the profile of expenditure is similar to last year's.
- 3.9 This budget is difficult to predict and is influenced by the weather and other factors beyond our control. However, there has been a significant reduction in the number of incidents over the last few years (15,223 in 2010, 14,732 in 2011 and

12,906 in 2012) and, assuming this trend continues, an underspend is expected.

- 3.10 The budget for retained firefighter trainers is expected to underspend in a similar way to last year due to difficulties in retained firefighters being available to train as trainers.

Support staff (-£204,000, -2%)

- 3.11 As at 1 June 2013 there were 63 support staff posts vacant. In part these have been filled by 30 temporary staff. Until the Staff Review plans have been fully implemented, only business critical posts may be filled on a permanent basis, otherwise vacant posts are filled temporarily.
- 3.12 It is not expected that the current level of vacant posts will continue for the remainder of the year. For example, two vacancies in the Service Delivery Admin Support department have just been filled to cover maternity leave absences.
- 3.13 An underspending of £204,000 is expected from: vacancy savings in the first quarter; forecast employer's pension contribution savings (due to staff not in the Local Government Pension Scheme); reduced out of hours allowances; and staff on development or apprentice grades. Budget holders are reviewing their establishment and will identify any further savings later in the year.
- 3.14 A 1% pay award has been accepted by Unison for green book staff, meaning the budget provision is likely to be required.

Community response – (-£203,000, -0.5%)

- 3.15 Savings of £749,000 have been identified, including £486,000 pay budget underspends as described above. Savings in other non-pay budgets, such as clothing and uniforms, operational stock equipment, fixtures and fittings have been forecast. It is proposed to partly use the underspends for service improvements (mainly the BA chamber improvements) of £546,000 as described below.
- 3.16 Due to the particularly cold Spring, energy bills for the first two months of the year suggest the premises budget could overspend by £50,000. It is proposed to review the budget at the end of the next quarter to see if an overspend is more likely.

Management and support services (-£840,000, -6%)

- 3.17 Underspends of £840,000 have been identified including £421,000 pay budget underspends as described above. The balance of £419,000 relates to training expenses, printing and stationery, postage, consultants fees, hired and

contracted services, mobile phone rentals, vehicle fuel and additional income from fleet fit outs planned for this year.

Blue Lamp Trust

- 3.18 The Blue Lamp Trust (BLT) is a charitable partnership between Hampshire Constabulary, Hampshire Fire and Rescue Service, local businesses and the communities. The purpose of the trust is to promote community safety and security for the people of Hampshire. It focuses on both home safety and road safety.
- 3.19 The Trust's strategic objectives are:
- Crime prevention and reducing the fear of crime, particularly in relation to vulnerable people who have been, or who are at risk of becoming, victims of crime
 - Reducing crime, or the fear of crime, within the business community
 - Reducing death and injury caused by crashes on our roads
 - Promoting fire safety, both within the home and the business community.
- 3.20 HFRS have commissioned the BLT to provide driver awareness training to our staff who drive for business. This investment serves to increase our driver safety, reduce accident rates (and therefore costs), protect our reputation and minimise corporate risk.
- 3.21 As a result of excellent community work conducted by Southampton City Council, Hampshire Constabulary and HFRS as partners we have received grant funding which has been reinvested into the locality via the BLT by the provision of an additional Bobby Scheme van funded for two years by the Trust. The "Southampton Safe and Secure Homes" (SASH) project is aimed at increasing the capacity of the successful Bobby Scheme and widening its operational scope to include Home Safety Visits, hence reducing the potential for fire as well as crime reduction.
- 3.22 Directors have approved contributions towards the Blue Lamp Trust this year totalling £37,000 (£28,000 in 2012/13). This will be met from the residue of the grant funding identified above.

Contingency (-£100,000)

- 3.23 Last year, the newly formed the Heads of Service Team (HoST) requested an on-going contingency budget to help them meet potential budget pressures. They have now agreed this is no longer required this year as they feel they have sufficient flexibility from within existing resources.

Council Tax Support Transition Grant (-£77,000)

- 3.24 A council tax support transitional grant of £77,000 has been received from the government to support local authorities in developing well designed council tax support schemes. This grant was not budgeted for and there is not any need to use this grant at the moment. Therefore, this has been declared as a saving.

Service Improvement budget pressures

- 3.25 The Heads of Service Team (HoST) has recognised a number of budget pressures this year in support of the Service's Improvement Plan. To meet the cost of these improvements, HoST members have reprioritised their budgets and identified in-year underspends (including pay budget savings explained above) totalling £1.888m.
- 3.26 To date the following pressures have been identified and Committee approval is requested for the investments over £100,000:

	2013/14 £'000	2014/15 £'000
Improvements to Breathing Apparatus (BA) chambers (in addition to £250k capital projects – see capital)	500	0
Home Safety Project - £218k over 2 years	114	104
Engagement champion for 9 months – focus on staff and community engagement – a priority in the Service Plan 2013 -2018	41	
Refurbishment of the Harland Room at Service HQ	15	
Beacon status at Fordingbridge fire station – incentive scheme to deliver improvements on stations	5	
Total planned investment	675	104

- 3.27 It is proposed to retain the balance of the identified underspends of £1,213,000 in a Service Improvement budget, which will be available for the HoST to invest in priorities to deliver the Service's Improvement plan. It is requested that the balance remaining in this budget at the end of the year is transferred to the Investment and Sustainability reserve and earmarked for the HoST to use in 2014/15 or future years.
- 3.28 Expenditure against the service improvement provision will only be undertaken on approval of a viable business case. All items that are put forward against this budget will be approved by HoSt and anything in excess of £100,000 must be approved by the Finance & General Purposes Committee. Full details of how this budget is being used will be reported as part of the quarterly monitoring reports during the year.

3.29 Further details of the two major projects are described below

Improvements to BA chambers (£500,000)

It is proposed that all HFRS breathing apparatus chambers will comply with a standard which predominantly reflects the guidance of FS Circular 9-1989. The outcome is that HFRS BA chambers will provide a safe working environment for training and assessment while simulating smoke and heat conditions likely to be found at fire incidents

Home Safety Project (£218,000 over 2 years)

Reducing fires in the home is a key HFRS priority within the 2013 -18 Service Plan. Whilst good progress on home safety has been achieved in recent years we now need to develop our tools, skills, products and partnership working so they are relevant to our developing understanding of risk.

To enable this the Community Safety Prevention Team are undertaking an eighteen month project to embed a new capability in our service and with partners in social and health care settings. Temporary staff costs of this project equate to £218,000 over 2013/14 and 2014/15.

Impact of 2012/13 outturn

3.30 The final accounts report elsewhere on the agenda explains the underspend of £1.9m in 2012/13 compared to the revised budget. Over the next few months we will explore with HoST and 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 2012/13 underspends (+£858,000)

4.1 The final accounts report elsewhere on the agenda requests £858,000 of underspends in 2012/13 are carried forward to 2013/14. The forecast at Appendix A includes the carry forwards.

5 Corporate efficiency savings

5.1 The latest forecast of corporate efficiency savings is shown at Appendix B. By the end of this year cumulative savings are expected to be £3,579,000 which is £17,000 more than budgeted for. The only change is that £17,000 of early Staff Review savings have been declared.

6 Reserves

Improvement and sustainability (I & S) reserve (+£1,085,000)

- 6.1 The balance on the I & S reserve currently stands at £3,853,000. The following projects are planned to be funded from this reserve and would reduce the balance at the end of the year to £2,281,000 of which £175,000 is earmarked for Joint Working in 2014/15:

	Original 2013/14 £'000	Projected 2013/14 £'000	Increase £'000
Joint Working	280	280	0
FireWatch	127	257	+130
Environmental works (carbon management)	0	955	+955
Revenue contributions to capital re Control Room refurbishment	80	80	0
Total	487	1,572	+1,085

- 6.2 The FireWatch programme is setting up a training team to refresh the Personal Development System and rolling out training to retained firefighters. The additional cost of £130,000 can be met from within the £3.1m budget agreed for FireWatch.
- 6.3 The environmental works were originally charged to capital in line with the bid for capital grant last year. However as the bid was unsuccessful it is considered more appropriate to treat these works as revenue expenditure. The overall cost of the works has not changed but it is proposed to fund them from the I&S reserve instead of capital funding.

Summary

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

	Budgeted level 1/4/13 £000	Actual level 1/4/13 £000	Budgeted addition in year £000	Used in year £000	Balance before any in year underspend added 31/3/14 £000
I&S reserve	2,911	3,853	0	-1,572	2,281
Grant reduction	1,767	2,148	0	-600	1,548
Capital Payments	14,152	14,659	2,461	-229	16,891
Earmarked underspending	445	859	0	-859	0
Revenue Grants	1,655	1,780	0	-1,430	350
Total earmarked reserves	20,930	23,300	2,461	-4,690	21,070
Capital Receipts reserve	1,054	1,054	0	-1,054	0
Capital Grants Unapplied *	0	681	0	-681	0
Total Capital Reserves	1,054	1,735	0	-1,735	0
General Balance	2,500	2,500	0	0	2,500
Total	24,484	27,534	2,461	-6,425	23,570

* 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 following changes to the programme.

7.2 The 2012/13 Vehicle Replacement programme has been updated. Two changes were agreed at the last meeting which are now reflected. This was the addition of an animal rescue vehicle and the removal of a GP lorry van. In addition to this the provided vehicles have cost £18,000 more than originally expected, so will be funded from the declared underspend on the 2011/12 programme. This explains the movement of £84,000 which is shown on the budget.

7.3 The Environmental works has been removed from the Capital Budget. These will now be funded through revenue expenditure and funded from the Improvement and Sustainability Reserve, as explained above.

- 7.4 It is proposed that an underspend on the 2012/13 Major Building Repairs programme of £31,000 is added to the Control Room refurbishment scheme to fund a cooling and suppression system for the radio room. Installation of this is planned for July / August 2013
- 7.5 Basingstoke Fire station expenditure has been re profiled with more payments to be made in 14/15 and 15/16 with the remainder being in 16/17
- 7.6 A new capital scheme is proposed for 2013/14. This is to provide new BA chamber training facilities at New Milton and Havant Fire Stations at an estimated cost of £250,000. In addition to the revenue improvements explained at paragraph 3.15 above the two new facilities will extend the provision of training facilities to support groups with large geographical areas. The scheme will be funded by viring £250,000 from the retained station replacement programme.
- 7.7 Work on the retained station replacement programme is likely to be delayed this year. Feasibility work is currently being undertaken and a fire ground cover review is planned for later in the year. £120,000 has been allocated to providing garages for the new response support vehicles. The balance of £80,000 for this scheme is expected to slip to 2014/15.
- 7.8 Appendix C sets out the revised capital programme and proposed financing of it. The call on the Capital Payments reserve has been reduced due to the proposal to call on the Capital Receipts reserve ahead of it.

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

- 9.1 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

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.