



Purpose: Approval

Date **22 JULY 2020**

Title **OUTTURN REPORT 2019/20**

Report of: Chief Financial Officer

SUMMARY

1. The final year end position for 2019/20 is an underspend of £0.912m against budget. Carry forward requests totalling £0.763m have been put forward, and provisionally agreed by the Chairman of the Fire Authority, which would leave a balance of £0.149m to be transferred to reserves.
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 carry forwards, reserves and capital financing are approved, along with the annual treasury outturn for 2019/20.

BACKGROUND

3. This is an annual report which sets out the financial position at the end of 2019/20 as per the draft Statement of Accounts.
4. The Covid-19 pandemic started right at the end of the 2019/20 financial year and as such there is no direct impact on the finances of the authority reflected in the figures presented in this report.

REVENUE EXPENDITURE 2019/20

5. The revenue outturn position is shown in functional and subjective summary at Appendix A.
6. Within the overall outturn position there are a number of variances to budget which can broadly be broken down into 3 main elements. These are:
 - (a) Overspend on operational budgets - £1.936m
 - (b) Underspends across non-operational budgets – (£1.594m)
 - (c) Underspends against central budgets – (£1.254m)

7. The overspend on operational budgets is due to a number of factors. The most significant are the cost of the RDS Support Officers (£492,000), which were unbudgeted but remained in post for the full year as there was a need to continue to push for recruitment and retention of Retained Duties Firefighters.
8. In addition, there was a recruits' intake (£335,000), for which salaries were unbudgeted. Crewing at Southsea Station was overspent by £324,000 as a result of a delay in the acquisition of new vehicles which prevented the introduction of the new crewing model. The remainder of the overspend is made up of PPE requirements and reduced levels of income.
9. It is pleasing to note that the majority of these overspends were known about in year and decisions were taken to meet the costs from savings declared elsewhere. Furthermore, all these areas of concern are being addressed and action put in place to prevent further overspending in 2020/21, albeit separate provision will need to be made for any further recruitment exercises planned to take place next year.
10. Underspends across non-operational areas were largely due to vacant posts across the service as a whole. This is partly due to the restructuring across the Service in the early part of the year, which then required recruitment to take place in order to fill the roles.
11. Underspends against central budgets were mainly as a result of unused pay allowances and additional grant received from the Government in respect of pension costs following the increase in contribution rates notified previously.
12. The outturn balance also includes £3.905m contribution to the Capital Payments Reserve, £1.474m contribution to the Transformation Reserve and £0.344m net contribution to the Equipment Reserve in line with the Medium Term Financial Plan.

CARRY FORWARD REQUESTS

13. Requests have been received from Property Services and ICT Services to carry forward budget allocated in 2019/20 for work which was unable to be completed in the year. These are:
 - (a) Alteration and improvement works (£706,000) – this work could not be completed in year due to staffing vacancies and other significant delays. This work still needs to be carried out and will take place in 2020/21 providing the funding is made available.
 - (b) Firewall replacement (£45,000) – this is essential work for ICT security and was scheduled to be completed in late 2019/20 but was delayed due to COVID-19.
 - (c) Lifecycle device management (£12,000) - this is essential work for operational efficiency and was scheduled to be completed in late 2019/20 but was delayed due to COVID-19.
14. These carry forward requests were provisionally agreed by the Chairman of the HFRA in May to enable activity in these areas to continue and have therefore

been reflected in the Statement of Accounts and the figures quoted within this report.

CAPITAL EXPENDITURE 2019/20

15. Capital payments during the year totalled £2.629m compared with the £8.088m forecast. A breakdown of the expenditure against plan is given in Appendix B.
16. The capital payments have been financed from the following sources:

	£'000
Capital grants	0
Partner contributions	0
Capital receipts	124
Revenue contributions	0
Capital payments reserve	<u>2,505</u>
Total	<u>2,629</u>

17. The capital spend for 2019/20 is significantly lower than had been expected. The main reason for this is that payment for the replacement Fire Training Facility being delayed. A lump sum payment had been expected for this, but it is now planned to phase the payments over 2020/21 and 2021/22.
18. There have also been further delays on some vehicle purchases, however contracts are now in place to allow improved forward planning which should avoid delays in future.
19. By using the above funding sources, the Authority has not had to use any unsupported borrowing this year, in line with the agreed funding strategy.

CAPITAL EXPENDITURE 2020/21 to 2024/25

20. Appendix C provides an update to the capital programme for the coming years, including the latest forecast of spending requirements and funding sources.
21. Although Basingstoke Fire Station is complete and in operation, there are issues with the drainage which need to be rectified. This has taken a long time to resolve, but the work will now take place in 2020/21, along with some other minor works which are best completed whilst the contractor is on site. This work will be contained within the approved budget for the project.
22. Work on SHQ Phase 2 was also completed some time ago, however significant negotiations were required with the contractor to agree the final cost. This has now been confirmed and is in line with the latest approved budget.

PROVISIONS

23. The following provisions have been adjusted in the 2019/20 financial year. The increase is met from the revenue budget:

(a) **Provision for Uninsurable and other claims (-£30,000)**

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 (-£2,000)**

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

(c) **Provision for Business Rate Appeals (+£59,000)**

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

24. 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 £149,000 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 £1.657m have been received in 2019/20 and £0.734m of grants have been spent giving a net increase to the revenue grants unapplied reserve of £0.923m.

(b) **Transformation Reserve**

The balance of the Transformation Reserve is £2.243m as at 31st March 2020, which takes into account the £0.149m net underspend during 2019/20.

(c) **Capital Payments Reserve**

Payments of £4.014m have been made from the Capital Payments Reserve, along with a budget contribution to the reserve of £3.905m. This leaves a balance of £22.981m as at 31st March 2020.

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 2019 £'000s	Used during the year £'000s	Additions in year £'000s	End of year addition £'000s	Balance as at 31 March 2020 £'000s
-30,379	7,801	-8,593	-149	-31,320

25. A breakdown by reserve is shown at Appendix D of this report. Whilst the value of reserves is significant it must be seen in the context that the Authority also has outstanding long term debt totalling £8.25m which is due to be paid off over the next 17 years.

TREASURY MANAGEMENT

26. The Treasury Management Strategy approved by the Authority in February 2019 was followed throughout the year. All the limits and boundaries set were fully complied with.
27. The year end report for Treasury Management is set out as Appendix E for Members' approval.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

28. Ensuring that funding is appropriately accounted for is vital for all public sector organisations. Budget management during 2019/20 has allowed an underspend to be achieved in year, even following the full implementation of Service Delivery Redesign and the significant savings that were achieved as part of that restructure.

CONSULTATION

29. 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

30. 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 carry forward requests and the transfer of the underspend into the Transformation Reserve, providing for future funding needs.

LEGAL IMPLICATIONS

31. It is a legal requirement that the Statement of Accounts be approved and signed by external audit. This is now expected to take place in September once the full review of the accounts has taken place. This is in line with the revised timetable for later publication this year due to COVID-19.

PEOPLE IMPACT ASSESSMENT

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

OPTIONS

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

RISK ANALYSIS

34. 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

35. It is requested that the Authority review and approve the financial position for the year ended 31st March 2020 as detailed in this report.

RECOMMENDATION

36. That the accounts for 2019/20, including the use of reserves set out in paragraph 24 and Appendix D of this report be approved by Hampshire Fire and Rescue Authority
37. That the carry forward requests totalling £763,000 as set out in paragraph 13 of this report be approved by Hampshire Fire and Rescue Authority.
38. That the changes to the capital payments reserve in 2019/20 and the impact on the capital spend profile going forward as set out in Appendices B and C be approved by Hampshire Fire and Rescue Authority
39. That the financing for capital payments as set out in paragraph 16 be approved by Hampshire Fire and Rescue Authority
40. That the annual treasury outturn report set out in Appendix E of this report be approved by Hampshire Fire and Rescue Authority

APPENDICES ATTACHED

41. Appendix A – Revenue Outturn 2019/20
Appendix B – Capital Outturn 2019/20
Appendix C – Capital Forecast to 2024/25
Appendix D – Reserves
Appendix E – Treasury Management Outturn 2019/20

Contact:

Rob Carr, Chief Finance Officer

Rob.Carr@hants.gov.uk

01962 847508