

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 5

14 January 2010

Budget Monitoring: 3rd Quarter 2009/10

Report by the Chief Officer and Treasurer

Contact: Paul Carey-Kent, Deputy Treasurer Telephone: 01962 847525
David Howells, Director of Corporate Services Telephone 023 8064 6834

1 Summary

1.1 Further savings of £561,000 have been identified in the last quarter. This brings the total projected underspend for 2009/10 to £938,000 (equivalent to 1.4% of the budget). It is recommended that £198,000 of this be carried forward to fund three information and communications technology (ICT) developments that will slip into 2010/11.

2 Recommendation

2.1 That the latest financial position for 2009/10 be noted, and that the proposed treatment of the projected underspend and changes to reserves be approved.

3 Revenue expenditure

3.1 The £938,000 projected underspend can be summarised as follows:

	£000
Underspend identified in the Quarter 2 report	-377
Support staff pay	-86
Net cost of pensions	-51
Uniforms	-80
Information and Communications Technology	-202
Operational equipment	-33
Additional income	-30
Interest payable	-64
Other minor areas of savings	-15
Total	-938

3.2 The latest position is detailed in Appendix A. The main variances can be summarised as follows:

Retained pay budget formula (no change)

- 3.3 There is no significant change in the projected outturn figure identified in the last quarter.
- 3.3 Only about 20% of this budget is now attributable to dealing with emergencies. So, it will no longer be determined solely by number of incidents attended.

Support staff pay (-£86,000 -0.8%)

- 3.4 Staff vacancies in the Human Resources and Corporate Services Directorates have resulted in savings of £86,000.

Operational equipment (-£33,000 3.8%)

- 3.5 An underspend of £33,000 is anticipated.

Information and Communications Technology (ICT) (-£202,000 -0.7%)

- 3.6 Work on three application developments were planned to be completed this year. The value of this work is about £198,000. For various reasons most of the work and expenditure will slip to next year. Because there is no specific provision for the developments in the 2010/11 base budget, it is recommended that this projected underspend should be carried forward. The developments are:

- Replacement of the vehicle fleet management information system estimated at £90,000. The system proposal is not likely to be approved by the Performance Review and Scrutiny Committee until February 2010 at the earliest. It is therefore most unlikely that any expenditure will be incurred in 2009/10.
- Fuel management system estimated at £80,000. A contract for the supply and implementation of the system has not yet been let. Again it is unlikely that any expenditure will be incurred in the current financial year.
- 'SAP' software optimisation. The Human Resources Department has a budget of £29,000 for this work. Only £1,000 has been spent in the current year. Some improvements to the system are expected to be made in 2010/11.

- 3.7 The cost of installing mobile data terminals (MDT's) in front-line vehicles is expected to cost £300,000. This can be covered from our share of an reward grant from the Hampshire Local Public Sector Agreement (LPSA2). The grant should be received in March 2010. This expenditure, and the anticipated grant, has not yet been included in the Appendix A.

Personal protective clothing (-£80,000 -11.9%)

- 3.8 Safety testing of some of our oldest fire helmets has been carried out. The suppliers have now advised that replacement - purely on the basis of the age of the helmets - is not necessary. We had previously anticipated that replacements would have been purchased over three financial years. So, £80,000 has also been removed from next year's base budget.

Interest (-£64,000 -15.4%)

- 3.9 A combination of lower interest rates and lower borrowing from the Public Works Loans Board means that interest payments are predicted to be £64,000 less than budgeted.

Income (-£30,000 -2.2%)

- 3.10 The winding up of the insurance mutual (FRAML) results in the return of £282,000 'paid up capital'. This is simply a balance sheet transfer and cannot be regarded as a tangible saving. We will, however, receive a £30,000 share of the operating surplus that FRAML generated in its seven months of providing cover. A small sum has had to be retained by FRAML for the final winding-up arrangements. So any remaining surplus, up to £10,000, will be returned in the next financial year.

4 Pensions (-£51,000 -13%)

- 4.1 This underspending is in the provision made for ill-health payments. The last monitoring report assumed the potential for up to five new ill-health retirements this year. However, there has been only one ill-health retirement so far this year. Also, there were none last year (which would ordinarily have generated costs this year). The provision for ill-health retirements has therefore been reduced to a sum that could reasonably cover up to three new ill-health retirements this year. The reduction in this budget is £51,000.

5 Reserves

Improvement and sustainability (I&S) reserve (-£176,000)

- 5.1 The Improvement and Sustainability reserve currently stands at £530,000. A top-up of £173,000 is required to reinstate it to the revised 2008/09 sum of £703,000 (this was Members' previously declared aim). A further contribution to the reserve of £223,000 in 2009/10 budget was previously approved. In total, this would increase the reserve to £926,000. However, as mentioned in the draft budget, it is now considered that a balance of £750,000 is sufficient. It is proposed that the balance (£176,000) should be added to the capital payments reserve.

The following projects could, if necessary, be funded from the Improvement and Sustainability reserve. None have costs continuing into 2010/11. However, given the overall underspend position, it is likely that the costs can be met from other budgets.

	2009/10 £
Retained duty management information system	75,000
Workforce strategic management information system	52,600
Consultancy costs for fleet management review	19,200
Beacon station awards	15,000
Total	161,800

Capital Payments Reserve (+£176,000)

- 5.2 This is the balance transferred from the Improvement and Sustainability reserve (see 5.1 above).

Capital grants reserve

- 5.3 As highlighted in the draft budget report, any LPSA2 grant received this year that is not required to fund the mobile data terminals can also be added to this reserve. At this stage, this assumption has not been made in Appendix A.

Equal pay reserve

- 5.4 Although not yet finalised, it is expected that the equal pay review will be settled in the current financial year. The costs will be contained within the £600,000 balance of the reserve.

General reserve (+£400,000)

- 5.5 This increase in the reserve is made up from the budgeted increase of £114,000, savings of £377,000 identified in the last quarter, plus a further £23,000 of savings from this quarter. This will increase the balance to £2m.

Earmarked underspendings carried forward (+£198,000)

- 5.6 This is the value of the ICT schemes described above (paragraph 3.6) where it is recommended that this sum be carried forward.

Unearmarked underspendings carried forward (+£340,000)

- 5.7 This represents the value of unearmarked savings that have been identified so far to be able to be carried forward to ease pressures in future years.

Reserves summary

5.8 This table summarises changes to the reserves and the general balance.

	Budgeted Level 1/4/09 £000	Actual level 1/4/09 £000	Shortfall to be added after final accounts £000	Budgeted addition 09/10 £000	Use in 09/10 £000	Adjusted as in this report £000	As at 31/3/09 £000
I&S reserve	703	530	+173	+223	0	-176	750
Equal pay	600	600	0	0	-600	0	0
Capital payments	750	750	0	0	-750	+176	176
General balance	1,600	1,486	+114	0	0	+400	2,000
Earmarked underspendings carried forward	0	0	0	0	0	+198	198
Unearmarked underspendings carried forward	0	0	0	0	0	+340	340
Total reserves and general balance 31 March 2010							<u>3,464</u>

6 Cashable efficiency gains

6.1 The Government's Comprehensive Spending Review (CSR07) requires the Authority to identify cashable efficiency gains of £1,055,000 in each year from 2008/09 to 2010/11. Efficiency gains achieved in 2008/09 were £2.2 million. The latest position for the next two years can be summarised as follows:

	2009/10 £	2010/11 £
Efficiency savings brought forward from Quarter 2	-1,272,000	-1,309,000
Reduction in referrals to Occupational Health consultants – this year only	-5,000	-
Total	<u>-1,277,000</u>	<u>-1,309,000</u>

6.2 The cashable efficiency gains identified to date total £1,277,000, of which £1,234,000 has been reinvested leaving a balance of £43,000. The reinvestments to date are:

	2009/10 £	2010/11 £
Reinvestments brought forward from quarter 2	1,229,000	1,259,000
Savings from the cycle scheme used to fund a secure cycle store	5,000	-
Total	1,234,000	1,259,000

7 Capital

- 7.1 There are no known changes to the capital programme since the report presented to the Authority last month.

8 Conclusion

- 8.1 It is pleasing to be able to report that the Service is making significant savings that can be used to ease the anticipated financial pressures in future years.

9 People Impact Assessment

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

10 Background papers

- 10.1 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 identified

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.