

Purpose: Approval

Date 17 July 2019

Title **OUTTURN REPORT 2018/19**

Report of: Chief Financial Officer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

EXECUTIVE SUMMARY

1. The final year end position for 2018/19 is an underspend of £3.109m against budget. This is due to the lower than budgeted employee costs, as vacancies in the current structure are being held in preparation for the restructure for Service Delivery Redesign.
2. 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 2018/19.

BACKGROUND

3. This is an annual report which sets out the financial position at the end of 2018/19 as per the draft Statement of Accounts.

REVENUE EXPENDITURE 2018/19

4. The revenue outturn position is shown in functional and subjective summary at **Appendix A**.
5. The underspend can broadly be broken down into 3 main elements. These are:
 - (a) Early achievement of savings - wholtime firefighters - £1.522m
 - (b) Excess pay inflation provision - £1.125m
 - (c) Underlying underspend - £0.462m
6. Early savings have been made through the Service Delivery Redesign (SDR) Programme, with changes to the structure being made on Station as they are ready. This has enabled the service to run with a number of vacancies against the current budget in order to reduce to the required level by March 2019.
7. Pay inflation was budgeted as per the agreed Medium Term Financial Plan (MTFP) levels. However, there were significant time delays on the pay awards being confirmed and the increases were lower than had been expected.
8. There have been a number of vacant retained firefighter posts during the year, although far fewer than in previous years due to the reduction in establishment and the drive to recruit more RDS Officers. However, the cost for RDS as a whole is over budget for 2018/19 due to the high number of fires during the very dry summer, plus the Ocado fire in February 2019, resulting in much higher levels of call-out and overtime payments than expected.

9. The underspends on staffing have been partially offset by an overspend on premises. This has been caused by the high level of reactive maintenance that has been required during the year. This has been managed as far as possible by reducing other planned works, however this has also been balanced against the false economy of not maintaining buildings which will then cost more in future years. This spend pressure was recognised early in the year and additional budget has been provided in 2019/2020 to allow for the required works to be carried out.
10. Additional partnership work within the Transport Department has caused a higher than budget spend. This has been partially offset by additional income from the partner organisations.
11. 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.
12. There has been an increase in the requirement for provisions of £55,000, which is explained further in Section 21 below.
13. This spend also includes the £3.699m contribution to the capital payments reserve included within the original budget.

CAPITAL EXPENDITURE 2018/19

14. Capital payments during the year totalled £5.200m compared with the £5.257m forecast. A breakdown of the variances is given in **Appendix B**.
15. The capital payments have been financed from the following sources:

	£'000
Capital grants	0
Partner contributions	500
Capital receipts	1,500
Revenue contributions	0
Capital payments reserve	<u>3,200</u>
Total	<u>5,200</u>

16. The capital spend for 2018/2019 is significantly lower than had been planned at the start of the year. This is mainly due to vehicle specifications for SDR not being finalised and therefore delays to purchasing.
17. By using the above funding sources, the Authority has not had to use any unsupported borrowing this year.

CAPITAL EXPENDITURE 2019/2020 to 2021/2022

18. **Appendix C** provides an update to the capital programme for the coming years, including the latest forecast of spending requirements and timescales.
19. Although Basingstoke Fire Station is complete and in operation, there are issues with the drainage which need to be rectified. This work will be carried out at the contractor's expense, however, some professional fees may need to be covered by HFRS, therefore the final settlement will now not be confirmed until 2019/2020.
20. The spend on Phase 2 of SHQ has gone over budget for the year and Appendix C shows that the overall project is expected to be overspent by £260,000, which will need to be met from the Capital Payments Reserve. This is due to furniture from Phase 1, which was purchased by Hampshire Constabulary but not invoiced at the time. The costs now have to be included in the Phase 2 project, although there was no budget available as this was not part of the original project plan.
21. **Appendix D** of this report provides details of the proposed funding for the future capital expenditure programme.

TREASURY MANAGEMENT

22. The treasury management strategy approved by the Authority in February 2018 was followed throughout the year. All the limits and boundaries set were fully complied with.
23. The year end report for Treasury Management is set out as **Appendix F** for Members' approval.

PROVISIONS

24. The following provisions have been adjusted in the 2018/2019 financial year. The increase is met from the revenue budget:
 - (a) **Provision for Uninsurable and other claims (-£31,000)**

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 (-£85,000)**

This provision is to cover the cost of the pension liabilities relating to temporary promotions that have agreed to be funded by the Authority. A number of these have been resolved during 2018/2019, which has led to a reduction in the level of provision required.
 - (c) **Provision for Business Rate Appeals (+£171,000)**

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

25. 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 £3.109m 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 £464,000 have been received in 2018/2019 and £467,000 of grants have been spent giving a net reduction to the revenue grants unapplied reserve of £3,000.

(b) **Transformation Reserve**

The balance of the Transformation Reserve is £3.598m as at 31 March 2019, which takes into account the £3.109 net underspend during 2018/2019.

(c) **Capital Payments Reserve**

Payments of £3.875m have been made from the Capital Payments Reserve, which leaves a balance of £23.090m as at 31st March 2019.

(d) 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 2018	Used during the year	Additions in year	End of year addition	Balance as at 31 March 2019
£'000s	£'000s	£'000s	£'000s	£'000s
-30,332	7,759	-4,694	-3,109	-30,377

26. A breakdown by reserve is shown at **Appendix E** of this report.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

27. Ensuring that funding is appropriately accounted for is vital for all public sector organisations. Budget management during 2018/2019 has allowed a significant 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

28. 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

29. This report generally reflects the financial position for the previous financial year and does not contain any requests which would affect the future financial position, other than the transfer of the underspend into the Transformation Reserve, providing for future funding needs.

LEGAL IMPLICATIONS

30. 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

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

OPTIONS

32. There are no options for consideration in this report.

RISK ANALYSIS

33. This report sets of 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

34. It is requested that the Authority review and approve the financial position for the year ended 31 March 2019 as detailed in this report.

RECOMMENDATIONS

35. That the accounts for 2018/19, including the use of reserves set out in paragraph 25 and **Appendix E** of this report be approved by Hampshire Fire and Rescue Authority.
36. That the changes to the capital payments reserve in 2018/19 and the impact on the capital spend profile going forward as set out in **Appendices B, C & D** be approved by Hampshire Fire and Rescue Authority.
37. That the financing for capital payments as set out in paragraph 15 be approved by Hampshire Fire and Rescue Authority.
38. That the annual treasury outturn report set out in **Appendix F** of this report be approved by Hampshire Fire and Rescue Authority.

APPENDICES ATTACHED

- Appendix A – Revenue Outturn 2018/19
- Appendix B – Capital Outturn 2018/19
- Appendix C – Capital Forecast to 2021/22
- Appendix D – Capital Funding to 2021/22
- Appendix E – Reserves
- Appendix F – Treasury Management Outturn 2018/19

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