

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 5

24 June 2010

Final Accounts 2009/10

Report of the Treasurer and Chief Officer

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1 Summary

- 1.1 Recognising the difficult financial position ahead for the public sector, the Authority's strategy was to try and deliver a significant underspend in 2009/10. This has been achieved with expenditure £1.2m below the revised budget. Lower than anticipated property maintenance and insurance costs [partly offset by higher IT and communications expenditure] together with additional government grant and other income are the main factors that led to this satisfactory outcome. Some of the underspending on property will be carried forward to ensure that the good progress on dealing with the backlog of repairs and maintenance and minor improvements is not jeopardised.
- 1.2 The report also identifies the impact of this relatively favourable position for the 2010/11 budget.

2 Recommendations

- 2.1 That the carry forward of specific underspending set out in paragraph 7.4 of the report be approved
- 2.2 That the accounts for 2009/10 be approved including the use of reserves set out in paragraph 7.8 of the report
- 2.3 That capital payments for the year be financed as set out in paragraph 4.7 of the report.
- 2.4 That the minor variation to the vehicle replacement programme detailed in paragraph 4.5 of the report be approved
- 2.5 That the treasury management activities set out in paragraph 5 and prudential indicators in appendix 3 be approved.

3 Revenue Expenditure

3.1 The more significant variations leading to the net underspend position are summarised in the following table and set out in more details in the following paragraphs. Appendix 1 sets out the details of the other variances.

	Original Budget £000	Revised budget £000	Outturn £000	Variance £000
Retained firefighters pay and allowances	6,264	6,737	6,573	-164
Support service pay and use of equal pay reserve	10,133	10,431	10,225	-206
Property related expenditure	3,550	3,642	3,340	-302
Insurance	696	677	463	-214
IT and communications	2,977	2,898	3,174	+276
Grant income	-945	-1,641	-2,188	-547
Other income	-365	-439	-629	-190
Provisions for uninsured claims and part time workers compensation payments	0	0	604	604
Other (detailed in Appendix 1)				-445
Net underspend				<hr/> -1,188

Retained firefighters pay and allowances (-£164,000, -2.43%)

3.2 This budget was increased by £400,000 earlier in the year based on projected activity and costs. Management action was taken to contain the expenditure. Further action planned for 2010/11 will reduce the costs of non-operational activity including: attending meetings, cleaning, and administration. This is expected to achieve reductions of £150,000 in 2010/11 (£230,000 in a full year).

Support staff pay (-£806,000, -7.31%) and contribution from the equal pay reserve not required (+£600,000)

- 3.3 At the time the revised budget was compiled, it was anticipated that agreement would be reached over equal pay. It has now become apparent that a Single Status agreement is unlikely to be put in place in the foreseeable future and none of the £600,000 contribution from the equal pay reserve will be required.
- 3.4 Only £126,000 was required from the £300,000 in the base budget for equal pay. This was in respect of back pay to November 2003 for the rank to roll job evaluation of control room staff. Some additional analysis into the gender pay gap is currently being undertaken, but it is not expected that there will be any significant back pay costs.

Property related expenditure (-£302,000, -8.3%)

- 3.5 Tender prices were well within the original budget estimates allowing work to be undertaken from the reserve list of schemes. Additional savings were down to the robustness of specifications because hardly any of the contingency sums were used.
- 3.6 The schemes, based on a projection at January 2010, would have resulted in closing the financial year as close as possible to the financial allocation. However, advantageous final tenders produced further savings too late in the year to specify and award additional schemes. In addition a small reserve for urgent works was not required.
- 3.7 A number of schemes, valued at about £100,000, were delayed for various reasons such as, late start by contractor, late production of replacement windows and specialist equipment and other technical difficulties which meant the final payments slipped into the months of April and May 2010.
- 3.8 There have been environmental savings - energy and water costs - resulting from improvements to buildings and good housekeeping. It is expected that these will continue in 2010/11.

Insurance (-£214,000, -31.61%)

- 3.9 Competitive premiums were achieved by a consortium of fire and rescue authorities formed following the demise of the insurance mutual (FRAML). 2009/10 was the first year when the full effect of the tendering process was realised. This favourable position will be continued into 2010/11.

IT and communications (+£276,000, +9.52%)

- 3.10 The cost of linking mobile data terminals (MDTs) to the network and vehicle charging equipment was £122,000. This cost was part of the FireLink project and the costs have been met from the Regional Control Centre Implementation grant carried forward from previous years (see grant income below).
- 3.11 Following a detailed analysis of the supply by Hampshire County Council of 'Hantsfirenet', it was identified that a number of services had not been charged for. This, along with a modest increase in demand contributed to the overspend by £65,000.
- 3.12 The Service invested in a new, modern, resilient server environment for hosting applications at a cost of £70,000. This will enable new applications and systems to be run in a 'greener', more flexible and cost effective way, contributing to our resources and environmental corporate aims.

Grant income (-£547,000, -33.3%)

- 3.13 This additional income results mainly from the LPSA2 revenue reward grant of £257,000 that was received in March 2010. (Originally it was intended to part use this grant to fund the interim MDT project but this is no longer necessary as the CLG agreed to provide the terminals at no cost). Also the Regional Control Centre implementation grant carried forward from previous years of £169,000 was used to fund the FireLink Fire/Control project referred to in paragraph 3.10 above. New Dimension grant received for Urban Search and Rescue crewing, high volume pump training, incident response unit training etc. was £57,000 greater than planned.

Other income (-£190,000, -43.3%)

- 3.14 The underspend is mainly due to additional training income from fire behaviour training and national firefighter selection tests, and self-funding activities such as animal rescue and marine incident response. Rental income was greater than planned and additional income was received from the Safer Portsmouth Partnership and the South East Fire Improvement Partnership.

4 Capital

- 4.1 Capital payments during the year totalled £3.4m compared with the £4.2m forecast in December 2009. Full details are given on a scheme-by-scheme basis in Appendix 2. Significant variations are summarised in the following paragraphs.

2006/07 HQ redevelopment (-£78,000)

- 4.2 The scheme has now been completed and is under budget, the overall budget for the redevelopment was £4.5m.

Vehicles – 2007/08 (-£23,000), 2008/09 (-£139,000) and 2009/10 (-£451,000)

- 4.3 The 2007/08 vehicles are finished and on the road. There was a small underspend of £23,000 at the end of the year.
- 4.4 The 2008/09 vehicles are nearly complete with just some stowage and camera systems still outstanding on the frontline appliances. £48,000 of this underspend will be incurred in 2010/11 – leaving an unspent balance of £91,000.
- 4.5 The payments slipped on the 2009/10 frontline appliances due to a delay in placing the order following a review of the specification of the vehicles to be purchased. The overall costs of these are higher than that budgeted and therefore it is recommended that the £23,000 and £91,000 underspends from 2007/08 and 2008/09 be added to the 2009/10 vehicles budget to pay for these costs. The Authority's requirement for vehicles and appliances will be reviewed in 2010/11. This will ensure that the replacement programme is funded within the existing budget position. Any changes to the programme will be reported to the Committee.

2008/09 Winchester Fire Station (-£332,000)

- 4.6 The start date for the scheme was slightly later than anticipated on this build due to additional environmental investigations undertaken. As a result, the payments profile has been revised. Some of the expenditure anticipated 2009/10 will now occur in 2010/11. The estimated completion date of the new fire station is within the fourth quarter 2010/11.

Financing

- 4.7 The capital payments can be financed as follows:

	£'000
Supported borrowing	558
Capital contributions	95
Capital grants	1,174
Finance lease	31
Capital receipts	435
Budgeted revenue contributions	1,085
Total	<u>3,378</u>

- 4.8 The Authority has been fortunate in the number of capital grants received in 2009/10. The two main grants were £881,000 from the CLG for 'capital priorities' and the LPSA2 capital reward grant of £256,000. By using these grants, supported borrowing has been kept to a minimum.
- 4.9 The Authority received an allocation of £1,811,000 for supported borrowing for 2009/10. On 1 April 2009 the balance of unsupported borrowing was £697,000. As payments financed through borrowing were £1,253,000 less than the year's allocation there was a balance of £556,000 available for supported borrowing as at 31 March 2010.

5 Treasury Management

- 5.1 The treasury management strategy approved by the Authority in February 2009 was followed throughout the year.
- 5.2 The Authority took out three new long-term loans from the Public Works Loan Board. They total £900,000 and mature between 2034 and 2036. They have fixed interest rates of between 4.1% and 4.5%.
- 5.3 Daily surpluses and deficits on the bank balance were lent to or borrowed by Hampshire County Council at the local authority seven-day rate which averaged 0.3% over the year.
- 5.4 The final prudential indicators for 2009/10 are set out in Appendix 3 for Members approval.

6 Provisions (+604,000)

- 6.1 An assessment of the uninsured losses has been undertaken and as a result in the claims made against the Authority the provision has been increased by £119,000.
- 6.2 As a result of the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, retained firefighters will be entitled to additional compensation payments for annual leave etc. A provision of £485,000 has been established to cover these costs. Compensation for less favourable pension arrangements are specifically excluded at the moment from the decision. When this element of the agreement is made it is expected that the employer's element will be included as increased employer contributions in the future.

7 Reserves and general balance

- 7.1 The revised budget assumed the following contributions to/from reserves and the general balance:

	Contributions to (+) /from (-) assumed as part of revised budget
	£'000
Equal pay reserve	-600
Capital payments reserve	176
Improvement and sustainability reserve	220
Earmarked underspendings	198
Unearmarked underspendings	340
General balance	514

Equal Pay Reserve

- 7.2 As reported in budget monitoring reports throughout the year, and highlighted above, it was anticipated that this reserve would be required for equal pay costs in 2009/10. It is now apparent that the reserve will not be required and therefore it is suggested that this balance be added to the Improvement and Sustainability Reserve.

Improvement and Sustainability Reserve

- 7.3 Due to the overall underspending position it is not necessary to use any of this reserve in 2009/10. At the time the 2010/11 budget was compiled it was believed that a balance of £750,000 would be sufficient and a £220,000 contribution was assumed in the revised budget. However, the Workforce Strategy Management Information system, a report on which is also on this agenda, will need financing should the Authority choose to support it at its meeting in September. By adding the majority of the underspending (£945,000) to this reserve it can be used to fund the project.

Earmarked underspending reserve

- 7.4 Several requests for underspendings in 2009/10 to be carried forward have been made, totalling £441,000. Members are asked to support the following:

£000

Reported to this Committee in January:

Replacement Fleet Maintenance System	90
Fuel Management System	80
HR SAP optimisation (reduced figure)	17

New requests:

Buildings - The underspend of £302,000 is explained at para 3.5 above. It is recommended that £100,000 of the underspend is carried forward to pay for schemes that help reduce energy costs and continue with works to improve facilities for women on fire stations.

100

Retained management system - This interim solution was planned to provide a retained management system for two years. The costs of text messaging and hosting were less than expected and it is recommended the underspend is carried forward to meet the cost of a third year whilst the long term solution is implemented as part of the workforce strategic management information (WSMI) project.

29

Breathing apparatus test rigs/software - These were planned to be purchased in 2009/10 but due to manufacturing and design delays the delivery has been deferred until June 2010.

47

Fire Service College – professional training – underspend to be used in 2010/11 to secure additional support with e-learning programme

30

Other – mainly beacon status stations and efficiency savings yet to be allocated

48

Total

441

Capital payments reserve

- 7.5 Against the background of the likely pressure on capital funding in future years and to assist with the Authority's ability to finance major schemes such as the replacement fire station building at Basingstoke, the revised budget assumed a contribution of £176,000 to the reserve. In addition the budget report suggested that any unused balance on the equal pay reserve and any unused LPSA2 revenue reward grant could be used to bolster this reserve. However, given the position on the WSMI project it is recommended that just the £176,000 assumed when the revised budget was compiled be added to this reserve.

Unearmarked underspendings/Grant reduction reserve

- 7.6 The revised budget assumed a £340,000 contribution to a reserve to help ease the pressure in future years. It is recommended that a Grant Reduction reserve be established and that the £340,000 in the revised budget be added to it.

General balance

- 7.7 When the 2009/10 budget was prepared it was estimated that the general balance would be £1.6m. At the year end, it stood at £1.486m and savings had to be found to replenish the balance. In preparing the 2010/11 budget the assessment of the financial risks that the Authority may face in 2010/11 resulted in the level being increased to £2m and some of the underspendings projected in January were earmarked for this. This £514,000 contribution assumed in the revised budget can now be made.

Reserves and general balance summary

- 7.8 The movements in these reserves and the general balance, including the proposed adjustments to reserves can be summarised as follows:

Reserve	Balance at 01 April 2009 £'000	Used during the year £'000	Addition £'000	Balance at 31 March 2010 £'000
Capital payments	750	0	176	926
Improvement and sustainability	530	0	1,765	2,295
Equal pay	600	-600	0	0
Earmarked underspendings	0	0	441	441
Grant reduction	0	0	340	340
Total reserves	1,880	-600	2,722	4,002
General balance	1,486	0	514	2,000
Total reserves and general balance	3,366	-600	3,236	6,002

8 2010/11 Budget outlook

- 8.1 This report sets out a revenue underspend which will deliver some ongoing reductions in expenditure from 2010/11.
- 8.2 On 24 May 2010 the Government announced in year spending cuts for local authorities in 2010/11. A consultation is expected shortly setting out where the cuts may fall. At this stage the indications are that specific grant funding along with funding commitments made since January 2010 may be vulnerable. The Committee will be updated as details emerge, and on any implications from the Government's emergency budget on 22 June 2010. Officers are working on the draft medium-term financial strategy and will take into account the potential impact of significant cuts in grant and restrictions on council tax increases.

9 People impact assessment

- 9.1 The proposals within this paper are not assessed to be discriminatory and considered compatible with the provisions of the European Convention on Human Rights, the Human Rights Act 1988 and the Race Relations (Amendment Act 2000).

Section 100 D – Local Government Act 1972 – background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report.

None identified

NB the list excludes published works and documents which disclose exempt or confidential information as defined in the Act.

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