

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 5

18 January 2013

Budget Monitoring: 3rd Quarter 2012/13 Report by the Chief Officer and Treasurer

Contact: Rob Carr, Deputy Treasurer, telephone: 01962 847508
John Beckerleg, Director of Corporate Services, telephone 023 8062 6833

1 Summary

- 1.1 The third quarter's analysis of actual and committed spending identifies a projected underspend of £4.2m (5.8%). The main variations are:

	Q1	Q2	Q3	Total
	£'000	£'000	£'000	£'000
Community Response	-899	-577	-209	-1,685
Community Safety	-11	-89	-165	-265
Management and Support Services	-35	-696	-334	-1,065
Revenue contributions to capital	1,778	-752	0	1,026
Pensions		-124	-48	-172
Corporate efficiency savings	-145	-123	-377	-645
Contingency			-27	-27
Interest receivable			-66	-66
Contributions from / to reserves	-1,888	636	-25	-1,277
Total net savings	-1,200	-1,725	-1,251	-4,176

- 1.2 The Updated Draft Budget 2013/14 report elsewhere on the agenda explains the impact of the recent Government grant announcement. Although it is not as bad as originally planned, savings are still required to balance the budget from next year. The projected underspend, mainly relating to the recruitment freeze, represents early delivery on the savings programme and helps the Service to successfully manage the expenditure reductions.
- 1.3 Given the projected level of underspend it is recommended, subject to the final outturn position being able to sustain the transfer, to make a contribution to the I&S reserve of £1m and make a contribution to the earmarked underspendings reserve of £0.45m. The balance of the underspend would be available for the capital payments reserve.

2 Recommendations

The Committee is invited to

- 2.1 Note latest financial position for 2012/13;
- 2.2 Recommend that the Authority approves the changes to the capital programme set out in this report;
- 2.3 Agree the reconvening of the Asset Management Working Group as set out in paragraph 6.3 and nominate a representative from each political group.

3 Revenue expenditure

- 3.1 The latest position is detailed in Appendix A. The main variances can be summarised as follows:

	Approved budget / Projected outturn Q2 £'000	Virements £'000	Projected outturn Q3 £'000	Variance Q2 to Q3 £'000
Community Response	41,562	147	41,500	-209
Community Safety	4,856	-14	4,677	-165
Management and Support Services	14,788	-97	14,357	-334
Pensions	605	0	557	-48
Efficiency savings	192	185	0	-377
Interest receivable	-30	0	-96	-66
Other expenditure	5,570	-221	5,297	-52
Total budget / projected outturn	67,543	0	66,292	-1,251

Staff Pay

- 3.2 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 £660,000 as follows:

	Community Response variance £'000	Community Safety variance £'000	Management and Support Services variance £'000	Total variance £'000
Wholetime firefighters pay	-50	0	-36	-86
Retained firefighters pay	-138	0	-20	-158
Support staff pay	-90	-185	-141	-416

Total staff pay budget	-278	-185	-197	-660
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Wholetime firefighters pay and allowances (-£86,000, -0.3%)

- 3.3 At 1 November 2012 there were 40 wholetime firefighter vacancies compared to the budget provision at the beginning of the year. A further eight firefighters are forecast to retire before the end of the financial year, making a total of 48 forecast vacancies. This is 14 more than reported last quarter and the part year effect is estimated at £120,000. However, these savings are offset by a number of additional costs such as crewing the Staff Bank and major training exercises, resulting in a net saving of £50,000.
- 3.4 In addition, part of the budget for environmental improvements has been allocated to creating an environmental management system which will be supported by a crew manager position for 11 months due to start in April 2013. There is a request in paragraph 4.1 to carry forward the underspend of £36,000 caused by the start being delayed.

Retained firefighters pay and allowances (-£158,000, -2.4%)

- 3.5 This budget is difficult to predict and is influenced by weather conditions and other factors beyond our control, however it is felt a further saving of £130,000 is likely due to the reduced number of incidents experienced to date.
- 3.6 The remaining savings of £28,000 mainly relate to appointing fewer retained firefighter trainers than expected.

Support staff (-£416,000, -4.0%)

- 3.7 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 November 2012 there were 57 support staff posts vacant, some of which were covered by 25 agency staff.
- 3.8 Budget holders have reviewed their establishments and have identified further savings of £416,000, however they have asked to carry forward part of these savings to meet the cost of supporting various projects. See paragraph 4.1.

Community response (-£209,000, -0.5%)

	Q1	Q2	Q3	Total
	£'000	£'000	£'000	£'000
Employees	-899	-452	-278	-1,629
Premises		-60		-60
Supplies and Services		-65	69	4
Total	-899	-577	-209	-1,685

- 3.9 The projected underspend is mainly due to savings in retained firefighters pay and support staff pay budgets as explained above.

3.10 The other main variation relates to operational equipment. The estimated cost of the equipment required following the Shirley Towers inquest is £275,000. This cost has been offset by savings of £160,000 due to reduced demand for routine stock equipment and less planned replacement items. At the last meeting, officers suggested that £0.5m might be set aside from the underspending to meet this cost next year. This will no longer be necessary. Savings have also been achieved in uniform costs and hydrant maintenance.

Community safety (-£165,000, -3.4%)

	Q1 £'000	Q2 £'000	Q3 £'000	Total £'000
Employees	-11	11	-165	-165
Supplies and Services		-100		-100
Total	-11	-89	-165	-265

3.11 The saving of £165,000 relates to savings in support staff pay as described above. A request to carry forward £100,000 of the underspend is reported at paragraph 4.1.

Management and Support Services (-£334,000, -2.3%)

	Q1 £'000	Q2 £'000	Q3 £'000	Total £'000
Employees	-35	-177	-226	-438
Transport		-170	-49	-219
Supplies and Services		-289	-53	-342
Income		-60	-6	-66
Total	-35	-696	-334	-1,065

3.12 The pay savings from support staff vacancies, the introduction of retained firefighter trainers and the crew manager secondment for the environmental management system are estimated at £197,000 as explained above.

3.13 The other main savings are from more efficient use of vehicles and from lower than expected relocation expenses. A request to carry forward the underspend in environmental works is reported at paragraph 4.1.

Corporate and departmental efficiency savings (-£377,000)

3.14 As reported previously all anticipated efficiency savings in 2012/13 have been achieved. Appendix B shows the latest forecast. This quarter £160,000 of Staff Review savings have been delivered early, together with £100,000 savings that had been earmarked for the Electronic Document Management Information system which will not be required this year. The Authority will no longer send printed copies of Council Tax leaflets to residents, saving £16,000. The training department has declared £92,000 of savings to contribute towards the refurbishment of the live fire training facility at Service HQ.

- 3.15 This quarter 20 new firefighter posts were identified as Efficient and Flexible Crewing (EFC) savings, bringing the total to date to 35. The remaining five EFC posts will be declared as soon as transfers have been agreed to move firefighters to the correct locations. There are no additional savings to report as these have already been counted as part of the wholetime firefighter savings reported in previous quarters. The 20 posts equate to £616,000 EFC savings this year and this has been reflected in Appendix B.
- 3.16 In addition, the following on-going savings have been reported as part of the third quarter review and included in the projected savings described in paragraph 3.10 above.

	2012/13 saving £'000	2013/14 saving £'000
Operational equipment – reduced demand for routine stock items.	-70	-50

Pensions (-£48,000, -8.0%)

- 3.17 There has been a further assessment of the number of ill-health retirements expected in 2012/13. There have been none in the current year to date and so the assumption of three potential retirements has been revised to one for the remainder of the financial year. A saving of £48,000 has been made.

Interest earnings (-£66,000)

- 3.18 More cash has been available for investment due to the overall underspend. Given the sums involved the Authority has made investments to maximise the interest earned.

4 Carry forward of 2012/13 underspends

- 4.1 As mentioned above, budget holders have asked to carry forward underspends in 2012/13 to help support projects that will continue into the new financial year. The final decisions concerning contributions to reserves will be made when the final accounts are considered by the Committee in July 2013, however the Committee could agree the requests in principle. The requests total £445,000 and are listed below:

	Amount of carry forward £'000
2 project support officers – 9 months remaining in 2013/14	39
Protection - change projects	100
Environmental management system – Crew manager secondment - 8 months remaining in 2013/14	36
Temporary finance assistant to support team during phase 1 of	15

Joint Working	
Setting up costs of Royal Berkshire fleet maintenance partnership – project manager and other related costs required to January 2014 - net of 50% cost sharing	39
Performance review officer – insurance and risks – 9 months remaining in 2013/14	25
2 Business improvement developers – budget required to extend contracts for a further 12 months	66
Environmental projects	50
Support for assessment work	50
RDS management information system – 12 month licence extension if required- reported at the last meeting	25
Total	445

- 4.2 Budgets for continuous improvement (£160,000) and the operational equipment following the Shirley Towers inquest (£275,000) are unlikely to be spent by the end of the year and a request will be made to carry forward any underspends.

5 Reserves

Improvement and sustainability (I & S) reserve

- 5.1 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 £'000	2013/14 £'000
Joint working project manager	71	71
Joint working – additional staff costs	31	34
Joint working – other costs		175
FireWatch programme	42	127
Revenue contributions to capital:		
- Control Room refurbishment	420	80
- Capital environmental works	378	
Total included in the projected outturn	942	487

- 5.2 Commitments to date are £558,000 for Joint Working (£102,000 in 2012/13, £280,000 in 2013/14 and £176,000 in 2014/15), £169,000 for Fire Watch (reduced by £251,000 from £420,000 – see report elsewhere on the agenda), £500,000 for the control room refurbishment, and £378,000 for the capital environmental works. In light of the 2013/14 capital grant settlement it is proposed to fund the £800,000 remainder of the capital environmental works from capital grant and capital payments reserve, reducing the call on the I&S reserve.

The total call on the reserve has reduced to £1,605,000 leaving a balance of £1,248,000.

- 5.3 At present the projected outturn would not require a contribution towards the costs

planned for 2012/13 as £942,000 can be met from the budget. However for presentational purposes it is proposed to show these being met from the I&S reserve and report the £4.2m underspend.

- 5.4 As reported last quarter, subject to the outturn position, it is suggested to use £1m of the projected underspend to top up the I&S reserve to £2.2m.

Proposed Operational Pressures reserve

- 5.6 The cost of additional operational equipment following the Shirley Towers incident can be met from the Community Response budget. The net overspend of £69,000 can be met from within existing resources which means there is no longer a need to set up an operational pressure reserve.

Summary

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

	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	2,853	0	-942	1,911
Grant reduction	1,811	0	-44	1,767
Capital Payments	7,008	4,920	-358	11,570
Earmarked underspending	587	0	-587	0
Revenue Grants	2,141	0	-486*	1,655
Total specific reserves	14,400	4,920	-2,417	16,903
General Balance	2,500	0	0	2,500
Total	16,900	4,920	-2,417	19,403

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

6 Capital

- 6.1 There are just two changes to the capital programme update presented to the Authority last month. Under delegated powers the Chairman of the Authority, Treasurer and Chief Officer agreed to add two environmental protection vehicles to the programme at a total cost of £48,000 which are fully funded by capital grant. The second relates to changing the payments profile of the replacement Basingstoke Fire Station scheme. This is as a result of better information now being available than when the initial estimate was made this time last year and results in less expenditure in the current year and more in later years.

Winchester Fire Station

- 6.2 Negotiations with the contractor are at an advanced stage and it is anticipated the contractual arrangements will be completed by the end of the next quarter.

Asset Management Working Group

- 6.3 This group last met in 2008 and consisted of HFRA Members (Chairman of the Authority, Chairman of this Committee and one member from each political party) and officers from HFRS and HCC. It received progress reports on capital and revenue programmes and considered acquisitions and disposals in the context of corporate objectives. It is recommended this group is reconvened, with cross party member representation, to consider capital projects in more detail.

7 People Impact Assessment

- 7.1 The proposals in this report are considered to be compatible with the provisions of the equality and human rights legislation.

8 Background papers

- 8.1 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.