

Hampshire Fire and Rescue Authority

3rd December 2014

Item: 8

Finance Update

Report by Chief Financial Officer

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1. Introduction

- 1.1. Hampshire Fire and Rescue Services accounts (HFRS) were formally signed off by external audit on the 31st October 2014 and now are available to all on the HFRS website.
- 1.2. In the past it has been normal to present a draft revenue budget covering the next four financial years to the full Authority early in December following the grant announcements by Government. However, due to the later settlements in the last few years and the fact we have received indicative future years grant settlements in advance, last year it was felt that the Medium Term Financial Strategy paper which was presented at the Finance & General Purposes Committee (F&GP) in October 2013 would provide sufficient background to the Authority for the 2015/16 budget process. This year the same approach has been followed and the full financial updated paper presented to F&GP in October (encompassing the medium term projections) is provided at Appendix 1.

2. Executive Summary

- 2.1. The original 2015/16 budget projections estimated a £2.5m budget deficit based on the following assumptions.
 - No council tax increase for 2015/16.
 - Council tax freeze grant for 2015/16 equivalent to a 1% council tax increase.
 - Pay award of 2%.
 - General inflation on other expenditure of 2.2% with the exception of fuel, utilities, pensions and waste collection costs.
 - £1m additional revenue costs from allowing RDS firefighters to join the modified pension scheme.
 - All phase 1 efficiency savings achieved by the end of 2014/15 and a full year effect of some of these savings totalling £278k in 2015/16.
 - 2% increase in business rate income.
 - 9% cash reduction in all grant funding sources.
- 2.2. The paper which went to F&GP in October proposed the following measures were adopted in 2015/16 to close the budget gap and avoid the need to draw from

reserves or implement phase 2 efficiency savings prior to completion of the Risk Review.

- Removal of £1.2m of technical changes comprising of;
 - The removal of the 2.2% general inflation on supplies & services from the base budget and the 2015/16 budget
 - The removal of 1% pay inflation from the base budget and 0.5% pay inflation assumption from the 2015/16 budget.
- Funding assumption changes of £173k arising from the increase in the council tax base in 2014/15.
- Increase in income generated from interest on balances of £50k.
- Contribution towards overheads of £12k from 3S Fire Ltd.
- Removal of Host savings already achieved totalling £1.1m.

2.3. The assumptions in the medium term remain unchanged at this point. The projected deficit remains at £12m by 2017/18 based on the following assumptions;

- RCCO will need to be bolstered in the future with the £1.2m of technical changes taken in 2015/16 to close the deficit
- Pay inflation of 2%
- General inflation of 2.2% excluding pensions, waste, business rates and fuel
- £1m added to revenue for the loss of the contracting out rebate on pensions contributions

2.4. The Authority is currently undertaking the Comprehensive Risk Cover Review, to examine cover across the County along with many other related factors such as the use of technology and the vehicle strategy. The review is due to conclude in autumn 2015 and its findings will then be incorporated into the 2016/17 budget setting process and the medium term projections.

2.5. As a result of the Authority's deliberate strategy to build up reserves over the past few financial years, the Authority's useable reserves along with their general fund balance is expected to be around £25million at the end of 2014/15. In reality however, the majority of these reserves are already committed. They do however; help to mitigate some of the risk surrounding achieving the required savings in the medium term.

3. Recommendations

3.1. That the Authority notes the assumptions on which the 2015/16 budget will be prepared on and notes the proposed measures which are to be taken to close the 2015/16 budget gap.