Hampshire Fire and Rescue Authority

8 December 2016 **Item 8**

Finance Update

Report by Chief Financial Officer and Chief Officer

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1. Introduction

1.1. This report is to provide an update to members of the current financial position for the 2016/17 Revenue Budget, an update on the 2017/18 budget setting process and to provide the Treasury Mid Year report.

1.2. The main points to note are:

- A current forecast underspend of £2.4m for 2016/17 as detailed in Appendix A, which it is proposed will be added to the Transformation Reserve.
- The assumption of 1.99% increase in precept for 2017/18 which gives rise to an anticipated budget surplus for the year.
- A Mid Year Treasury Management report attached at Appendix B, which shows that Treasury activity has been undertaken within the agreed strategy.
- The work being undertaken to progress further blue light collaboration and development of the Delivering Differently in Partnership project with the Isle of Wight Fire and Rescue Service.

2. Recommendations

2.1. That the Budget Monitoring position for 2016/17 is noted and the underspend be transferred to the Transformation Reserve.

2.2. To approve the proposal that any available surplus within the 2017/18 Budget be transferred to Capital Funding.

2.3. That the mid-year review of treasury management activities outlined in Appendix B be noted

2.4. To approve the inclusion of Call Handling within the Delivering Differently in Partnership project and give delegated Authority to the Chief Officer in consultation with the Clerk and Monitoring Officer to finalise all arrangements in respect of the transfer.

2.5. To approve initial funding of up to £250,000 from the Transformation Reserve to progress further blue light collaboration work and give delegated authority to the Chief Officer in consultation with the Chairman of the Authority and Chief

Financial Officer to commit these resources to future projects which will be retrospectively reported to Finance and General Purposes Committee.

3. 2016/17 Quarter 2 Budget Monitoring

3.1. The forecast outturn at the end of Quarter 2 shows an underspend of £2,411,000. The full position as at the end of Period 6 is summarised below. Major variances are highlighted in the table at Appendix A.

3.2. The main area of underspend is pay. This is a combination of vacancies across Firefighters and staff and a greater reduction in the cost of pensions than anticipated, with more Firefighters transferring to the lower cost 2015 scheme and a number not being a member of any pension scheme.

3.3. The majority of vacancies are being held in advance of the Service Delivery redesign changes, for which budget reductions will start from 2017/18. Posts are removed as Firefighters leave the organisation or move to alternative posts, which will reduce the impact in April when full implementation takes place.

3.4. There is currently significant work going ahead to improve services and reduce costs. This requires significant resource which has been funded from the Transformation Reserve. This reserve is reducing and it is therefore proposed that any underspend during 2016/17 be transferred to the Transformation Reserve to enable continued work on service improvement.

4. 2017/18 Forward Budget

4.1. An updated Medium Term Financial Plan (MTFP) was presented to F&GP in September 2016. This showed the Authority being in a good financial position, but with some challenges still ahead.

4.2. Since that date, further information has been received which will impact on future years'.

- Council Tax Base – increases to the Council Tax Base are not guaranteed and are therefore not built into the MTFP. However, figures have recently been released that show an increase for 2016/17 of around 1.5%, which increases funding by £609,000
- Pensions – Firefighter pension schemes have been subject to significant change over past years, with different schemes having different contribution rates. The result is that the cost of employer pension contributions has reduced more than anticipated and therefore £400,000 can be permanently removed from the budget.

4.3. It is therefore likely that the 2017/18 budget will be in surplus and it is proposed that any surplus available be included in the 2017/18 budget as a transfer to capital reserve, increasing the available funding for future improvement to the estate or other capital requirement.

4.4. A deficit is still expected for 2018/19 and future years, for which further efficiency savings will need to be found and a Phase 3 savings plan is already in place, together with planned increases in council tax, to achieve a balanced budget in those years.

5. Treasury Mid Year Report 2016/17

5.1. The Treasury Mid Year Report 2016/17 is attached as Appendix B for consideration. It shows that Treasury Management activity has been carried out in line with the agreed strategy and that all prudential indicators are within the limits that were set.

6. Delivering Differently in Partnership (DDiP)

6.1. Currently the Isle of Wight FRS are provided with a contracted Call Handling service by Surrey FRS. The contract is due for renewal at the beginning of next financial year and as part of the wider DDiP project, the intention was to look at the possibility of transferring the call handling to Hampshire’s Network Fire Control System

6.2. The Isle of Wight commissioned an independent study into the options for the provision of their call handling and this concluded that transfer to Hampshire was the most effective and efficient solution. The Isle of Wight have already made a formal decision to allow Hampshire to take on this service, but a decision is required from Hampshire to include this new element into the DDiP project.

6.3. Under normal circumstances, a decision such as this would be an operational decision taken by the Chief Officer, but given his role as joint Chief for both Hampshire and the Isle of Wight Fire and Rescue Services, it was felt appropriate to seek approval from the Authority and a specific delegation to the Chief Officer in this matter.

6.4. Both Authorities will make significant savings as a result of this change and for Hampshire a provisional sum of £200,000 of additional income has been included within the Phase 3 savings that have been developed.

6.5. There will be some other potential legal, IT, HR and finance implications of the transfer that still need to be worked through and this report seeks delegated authority for the Chief Officer in consultation with the Clerk and Monitoring Officer to finalise the arrangements in respect of the transfer. The arrangements made will be reported to the Finance and General Purposes Committee in due course.

7. Blue Light Collaboration

7.1. Hampshire is already recognised nationally as being at the forefront of blue light collaboration and work continues across the sector to explore new areas of collaboration that will improve outcomes for residents and generate efficiencies within the relevant organisations.

7.2. Hampshire Fire and Rescue Service, Hampshire Constabulary and South Central Ambulance have now established a separate forum to discuss operational collaboration opportunities. This is called the Hampshire Blue Light Executive meeting.

7.3. The most recent meeting considered a report that built on some initial exploratory work that had been carried out by senior officers in each of the organisations. It recommended that some dedicated work should be completed during the next 6 months, to look at further opportunities to work closer together. Given the scale and importance of the work it was felt that a dedicated senior Officer was appointed to lead the project and Stewart Adamson from HFRS was successful in gaining the temporary role at Director level.

7.4. Providing better outcomes for the public is the main aim of this operational collaboration. The future work will focus on this aim but it is anticipated that there will be opportunities for savings and efficiencies presented as a result of the work.

7.5. It is anticipated that as the programme develops, additional resources will be required to take forward identified opportunities, but clearly at this early stage it is not possible to identify the likely costs involved and therefore flexibility around the investment is needed to maximise the opportunities. In any event eventual costs will be shared with our blue light partners.

7.6. At this stage therefore initial investment up to a value of £250 000 is being requested from the Transformation Reserve, together with a delegation to the Chief Officer in consultation with the HFRA Chairman and the Chief Financial Officer to commit resources to appropriate projects within the £250,000 envelope.

7.7. A full report of detailed costs and outcomes will be presented to the F&GP Committee in a retrospective manner.

8. Risk Analysis

8.1. The Authority has an established process for planning ahead to meet financial targets. This has helped considerably in managing the reductions in Government grant as set out in this report.

8.2. The current savings programme has progressed according to plan but development and implementation of a new savings programme will need to be kept under review over the coming years.

8.3. There continues to be a real risk of a budget deficit in future years which will require reductions across the Service and increases in council tax. The Service has begun early planning to identify how a shortfall could be overcome, including examining other potential income sources. However, as a backstop position, the Authority has sufficient reserves to meet the gap thereby mitigating this risk.

9. People Impact Assessment

9.1. The proposals within this report are considered compatible with the provisions of the equality and human rights legislation.

10. Consultation

10.1. The Authority undertook a major consultation process during 2015 that sought residents and stakeholders' views about the proposed changes arising from the Risk Review as well as other issues around budgets and council tax levels.

11. Background Papers

11.1. 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

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

List of Appendices

Appendix A	2016/17 Budget Monitoring
Appendix B	Treasury Mid Year Report 2016/17