

**Hampshire Fire and Rescue Authority**

**Finance and General Purposes Committee**

**Item: 7**

**29 October 2013**

**Budget Monitoring: 2<sup>nd</sup> 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 £1.489m which it is expected will be committed during this year and next.
- 1.2 After reflecting these changes, the second quarter's analysis of actual and committed spending identifies a balanced budget:

	£'000
Community Response	-192
Community Safety	-82
Management and Support Services	134
Service Improvement	276
Efficiency savings	-136
Total net changes this quarter	<u>0</u>
Net savings last quarter	<u>-77</u>
Net savings to date	<u>-77</u>

**2 Recommendations**

- 2.1 That the latest financial position for 2013/14 be noted.
- 2.2 That the investments over £100,000 reported at paragraph 3 be approved.
- 2.3 That permanent virements from non pay to pay are approved - see paragraph 5.

- 2.4 That the Authority is recommended to approve the changes to the capital programme and its financing as set out in this report.
- 2.5 That the Authority is recommended to approve the mid-year review of treasury management activities and increase the prudential indicator limit for the exposure of investments as set out in Appendix D.

### 3 Revenue expenditure

- 3.1 The position as at 16 September 2013 is detailed in Appendix A. The main variances can be summarised as follows:

	Approved Budget / Projected outturn Q1 £'000	Virements £'000	Projected outturn as at Q2 £'000	Variance £'000
Community Response	44,499	275	44,582	-192
Community safety	4,956	-68	4,806	-82
Management and Support Services	14,825	-59	14,900	134
Service Improvement	1,213	0	1,489	276
Efficiency savings	107	29	0	-136
Other expenditure	1,796	-177	1,619	0
<b>Total budget / projected outturn</b>	<b>67,396</b>	<b>0</b>	<b>67,396</b>	<b>0</b>

#### 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. The pay budget is forecast to underspend by £212,000 as follows:

	Community Response variance £'000	Community Safety variance £'000	Management and Support Services variance £'000	Total variance £'000
Wholetime firefighters pay	-65	-20		-85
Support staff pay	-68	-45	-14	-127
<b>Total</b>	<b>-133</b>	<b>-65</b>	<b>-14</b>	<b>-212</b>

- 3.3 A 1% pay award with effect from 1 April 2013 was agreed for support staff. This is in line with the budget assumptions and had a neutral effect on the budget.

**Wholetime firefighters pay and allowances (-£85,000, -0.3%)**

3.4 The underspend reflects the continued level of vacancies during the second quarter. The number of vacancies has remained fairly stable at about 20. It is planned to recruit 14 retained firefighters to the wholetime establishment over the coming months (partly to replace the 11 fixed term contract firefighters due to end this year) and recruit externally up to 12 trainees in April 2014.

**Support staff (-£127,000, -1%)**

3.5 As at 1 September 2013 there were over 50 support staff posts vacant. In part these have been filled by 37 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.

3.6 The underspend reflects the reduced level of vacancies during the second quarter.

**Community response – (-£192,000, -0.5%)**

3.7 In addition to the underspend on pay budgets the maintenance of hydrants is expected to underspend by £50,000. As far as possible work is carried out by our own staff (hydrant technicians and station based firefighters) before referring work to agencies.

**Management and support services (+£118,000, +1%)**

3.8 The cost of investing in a management information system (Hantsfile) has been partly offset by savings in pay budgets, training contracted services, and subscriptions to the Fire Service College.

**Service Improvement (SI) budget pressures (+£276,000)**

3.9 The Heads of Service Team (HoST) has recognised a number of budget pressures this year in support of the Service Improvement Plan. To meet the cost of these improvements, HoST members have reprioritised their budgets and identified in-year underspends totalling £2.3m as follows:

	2013/14 £'000
Savings identified in previous quarter	1,888
Savings identified this quarter	407
Total savings this year	2,295

3.10 To date the following pressures have been identified and approval is requested

for the investments over £100,000:

	2013/14 £'000	2014/15 £'000
Investments agreed last quarter	675	104
Electronic Document and Records Management System (EDRMS) (Hantsfile) (additional £107,000 funded from earmarked efficiency savings)	103	93
Website Development	12	105
Projects and programme support staff - extension of fixed term contracts to June 2014	16	20
Total planned investment from SI budget	806	322

3.11 This year's net balance has increased by £276,000 from £1,213,000 to £1,489,000 and will be available for the HoST to invest in priorities to deliver the Service 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. Commitments made for 2014/15 would reduce the balance to £1,167,000.

3.12 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.

3.13 Further detail of this quarter's major projects is described below:

**EDRMS set up costs (£303,000 over 2 years)**

It is proposed to invest £303,000 over 2 years to set up Hantsfile, an electronic document and records management information system across the Service, part funded from an existing efficiency savings provision of £107,000 and partly from the SI budget at £196,000. This will provide:

- Improved search facilities will ensure ready access to information, saving time and making FOI and DPA compliance easier
- Better control for our protective marking scheme
- Route to efficiency savings including smarter ways of keeping information current and accurate and avoiding duplication
- Support for retention policies
- Support for version control
- Greater level of transparency
- Improved adherence to corporate style by easier use of standard text,

referencing and templates

Annual running costs are not expected to exceed £120,000 and can be met from within existing resources.

#### **Website Development (£117,000 over 2 years)**

The content management system used for the website has reached the end of its life and is no longer being developed or supported. A comprehensive review of the existing website has been completed and confirmed that the existing website is no longer fit for purpose. The marketing and communications department has developed a specification for the development of the site so it is built and organised primarily around the needs of our users and customers.

#### **4 Corporate efficiency savings (-£136,000)**

- 4.1 The latest forecast of corporate efficiency savings is shown at Appendix B. By the end of this year cumulative savings are expected to be £3,608,000 which is £46,000 more than budgeted for and £29,000 more than last quarter. The increase relates to the delivery of early savings from the partnership arrangement with Royal Berkshire Fire and Rescue Service to provide fleet management.
- 4.2 A provision of £107,000 had been earmarked for an information management system and has been allocated to the Hantsfile project (see Service Improvement above).

#### **5 Virements requiring approval**

- 5.1 Under financial regulations permanent budget transfers (virements) from non pay budgets to pay budgets need to be approved by members. It is proposed to use income from the primary authority scheme to fund a Partnership Manager (Station manager) at an annual cost of £53,000. Due to the nature of the funding it has been agreed to keep the position under review.

#### **6 Reserves**

##### **Improvement and sustainability (I & S) reserve (+£15,000)**

- 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 £2,266,000 of which £175,000 is earmarked for Joint Working in 2014/15 and £75,000 for the proposed new area manager:

	Q1 2013/14 £'000	Projected 2013/14 £'000	Increase £'000
Joint Working	280	280	0
FireWatch	257	257	0
Environmental works (carbon management)	955	955	0
Revenue contributions to capital re	80	80	0
Control Room refurbishment			
Area manager Risk Cover Review		15	15
<b>Total</b>	<b>1,572</b>	<b>1,587</b>	<b>+15</b>

- 6.2 A Risk Cover Review is to be undertaken and requires an area manager to lead the project. The total cost of £90,000 will be spread £15,000 this year and £75,000 in 2014/15. Further explanation and request for approval is given in the Medium Term Financial Strategy report elsewhere on the agenda.

#### **Earmarked underspending reserve**

- 6.3 Investment in continuous improvement by providing staff with skills in lean working and process mapping, etc. has been undertaken and further training is planned. By using in house resources the cost is expected to be £100,000 less than originally expected (£149,000). Consequently this sum is no longer required and has been returned to the reserve for reallocation at the end of the year.

#### **Revenue grant reserve**

Changes in the use of this reserve are shown below:

	Q1 2013/14 £'000	Projected 2013/14 £'000	Change £'000
Network FireControl - capital	768	302	-466
Network FireControl - revenue	432	686	+254
Incident Command vehicle - capital	120	0	-120
New Risks	45	19	-26
New Dimensions	16	50	+34
Flood Rescue	49	49	0
<b>Total</b>	<b>1,572</b>	<b>1,106</b>	<b>-324</b>

The main changes relate to the Network FireControl project which is scheduled to go live in May 2014. Following the results of the tendering exercise payments have been re-profiled. Also the procurement of the incident command unit in the capital programme has slipped into 2014/15.

## Summary

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

	Balance at 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	3,853	0	-1,587	2,266
Grant reduction	2,148	0	-600	1,548
Capital Payments	14,659	2,461	-229	16,891
Earmarked underspending	859	100	-859	100
Revenue Grants	1,780	0	-1,106	674
Total earmarked reserves	23,299	2,561	-4,381	21,479
Capital Receipts reserve	1,054	57	-1,111	0
Capital Grants Unapplied *	681	0	-681	0
Total Capital Reserves	1,735	0	-1,792	0
General Balance	2,500	0	0	2,500
Total	27,534	2,618	-6,173	23,979

\* 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. A small underspend on the 2011/12 vehicle replacement programme has been identified to help fund additional costs of the 2012/13 programme.

7.2 The 2012/13 vehicle replacement programme has been updated. The programme is now estimated to cost £4,000 more than expected last quarter, which will be funded from the 2011/12 underspend.

7.3 Savings have arisen from the 6 x 4 water carrier being replaced in the programme by a 4 x 2 one, saving £39,000. Also there has been a reduction in the expected cost of crew cars and vans this year. However, increases in other areas such as an additional 2 provided cars expected this year (to make 9) and an additional

£40,000 needed to fit out the environmental protection vehicles has slightly more than offset these savings.

- 7.4 The proposed spend on fire control system in 2012/13 is appearing as £259,000 underspent. However, these costs have just been switched to revenue.
- 7.5 The refurbishment of the control room in the 2012/13 programme is now completed and has cost £5,000 more than expected. However, again this small amount can be funded from the forecast underspend in 2011/12.
- 7.6 Basingstoke Fire station's expenditure has been re profiled with slightly more payments to be made in 2013/14 and 2014/15 with the remainder being in 2016/17 and the retention in 2017/18.
- 7.7 The 2013/14 vehicle replacement programme is now expected to come in slightly above the previous budget by £15,000. The response support vehicles are estimated to come in at £100,000 below budget, of which £60,000 will fund two new foam pods. The remaining £40,000 was available to fund the fit out of the environmental protection vehicles. However, as it is possible to fund this fit out from other underspends on vehicles in the 2012/13 programme this £40,000 will now offset other increases in the 2013/14 programme.
- 7.8 Therefore, the main reason for the overall increase in the 2013/14 vehicle replacement programme is attributed to the improved specification of the provided vehicles. These are estimated now to cost £20,000 per unit, which has seen the 7 vehicles increase by £38,500 alone. Other slight increases to costs estimated in the previous quarter have occurred on the 3 off road vehicles and the 4 general purpose vans.
- 7.9 Work on the retained station replacement programme in 2013/14 is underway and is now expected to be completed this financial year. However, the work on the BA chambers proposed for this year has been slightly delayed. Therefore £225,000 is now expected to slip into 2014/15.
- 7.10 Appendix C sets out the revised capital programme and the proposed financing of it. There is currently no requirement to call on the capital payments reserve. The capital receipts reserve has been increased by £57,000 to account for the sale of 2 aerial ladder platforms which should occur this year.

## **8 HFRA mid-year Treasury Management report**

- 8.1 Attached as Appendix D is the mid-year review of treasury management report. It is a requirement of the CIPFA Treasury Management code to present this report to Members of the Authority for their approval.
- 8.2 The report sets out for Members the treasury management activity for the first six

months of the year. It sets out the details of the investments made in the Authority's own name, borrowings and reports that the Authority operated within the treasury management indicators set out in the Authority's Treasury Management Strategy.

- 8.3 Members are asked to recommend to the Authority that the report be approved and to increase the prudential indicator limit for the exposure of investments following the significant increase in the Authority's cash balances.

## **9 People Impact Assessment**

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

## **10 Background papers**

- 10.1 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.