

Purpose: Decision

Date **12 JULY 2018**

Title **OUTTURN REPORT 2017/18**

Report of: Chief Financial Officer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

EXECUTIVE SUMMARY

1. The final year end position for 2017/18 is an underspend of £434,800 against budget. This is after having absorbed the significant overspend on the ICT Transformation project and a small overspend on Property Services that has already been reported during the year. These overspends have been offset by lower than budgeted employee costs as vacancies in the current structure are being held in preparation for the restructure for Service Delivery Redesign.
2. A carry forward request has been received from the Technical Services Department to allow them to carry forward £224,400 for the purchase of equipment that had been planned during 2017/18, but due to delays with the procurement process, this was not possible.
3. The carry forward request has provisionally been approved by the Chairman of the Authority due to the timing of this report, therefore leaving a net underspend of £210,400. This amount has been transferred to the Transformation Reserve, in line with current policy.
4. IT is continuing to enhance their service provision. Two elements of this, upgrading to Windows 10 and provision of Mobile Presentation Units (MPU) for training and service updates, will need additional one-off funding to cover implementation costs. Preparation for the Windows project will cost £10,000, with any further costs being assessed during this period. MPU provision is expected to cost £40,000 for full implementation.
5. It is proposed that these costs be funded from the 2017/18 underspend, with any additional requirements being reported back to the Authority for approval.
6. The opportunity is also taken in this report to provide a brief update to the Authority on the monitoring position for the first 2 months of 2018/19 and to provide an updated version of the Reserves Strategy which was first published back in 2013.
7. This report requests Members of the Authority to review the figures as laid out in the Appendices and recommends that the outturn report, including reserves and capital financing are approved, along with the annual treasury outturn for 2017/18.

BACKGROUND

8. This is an annual report which sets out the financial position at the end of 2017/18 as per the draft Statement of Accounts. Budget monitoring for the first two months of the current financial year is also included for information.

REVENUE EXPENDITURE 2017/18

9. The revenue outturn position is shown in functional and subjective summary at Appendix A.
10. Early savings have been made through the Service Delivery Redesign (SDR) Programme, with the pilots enabling the service to run with a number of vacancies against the current budget in order to reduce to the required level by March 2019.
11. There were vacant retained firefighter posts throughout the whole of 2017/18, which has resulted in an underspend of £348,800. However, significant effort has been put into recruitment and the numbers are now closer to the required level under the SDR structure.
12. These underspends have been offset by the ICT overspend that was reported to HFRA during the year and the subsequent investigations and proposed management actions were reported through to Standards and Governance Committee. This overspend is reflected partly in Staff costs and partly in Supplies and Services in the Appendix.
13. There has also been a slight overspend on premises, caused by additional costs for reactive maintenance. This is being addressed in the planned maintenance programme to avoid future uncontrollable spend and was reported to the Authority during the year.
14. Income has been higher than budgeted in a number of areas, with the highest increases coming from interest on balances, Technical Services collaborations and the use of our estate.
15. There has been an increase in the requirement for provisions of £521,000, which is explained further in section 21 below.
16. This spend also includes the £2.547m contribution to the capital payments reserve included within the original budget, plus an additional £76,000 for additional capital requirements agreed in year.

CAPITAL EXPENDITURE 2017/18

17. Capital payments during the year totalled £3.272m compared with the £5.992m forecast. A breakdown of the variances is given in Appendix B.
18. The capital payments have been financed from the following sources:

	£'000
Capital grants	39
Partner contributions	129
Capital receipts	0
Revenue contributions	76
Capital payments reserve	<u>3,028</u>
Total	<u>3,272</u>

19. The capital spend for 2017/18 is significantly lower than had been expected. This is mainly due to vehicles not being purchased as expected. The purchase of two Enhanced Capability and six First Response vehicles has been delayed in order to ensure that the specifications fulfil all the requirements of the SDR changes. There have also been delays on four Water Carriers due to an administration error by the supplier.
20. By using the above funding sources, the Authority has not had to use any unsupported borrowing this year.

CAPITAL EXPENDITURE 2018/19 to 2021/22

21. Appendix C provides an update to the capital programme for the coming years, including the latest forecast of spending requirements and timescales.
22. The Basingstoke Fire Station project is now complete and came in below the final approved budget set for the scheme. However, we have commissioned separate technical inspections of elements of the scheme which may require the contractor to carry out further works at their expense. Should this be the case, HFRA will incur some professional fees associated with the oversight and subsequent inspection of these works, which we cannot claim back from the contractor. These would need to be met from the Capital Payments Reserve and would retrospectively be reported to the Authority in the event that they are needed.
23. The other significant building project currently underway within the capital programme is phase 2 of the SHQ scheme. There have been a number of unforeseen problems with the groundworks which have resulted in delays and therefore increased costs, some of which will be subject to discussions with the contractor. At this stage it has therefore been necessary to utilise the contingency budget to cover these costs, but through value re-engineering other costs will be reduced in order to bring the overall cost in on target. The use of the contingency at this early stage does represent a risk to the project but should any further funding be required this will be the subject of a further report to the Authority.

TREASURY MANAGEMENT

24. The treasury management strategy approved by the Authority in February 2017 was followed throughout the year. All the limits and boundaries set were fully

complied with.

25. The year end report for Treasury Management is set out as Appendix E for Members' approval.

PROVISIONS

26. The following provisions have been adjusted in the 2017/18 financial year. The increase is met from the revenue budget (apart from Business Rate Appeals which is a technical adjustment) :

(a) **Provision for Uninsurable and other claims (+£14,000)**

This covers costs which may arise as a result of the Authority being uninsured for a period (the Authority's insurers went into liquidation some years ago), possible employment tribunals (together with their associated costs) and other claims made against the Authority. These cases may take a number of years to settle.

(b) **Provision for Pension Liabilities (+£290,000)**

This is a new provision to cover the cost of the pension liabilities relating to temporary promotions that have agreed to be funded by the Authority.

(c) **Provision for tax liabilities (-£26,000)**

The tax liability has now been paid in full. The provision was slightly higher than the final amount liable, therefore the remaining balance of £26,000 has been removed.

(d) **Provision for Business Rate Appeals (+£243,000)**

Business Rates are reviewed on a regular basis and can be increased or decreased, depending on various circumstances. This provision is to cover those changes, where HFRA (through the Billing Authorities) have unsuccessfully appealed against an increase or appealed for a decrease.

RESERVES AND GENERAL BALANCE

27. In recent years it has been normal practice to add any underspends to the Transformation reserve, as contributions are made to the Capital Payments reserve each year as part of the base budget. The net underspend of £210,700 has therefore been included within the closing balance of the Transformation reserve.

(a) **Capital and Revenue grants unapplied reserve**

There has been no movement in the Capital Grants Unapplied reserve, which remains with a zero balance.

Revenue grants totalling £2,197,000 have been received in 2017/18 and £2,112,000 of grants have been spent requiring a net contribution to the revenue grants unapplied reserve of £85,000. This is mainly due to the Home Office paying the New Dimensions grant for 2018/19 early.

(b) **Transformation Reserve**

The balance of the Transformation Reserve is £3.754m as at 31st March 2018, which takes into account the £434,800 net underspend during 2017/18.

- (c) The movements in these reserves and the general balance, including the proposed adjustments to reserves, can be summarised as follows;

Balance as at 1 April 2017	Used during the year	Additions in year	End of year addition	Balance as at 31 March 2018
£'000s	£'000s	£'000s	£'000s	£'000s
-31,067	5,964	-4,794	-435	-30,332

28. A breakdown by reserve is shown at Appendix D of this report and Appendix F provides an update of the Reserves Strategy that was first reported to the Authority in 2013. Given the continued focus on public sector reserves it was thought timely to provide a refresh of the strategy to the Authority.

BUDGET MONITORING 2018/19 – MONTH 2

29. The table below provides the latest forecast for the expected 2018/19 revenue spend. The current estimate is for an underspend of £1.7m.
30. The forecast for the service is primarily driven by lower spend against Wholetime firefighters. The SDR crewing trials are generating an early achievement of savings. £760,000 of this underspend has been approved by HFRA to be utilised for the implementation team, however it is currently uncertain how much of this will be required, therefore the full saving is being shown at this stage.
31. In addition to this there is also an underspend against Green book staff (£366,000) and Retained officers (£271,000), due to vacancies.
32. Transport is showing an adverse variance of £105,000 for firefighter mileage claims caused by the reimbursement of claims for those on temporary postings. This is based on current trend and does not account for any future planned reductions in temporary postings.

	Annual Budget	Actuals YTD	Outturn Forecast	Outturn Forecast Variance
	£000s	£000s	£000s	£000s
Total Pay Costs				
-Staff	9,973	1,666	9,566	(407)
-Agency Staff	7	16	48	41

-Retained Fire Fighters	6,360	935	6,089	(271)
-W/T Fire Fighter	31,897	4,997	30,554	(1,344)
Indirect Employee Expenses	2,579	1,326	2,536	(43)
Premises Related Expenditure	5,566	738	5,566	-
Transport Related Expenditure	1,785	353	1,890	105
Supplies and Services	6,971	1,321	7,009	38
Third Party Payments	2,132	(58)	2,152	20
Support Services	-			-
Total Expenditure	67,271	11,294	65,409	(1,862)
Income	(2,873)	(1,774)	(2,730)	143
Net Current Expenditure	64,398	9,520	62,679	(1,719)

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

33. Ensuring that funding is appropriately accounted for is vital for all public sector organisations. Budget management during 2017/18 has allowed an underspend to be achieved at year end which will help to fund the Service priorities and enable the key changes required to make budget reductions at the same time as service improvements.

CONSULTATION

34. No consultation is required for this report as it is based on historic information and is a purely factual document. The information contained within this report will be verified by our external auditors.

RESOURCE IMPLICATIONS

35. This report generally reflects the financial position for the previous financial year and does not contain any requests which would effect the future financial position, other than the requests for carry forwards of expenditure of £224,400.

LEGAL IMPLICATIONS

36. It is a legal requirement that the Statement of Accounts be approved and signed by external audit. This is expected to take place in July once the full review of the accounts has taken place and in line with the earlier timetable for publication introduced this year.

PEOPLE IMPACT ASSESSMENT

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

RISK ANALYSIS

38. This report sets out the draft outturn position, prior to the full audit of the accounts being completed. If any significant errors are uncovered by the auditors, these will be referred back to the Authority.

CONCLUSION

39. It is requested that the Authority review and approve the financial position for the year ended 31st March 2018 as detailed in this report.

RECOMMENDATION

40. That the accounts for 2017/18, including the use of reserves set out in paragraph 22, and Appendix D of this report be approved by Hampshire Fire and Rescue Authority
41. That the carry forward requested in paragraph 2 of this report be approved
42. That the request that funding be taken from the 2017/18 underspend to cover one-off IT spend as set out in paragraph 4 of this report be approved.
43. That the changes to the capital payments in 2017/18 and the impact on the capital spend profile going forward as set out in Appendices B & C be approved by Hampshire Fire and Rescue Authority
44. That the financing for capital payments as set out in paragraph 18 be approved by Hampshire Fire and Rescue Authority
45. That the annual treasury outturn report set out in Appendix E of this report be approved by Hampshire Fire and Rescue Authority
46. That the refresh of the Reserves Strategy detailed in Appendix F is approved by Hampshire Fire and Rescue Authority.

APPENDICES ATTACHED

47. Appendix A – Revenue Outturn 2017/18
Appendix B – Capital Outturn 2017/18
Appendix C – Capital Forecast to 2021/22
Appendix D – Reserves
Appendix E – Treasury Management Outturn 2017/18
Appendix F – Reserves Strategy

Contact:

Rob Carr, Chief Finance Officer

Rob.Carr@hants.gov.uk

01962 847508