

Budget Monitoring Quarter 3 2014/15

1 Revenue expenditure

- 1.1 The first run of the new budget forecasting system Budgeting, Planning and Consolidation (BPC) was in December. The results look promising but more time and further work is required to have confidence with the figures. Therefore, this quarter's forecast is based on the spreadsheet approach which was also used in the last quarter. This is a relatively simple approach based on last years profile spend and has been sense checked against last year's outturn position. Also, due to some system issues with the payment of invoices and pay claims forecasts may be less robust than we would normally expect, although remains suitable for planning purposes. The main variations may be summarised as below:

| | Adjusted Approved Budget £'000 | Projected outturn Q3 £'000 | Forecast variance Q3 £'000 | Variance % |
|----------------------------------|-----------------------------------------|-------------------------------------|-------------------------------------|---------------|
| Community Response | 41,894 | 41,634 | -260 | -0.6 |
| Community Safety | 4,965 | 4,535 | -430 | -8.7 |
| Management and support services | 15,493 | 14,919 | -574 | -3.7 |
| Contingency | 1,984 | 0 | -1,984 | -100.0 |
| Service Improvement | 284 | 0 | -284 | -100.0 |
| Pensions | 659 | 859 | 200 | +30.3 |
| Interest on balances | -126 | -168 | -42 | -33.3 |
| Other | 725 | 652 | -73 | -10.1 |
| Total budget / projected outturn | 65,878 | 62,431 | -3,447 | -5.2 |

Community response (-£260,000, -0.6%)

- 1.2 The forecast underspend for the year is £260,000. The main reason is due to reduced operational activity resulting in reduced retained firefighter claims. Non pay budgets such as, staff car allowances and leased car business rentals, and water charges are also underspent.

Community Safety (-£430,000, -8.7%)

- 1.3 The forecast underspend for the year is £430,000. The underspend is mainly due to support staff and wholtime firefighter vacancies. In addition there are savings in staff car allowances and leased car business rentals.

Management and support services (-£574,000, -3.7%)

- 1.4 The forecast underspend for the year is £574,000. The main reason for the underspend is support staff vacancies. Also underspends in insurance premiums and staff car allowances are forecast.

- 1.5 Income is also forecast to increase, mainly due to fleet income from partners, such as Royal Berkshire Fire and Rescue Service, South Central Ambulance Service and fitting out new appliances and vehicles in the capital programme.

Contingency (-£1,984,000)

- 1.6 Directors have agreed to declare all of the centrally held contingencies as underspends. This includes the balance of the pay inflation provision and £1.1m on-going savings identified by the Heads of Service Team (HoST).
- 1.7 The inflation provision was set at 2% for green and grey book staff. The July 2014 grey book pay award was settled at 1% resulting in a saving of 1%. The green book pay award was recently agreed at 2.2% over 2 years to be paid in April 2015, resulting in a saving of 2% in 2014/15.

Service Improvement budget (-£284,000)

- 1.8 The unspent balance on this budget at the beginning of the quarter was £296,000 and may be summarised as follows:

| | £'000 |
|-----------------------------------------------------------|--------|
| 2013/14 unspent balance transferred from the I&S reserve | 1,021 |
| Less 2014/15 commitments from decisions agreed in 2013/14 | -416 |
| Balance available for 2014/15 | 605 |
| Add 2014/15 underspends from existing budgets | 691 |
| Total available | 1,296 |
| Less investments agreed to date | -1,000 |
| Balance available in 2014/15 | 296 |

- 1.9 In this quarter £12,000 of new investments have been identified as listed below:

| | 2014/15 £'000 |
|-----------------------------------------------|------------------|
| RDS Sustainability Project Manager (3 months) | 12 |

- 1.10 This leaves a balance of £284,000. As it is unlikely that further projects will be started this financial year it is requested to transfer the balance to the I&S reserve to be available for further investment in 2015/16.
- 1.11 In 2015/16 the Heads of Service Team have identified on-going savings of £1,076,000 which have been allocated to the Service Improvement budget for one year only pending the forecast budget deficit in 2016/17. When added to this year's unspent balance the total available for service improvement would be £1,360,000.
- 1.12 The Risk Review project will require a project team to support the project work for another 12 months in 2015/16. The estimated cost is £416,000. Subject to the approval of the 2015/16 Budget by the Fire Authority, it is requested that the

service improvement budget is used to fund this important project until March 2016.

- 1.13 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 the Heads of Service Team 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.

Pensions (+£200,000)

- 1.14 The increase in pensions to be funded from revenue is due to the discovery of a number of injury pensions and a few dependants' pensions which were being incorrectly charged to the pensions account. This has been reported to the Standards and Governance Committee and our external auditors. The matter was managed swiftly, transparently and appropriately.

Corporate efficiency savings

- 1.15 The latest forecast of corporate efficiency savings is shown at Appendix B. The Phase 1 forecast savings to 2014/15 are £5.3m compared to the profile of £5.8m, but are still on target to achieve £6m in line with the medium term financial strategy. Most of the projects are complete however some are not due to end until March 2015 or later.
- 1.16 The Network Fire Control Strategic Project (NFCSP) has been delayed until February 2015 resulting in reduced savings in 2014/15 but still on target for 2015/16. Staff Review is on target subject to the successful implementation of FireWatch and NFCSP when 4 administrator and control posts will be deleted. Selective paging is not expected to deliver any savings this year due to the delays in the NFCSP. Savings will start from October 2015 when the system interface and staff training has been completed. To allow for the closure of Phase 1 selective paging will be moved to Phase 2.
- 1.17 The savings from the carbon management (energy efficiency programme) are forecast to be back on track this year, probably due to the mild winter. However in the light of the overspend in 2013/14 an analysis of the use of energy is currently being undertaken to establish whether there are other factors contributing to the overspend.

2 Virements over £100,000

- 2.1 Under financial regulations virements over £100,000 are required to be approved by members of this committee. This quarter there is a technical virements relating to the transfer of pay award provisions to the correct budget headings :
- £290,000 of pay inflation has been transferred from the contingency to Community Response, Community Safety and Support services following the July 2014 grey book pay award settlement.

3 Current capital programme

3.1 The current capital programme is summarised at Appendix D.

Vehicles

2012/13:

The light off road vehicle is now fully operational and the USAR unit is expected to be operational by the end of the financial year.

2013/14:

There have been no updates to the 2013/14 vehicles programme. Two general purpose vans and seven provided cars have slipped in to 2015/16. It is likely the driver training car will not be required which will potentially release £18,000.

2014/15:

There have been no changes to the 2014/15 programme. However, slippage has occurred on three provided cars, a general purpose van and a personnel carrier.

The two planned water tenders are likely to be ordered soon. However, they are not expected to be delivered until 2015/16.

Five chassis have been purchased for the rescue pumps. However, again the majority of the conversion work is expected to slip into 2015/16

Buildings

2012/13:

The final specification of Basingstoke is being worked on with the preferred bidder, with the majority of work expected to be underway in 2015/16.

2014/15:

Eastleigh Annexe is projected to overspend by £95,000 at the end of the year. An equivalent revenue contribution has been made by a virement from the revenue building alterations budget.

Part of the transformation project has been pushed into 2016/17 as the project is expected to last 18 months in total.

£50,000 of the retained stations replacement budget has been committed to the refurbishment of a number of offices at HQ which is expected to be completed by year end.

4 3S Fire Ltd

Future Trading

4.1 3S Fire continues to enjoy a busy year. Their partners have received notification from the Defence Fire and Rescue Project (DFRP) that they, with 3S Fire's support, have been successful in their pre qualification questionnaire (PQQ)

submission. Work for the bid will commence in early 2015.

- 4.2 3S Fire have now also secured a number of contracts for delivery into 2016 and are expected to continue to grow steadily.

Financial information

- 4.3 To date 3S Fire Ltd has drawn down £145,200 of the loan facility available. Directors approved a repayment of £100,000 of the loan which was made on the 26th November. This means only £45,200 is outstanding to the Authority.
- 4.4 As the company are yet to make a profit, no monies are payable to the Authority at the present time.

Service Level Agreement

- 4.5 An Agreement for the terms and conditions for the supply of services by the Authority to the company has been agreed and signed. The purpose of this Agreement is to ensure the Authority can recover its costs of providing any assistance to the Company based on the terms and the conditions set out. The term of this Agreement is five years and charges will be reviewed on an annual basis. A monthly service charge is made by the Authority which covers basic premises and support costs. The cost of any service that is provided over and above what is included in the monthly service charge is invoiced for outside of the monthly charge.

5 Joint working

- 5.1 A final evaluation of the Joint Working in Hampshire project will be brought to the next F&GP committee, which will look at the projects achievements against the success criteria of efficiencies, quality and resilience. The costs of the project and the savings achieved are expected to align to the figures reported to the HFRA on 03 December 2013.