

## Financial Management Strategy

**Overall purpose: to provide the necessary financial resources to enable the Service to make life safer in Hampshire, and to ensure a high standard in the management of public services.**

Progress against the strategy is reported on below:

### Financial Planning - Budget strategy

### Commentary on progress

The budget strategy will be clearly related to the priorities set out in the HFRS Plan 2009 - 2012.

The medium-term financial strategy both informed and responded to the Authority's determination of its corporate aims and objectives as set out in the HFRS Plan 2009 -12. The Plan and the Budget were approved at the same meeting of the Authority on 10 February 2009.

Growth and savings proposals to be presented in a transparent manner to members as part of the annual budget cycle, identifying planned outcomes and performance improvements for budget growth and mechanisms for achieving any significant savings.

The preparation of the Budget for 2009/10 included clear information about the impact of inflation, other budget pressures and new (growth) items. The same basic presentation of the budget that was given to stakeholders during formal consultation, was also given to explain reports made to both the Finance and General Purposes Committee (January 2009) and Authority (February 2009).

Ensure that the long-term level of revenue commitments does not exceed long-term funding likely to be available including reasonable expected levels of future grant settlement and council tax.

The Authority has been preparing its annual revenue budget within a three-year financial strategy for the last decade. It has taken fully into account the likely impact of the Government's Comprehensive Spending Reviews when planning for the three years ahead.

Maintain three-year budget projections based where necessary on alternative scenarios to reflect uncertainty of spending and resource assumptions in order to set the likely context for making final resource allocation decisions on an annual basis.

Taking into account the above planning context, current economic pressures and the Authority's determination delivering the right level of services, the Authority prepared a range of options for increasing Council Tax and consulted with stakeholders' representatives on these. More detailed 'scenario planning' is being developed for 2010-13.

Seek to achieve Government targets for efficiency gains.

The Authority has achieved the £3.4m efficiency savings target one year ahead of time. Full details are presented in the 'backward looking Annual Efficiency Statement (AES)'

Set a prudent minimum level of reserves based on a strategic-level risk assessment and reassessed annually as part of the budget process.

Risk assessment was thoroughly reviewed, leading to a minimum reserve level of £1.6m for 2009/10 with separate reserves for specific purposes of supporting improvement and sustainability and capital payments.

Minimise fluctuations in spending levels and council tax by absorbing the impact of different levels of pension outturn costs.

The pensions budget is generally no longer treated separately from any other budget and therefore minor fluctuations have to be managed within the overall budget.

Operate within firm cash limits, allocating provision for pay and other inflation at the start of the financial year.

In-year pressures absorbed through application of these policies, for example with regard to increasing IT costs.

Contain spending within the approved cash limit for the year with no supplementary allocations being made from reserves other than in exceptional circumstances.

Achieved with contributions being added to reserves in excess of those budgeted for.

Seek best value in services which should always include considerations for quality, risk to achieve sustainability, environmental impact, local economic development and equalities as well as price.

Good rating achieved under the Comprehensive Performance Assessment regime, including for Value for Money.

Aim to achieve a level of council tax that is in the lower quartile of the taxes of Combined Fire Authorities.

Council tax at band D was the 7<sup>th</sup> cheapest of the 24 non-metropolitan Fire Authorities in 2009/10.

Link to average increase on state pension.

The budget for 2009/10 was set at a rate which required a council tax increase of 3.9% compared with an increase in state pensions of 5%.

### **Capital programming**

Review capital strategy on an annual basis and prepare a three-year programme in the light of needs identified in the Integrated Risk Management Plan, vehicle replacement programme and built estate condition survey, and prepare a three year capital programme in accordance with the strategy.

The three year capital programme addressed these needs. Vehicle replacement needs were addressed in full and the increased provision for buildings repairs and maintenance was continued.

Continue to reduce the proportion of vehicles leased and aim for full ownership of the fleet.

No new operational leases were taken out in 2009/10 – all vehicle purchases were made through capital receipts or revenue contributions. Certain lease extensions were taken out where it was more economical so to do.

Reinvest income from disposal of capital assets where possible in order to fund new developments and initiatives identified in the IRMP.

Capital receipts from sales in 2009/10 were partly applied to finance capital expenditure and therefore minimize borrowing.

Make full use of Government-supported borrowing.

This was partially used in 2009/10 as there were sufficient alternative resources available. The balance offset the unsupported borrowing used in 2007/08 and 2008/09.

Make use of unsupported borrowing within the framework of the Prudential Code where there is a sound business case approved by the Authority.

Mainly due to the level of capital receipts available in the year this was not required in 2009/10.

## **Provision of Financial Services - Effective management of budgets**

Maintain rigorous annual budgeting and budget monitoring processes.

Quarterly monitoring reports are presented to the Finance and General Purposes Committee. Service managers and budget holders receive monthly monitoring statements.

Maintain integrated accounting, budgetary and human resources systems.

The Authority uses 'SAP' (via Hampshire County Council's contract with the supplier) as its strategic software application (i.e. for financial systems including payroll). It is intended to exploit further the use of SAP integration to provide improved management information for Human Resources (including training), and some aspects of the procurement and property management functions.

## **Ensuring good practice and probity**

Apply sound financial regulations and associated financial procedures in support of good practice in financial administration and corporate governance.

Financial regulations are reviewed on a regular basis with the last review being implemented from 1 January 2009. They will remain current until changes are required as a result of changes in legislation or guidance. Part of the annual audit report and assurance statement refers specifically to the compliance with financial regulations and other procedures which comprise the control framework. The Scheme of Delegation to Officers is also kept under review with the last update having been made in February 2008.

Provide an effective and efficient internal audit function which works co-operatively with the service's external auditors.

The Audit Commission continues to rely on the work of internal audit and has commented favourably, in the annual management letter and governance report, on quality and professional standards achieved.

Recognise the statutory role of the Treasurer in ensuring lawful and financially prudent decision making.

No breaches of compliance occurred or reported on.

Report the internal audit strategy to the Governance Committee.

Reviewed and updated annually in advance of the financial year.

Present an annual internal audit assessment for the Service to the Governance Committee.

Annual internal audit report includes an assurance opinion to support the Annual Governance Statement.

Operate and develop ICT systems with enhanced provision of financial management information to users.

'SAP' software operates on the basis of local data entry and access to financial management reports for all budget holders and managers.

Comply with the Cipfa Code of Practice for Treasury Management.

Code complied with.

Comply with accounting and audit standards contained in the relevant codes of practice and Cipfa guidance.

All standards complied with.

### **Efficient and accessible processing of transactions**

Operate best practices in relationships with local contractors and suppliers, including payment of bills in line with the Government's prompt payment target.

The Government's target of 100% within 30 days is probably not realistic, but at 99% for the year, the Authority considers that it performs well. None-the-less, in light of the recessionary economic circumstances, the Authority has introduced a policy of paying local suppliers within 10 days where feasible. Average payment was 13 days.

Seek continuous improvement through "customer focus" in the delivering of financial services and support.

Regular reports and ad hoc support is given to budget holders. Members of finance team frequently involved at an early stage in providing advice in major projects.

Improve and extend the use of ICT in delivering financial support services to users.

Network now resilient. Station administrators given support from HQ finance team.

Ensure that financial systems are set up in a way which facilitates use of e-government and e-procurement.

E-focus user group considers and allocates pump-priming funds for new ICT developments.

Review the balance of in-house and contracted-out provision of financial services with the aim of achieving Best Value.

Best value review of Service level Agreements with Hampshire County Council was undertaken in 2007. Conclusion was that generally good value being obtained – more of a partnership arrangement. More benchmarking of costs has been undertaken (e.g. ICT services SOCITIM results).

Maintain a separate bank account for the Fire and Rescue Service irrespective of any contracted-out arrangements for financial administration.

Account maintained.