

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item 5

28 October 2010

Budget Monitoring: 2nd Quarter 2010/11

Report by the Chief Officer and Treasurer

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1 Summary

- 1.1 The second quarter's analysis of actual expenditure and that currently committed shows a forecast under spend of £299,000 against the last budget which was balanced. The main variations quarter by quarter may be summarised as follows:

	Q1 £'000	Q2 £'000
Wholetime pay and allowances	-500	
Retained pay and allowances	+250	
ICT	+100	
Operational equipment	+125	
Business rates		-76
Transport		+50
Unallocated inflation provision		-125
Pensions	+25	-148
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2 Recommendations

- 2.1 That the latest financial position for 2010/11 be accepted.
- 2.2 That it be recommended to the Authority that the Mid-year Treasury Management report set out in appendix B be approved.

3 Revenue expenditure

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

	Original budget £000	Projected outturn Q1 £000	Virements and eff. Gains/alln's £000	Projected outturn Q2 £000	Variance Q1 to Q2 £000
Wholetime firefighters pay	34,028	33,203	-43	33,160	
Retained firefighters pay	6,298	6,662	3	6,665	
Support staff pay	10,385	10,346	43	10,389	
Other employee costs including pensions	1,858	2,245	-18	2,079	-148
Premises costs	3,720	3,825	12	3,761	-76
Transport costs	2,417	2,420	-5	2,465	+50
ICT	3,236	3,829	-25	3,804	
Other expenditure	7,034	7,197	+130	7,202	-125
Income	-1,470	-1,978	-97	-2,075	
Contributions to reserves	654	411	0	411	
Total budget/projected outturn	68,160	68,160	0	67,861	-299

Green book pay award (support staff)

- 3.2 The green book pay award for 2010/11 has not yet been agreed. The 2010/11 budget includes provision for a 1% pay increase. A settlement that is 1% more or less than that assumed in the budget will cost or save £86,000 in this year's budget.

Grey book pay award (uniformed staff)

- 3.3 Agreement on the July 2010 grey book pay award has not been reached so far. The 2010/11 budget includes provision for a 1% pay award. A settlement that is 1% more or less than this will cost or save £310,000 this year. The Government has implemented a pay freeze for 2011/12 and 2012/13 for all employees earning over £21,000. Those earning under £21,000 will get a flat £250 pa increase.

Utilities, rents and rates (-£76,000, -4.2%)

- 3.4 When preparing the business rates budget for 2010/11 the worst case increase of 11.4% was estimated. The actual inflation on average is 2.5% resulting in a saving of £100,000.
- 3.5 The new Winchester Fire Station is expected to become rateable in December 2010. This will add £24,000 to this year's costs and £105,000 to next year's budget.

Transport (+£50,000, 2.7%)

- 3.6 The price of bio diesel fuel has increased during the last 12 months by 7%, which is 4% more than estimated in the budget. This explains £20,000 of the projected over spend.

- 3.7 The balance of the overspend of £30,000 is due to an increase in the use of Service vehicles either for operational or other business purposes. The mileage rates for staff car allowances increased at the beginning of the year by between 6% and 26% which it was estimated would have increased costs by £54,000 more than allowed for in the budget. However, by reducing the use of our staff's own cars, the increase in cost is being contained within the budget and it is not expected to overspend. Staff may be using Service vehicles more which has contributed to the increased expenditure in vehicle fuel.

Unallocated Inflation Contingency (-£125,000, -88%)

- 3.8 The unallocated inflation contingency has been used to meet the increased cost of operational equipment reported last quarter. This will reduce the balance available this year to £44,000.

Pensions (-£148,000, -14%)

- 3.9 The reason for this reduction is that it is now anticipated that the whole year's provision for ill health charges will not be required as, to date, there is just one possible charge that has been identified.

Shirley Towers incident

- 3.10 No costs have yet been paid to the two Fire Authorities assisting with the investigation. It is anticipated that these costs will be incurred and contained within this year's budget. They have not been reflected in Appendix 1 at this stage.

4 Reserves

Improvement and sustainability (I & S) reserve

- 4.1 The balance on the I & S reserve currently stands at £2,295,000. As reported in the first quarter, it is proposed to fund the following projects included in the projected outturn from this fund if there are insufficient underspendings elsewhere in the budget at outturn:

	2010/11	2011/12
	£	£
Contribution to the replacement computer Network to be repaid in following financial year	100,000	-100,000

- 4.2 At present the projected outturn would not require a contribution as £100,000 can be met from the original budget. However the FireWatch programme (formerly the Workforce Strategic Management Information (WSMI) project) will require a contribution of up to £1m from this reserve over the next five years, which will reduce the reserve to £1.3m unless alternative underspendings are found. A separate report on the FireWatch programme can be found elsewhere on the agenda.

4.3 The following table summarises movements in reserves and the general balance:

	Actual level 1/4/10 £000	Budgeted addition in year £000	Estimated use in year £000 *see paragraph 4.2	Estimated balance 31/3/11 £000
I&S reserve	2,295			2,295
Earmarked underspendings	441		-441	0
Capital Payments	926	+245		1,171
Grant reduction	340	+607		947
General Balance	2,000	0	0	2,000
	<u>6,002</u>	<u>+852</u>	<u>-441</u>	<u>6,413</u>

5 Cashable efficiency gains

5.1 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 identified to date total £3.5 million. Increases in efficiency gains implemented to date and reflected in the latest budget are as follows:

	2010/11 £	2011/12 £
Unallocated efficiency gains b/fwd	-142,000	-228,000
Firelink Radio – systems savings	-29,000	-29,000
VOIP – telephone rental and equipment savings	-54,000	-54,000
Training Centre manager redesignated green book post (net saving)	-21,000	-26,000
Database co-ordinator post deleted	-25,000	-25,000
Principal Fire Control officer post deleted	-60,000	-68,000
Young Firefighters association – equipment and running costs to be funded from partners	-8,000	-8,000
Fleet maintenance centre – 0.5 FTE technician post deleted	-11,000	-11,000
Head of project and programme management post deleted subject to the Staff review	-109,000	
Other savings	-4,000	-4,000
Savings in insurance premiums resulting from tendering with a consortium of other fire authorities	-175,000	0
Total	-638,000	-453,000

- 5.2 The unallocated cashable efficiency gains identified to date for 2010/11 total £638,000, of which £156,000 have been reinvested. This leaves a net underspend of £482,000 for 2010/11 and £327,000 for 2011/12.

Reinvestments to date are:

	2010/11	2011/12
	£	£
Young firefighters association – savings in running expenses to be used to fund two new associations in the New Forest and at Eastleigh.	8,000	8,000
Access to work	20,000	20,000
Blue Lamp Trust administrator – 12 months from September 2010	12,000	8,000
FireControl options appraisal project manager – new temporary post	30,000	52,000
New equipment for fire investigation team	5,000	0
Programme and project implementation manager subject to Staff Review	22,000	
Hydra data inputter – new temporary post	18,000	0
Regrade three WMA to WMB posts	8,000	8,000
IT related expenditure	27,000	27,000
Other allocations	6,000	3,000
Total	156,000	126,000

- 5.3 The Service will look to retain these underspendings to contribute to the overall forward position.

6 Capital

- 6.1 The only changes to the capital programme are those relating to the revised vehicle replacement programme which are set out in that report also on this agenda. Overall the costs remain broadly unchanged and can be accommodated within available capital resources.

7 Capital Receipts

- 7.1 No property sales have been completed this quarter and it is now believed unlikely that any will be completed in this financial year.

8 Mid-year Treasury Management report

- 8.1 Attached as Appendix B is the mid-year review of treasury management report. It is a new requirement of the CIPFA Treasury Management code to present this report to Members of the Authority for their approval. Members are asked to recommend to the Authority that the report be approved.

9 Conclusion

- 9.1 The savings of nearly £300,000 identified this quarter will help ease the pressure on this year's and future year's budgets.

10 People Impact Assessment

10.1 The proposals in 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.

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.