

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item: 7

29 January 2014

Budget Monitoring: 3rd Quarter 2013/14

Report by the Chief Officer and the Treasurer

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1 Summary

- 1.1 This report reviews the revenue and capital budget monitoring position at the end of the third quarter. It examines the monitoring of high risk / demand led budgets within Directorates, and other central budget items that make up the overall revenue budget.
- 1.2 This quarter the underspending on the revenue budget is expected to increase by £1.6m to £3.7m of which £2m has been allocated to the service improvement budget and £0.5m is requested to be carried forward. The position may be summarised as follows:

	Quarter 1	Quarter 2	Quarter 3	Total
	£'000	£'000	£'000	£'000
Forecast underspend	1,965	112	1,606	3,683
Used for service improvement	-1,888	-112		-2,000
Used for carry forward			-470	-470
Balance used for capital payments reserve	77		1,136	1,213

- 1.3 The report highlights the potential pressure on the retained firefighters pay budget which may impact on the reported savings if extreme weather conditions persist.
- 1.4 It is suggested the net balance of the underspend of £1.2m is added to the capital payments reserve to help fund future capital expenditure. Final decisions on contributions to reserves will be considered in July 2014 as part of the Final Accounts report.

2 Recommendations

- 2.1 That the latest financial position for 2013/14 be noted.
- 2.2 That the virements over £100,000 set out in paragraph 6 be approved.
- 2.2 That the Authority is recommended to approve the changes to the capital programme and its financing as set out in paragraph 7 of this report.

3 Revenue expenditure

- 3.1 The position as at 10 December 2013 is shown at Appendix A. The main variations may be summarised as below:

	Adjusted Approved Budget £'000	Projected outturn Q3 £'000	Forecast variance £'000	Variance %
Community Response	43,722	43,401	-321	-0.7
Community Safety	4,792	4,656	-136	-2.8
Management and support services	14,929	14,576	-353	-2.4
Contingency	247	0	-247	-100.0
Service Improvement	1489	1,021	-468	-31.4
Underspend reserve	-758	-288	470	62.0
Other	2,975	2,894	-81	-2.7
Total budget / projected outturn	67,396	66,260	-1,136	-1.7

Community response (-£321,000, -0.7%)

- 3.1 The underspend is made up of £268,000 which is requested to be carried forward (see paragraph 5.2) and £53,000 other budget underspends. The other budget underspends are mainly explained by an increase in wholetime firefighter and support staff vacancies. Most wholetime firefighter vacancies are expected to be filled by the end of the financial year when 14 wholetime firefighters will have been recruited from retained firefighters.
- 3.2 The retained firefighters pay budget is being closely monitored due to the uncertainties of the winter weather conditions and the potential impact of industrial action. To date expenditure is slightly over the profiled budget but not significantly. If extreme conditions are prolonged it is likely that this budget will overspend, in which case the directorate savings may be less than forecast.
- 3.3 Additional expenditure related to industrial action is being monitored and is expected to be mostly off set by firefighter pay deductions, thereby having a minimal impact on the

budget.

Community Safety (-£136,000, -2.8%)

3.4 The underspend is mainly due to early delivery of staff review efficiency savings. Six wholetime firefighter posts are due to be deleted at the end of the year, some of which have become vacant due to normal retirements.

Management and support services (-£353,000, -2.4%)

3.5 The underspend is made up of £202,000 which is requested to be carried forward (see paragraph 5.2) and £151,000 other budget underspends. The other budget underspends are across various budget headings including staff pay budgets (due to vacancies), training expenses, staff advertising and increased income. These savings are partly offset by investment in system development costs related to the new Network Fire Control system and SAP interfaces for Joint Working (see paragraph 3.7).

Service Improvement budget

3.6 Previously £2,295,000 savings have been used to set up this budget. Having reviewed current known budget pressures it has been decided to reduce the budget required to £2m.

3.7 To date total commitments of £1,128,000 have been made and £267,000 of new investments have been identified this quarter as listed below:

	2013/14 £'000	2014/15 £'000	Total £'000
Investments agreed to date	806	322	1,128
New projects this quarter:			
Improvements to BA chambers – increased estimate	70		70
Maternity costs for FireWatch team	7	27	34
Training records – data quality verification	53		53
System interface with SAP re Joint Working	13	37	50
System interface with Network Fire Control	30	20	50
Insurance and Risk officer – 12 mth contract – part funded		10	10
Total new projects this quarter	173	94	267
Total planned investment	979	416	1,395

3.8 In 2013/14 £979,000 investments are planned leaving a balance at the end of the year of £1,021,000 of which £416,000 is planned to be spent in 2014/15. This would leave a balance of £605,000 available for new service improvement budget pressures. It is requested that the balance remaining in this budget at the end of this year of

£1,021,000 is transferred to the Investment and Sustainability reserve and earmarked for Heads of Service to use in 2014/15 or future years.

- 3.9 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 Heads of Service 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.

4 Corporate efficiency savings

- 4.1 The latest forecast of corporate efficiency savings is shown at Appendix B. The cumulative forecast savings remain at £3.6m for 2013/14 and £6.1m for 2015/16.

5 Reserves

- 5.1 The balance of reserves at the end of the year (before any in year underspend has been added) is forecast to be £25.7m. This is £1.7m more than reported previously. A summary of the balances and main reasons for the increase is shown at Appendix C.
- 5.2 Earmarked underspends requested to be carried forward total £470,000. These include £160,000 for the Hantsfile document management system, £200,000 for the refurbishment of the Steele Close annexe, and £123,000 for other project related costs, such as the Retained Duty System sustainability project. Formal approval will be requested as part of the Final Accounts report in July 2014.

6 Virements over £100,000

- 6.1 Under financial regulations virements over £100,000 are required to be approved by members of this committee. This quarter these are:
- £250,000 reduced expenditure on energy efficient projects due to not meeting the criteria for investment (See Carbon Management report elsewhere on the agenda). Budget returned to the investment and sustainability reserve.
 - The worst case scenario was that £600,000 would be spent on Staff Review redundancy costs this year. However the majority of post holders were redeployed or left naturally, reducing costs by £500,000. Budget returned to the grant equalisation reserve.

7 Capital

- 7.1 The updated capital programme is shown at appendix D. Two minor changes to the capital programme are requested both of which will be funded from the New Dimensions revenue grant.

- 7.2 Firstly, an increase of £20,000 for new equipment for the replacement urban search and rescue vehicle (USAR) scheduled for 2014/15.
- 7.3 Secondly, £40,000 for an extension to an existing basic rope training rig built some years ago on the USAR 'pad' at the rear of the HQ site. This is a basic rig built with limited funds so was designed with a plan to extend it later if the need continued and when funding allowed. The Technical Rope section of the USAR team has proven essential and the extension to the rig would be extremely beneficial to make it easier for them to maintain their competence and do more of their training on site.
- 7.4 As a side benefit the current rig is often used by colleagues from the Training Centre, Ambulance Service Hazardous Area Response Team and Police Force Support Unit rope practitioners. So this extension will also help them and it may also make it more likely that we can sell rope training to outside agencies.

8 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.