

10. Financial Results 2009-10

Purpose of report

1. To brief the Authority on financial results for the year ended 31 March 2010.
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Recommendations

The Treasurer recommends that the Authority:

- i) notes the financial results for 2009-10;*
- ii) notes that the Audit Committee will consider the annual Statement of Accounts in detail; and*
- iii) notes the Treasury Management position.*

Introduction

2. Although financial matters sit within the terms of reference of the Budget Committee, this Committee does not meet until 29 July 2010, and it is established practice to bring a report on the 2009-10 financial results to Members at this earlier opportunity.
3. Detailed budget monitoring reports have been presented to the Budget Committee throughout the year, and progress on major projects, including capital schemes, is also monitored by the Best Value, Policy and Performance Committee. This monitoring process will be maintained during 2010-11.

Use of Revenue Resources

4. The approved budget for 2009-10 was £30.451m. This is made up and funded as below:

	£m
Net Expenditure on Services	31.672
Special Grants	- 1.144
Transfers from Earmarked Reserves	- 0.077
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	30.451

	£m
Business Rates	8.560
Revenue Support Grant	1.976
Council Tax-payers - Precept	<hr/>
	19.915
	<hr/>
	30.451

5. The Budget Committee has received regular reporting on the budget position and in February it was expected that an additional £0.124m could be added to reserves. Since February the final results show that it will now be possible to add £0.033m to balances.
6. The reasons for the change in additions to balances are given in the table below:

		£m	£m
Forecast Variation			-0.124
Higher Legal Services charges			0.029
Higher Ill Health retirement charges			0.030
			-0.065
<u>Adverse Variances</u>			
Property	gas/electricity prices, sewerage rates and unplanned maintenance	0.211	
Fleet	fuel prices	0.065	
		0.276	
<u>Managed Compensating Underspending:</u>			
RMB Costs and other savings		-0.081	
Tele-communications	backdated contract savings	-0.069	
Capital Finance	phasing of major building schemes	-0.056	
Insurance Premiums		-0.020	
Misc Net Other		-0.018	
		-0.244	0.032
Out-turn Variation			-0.033

7. The February meeting of the FRA was advised that the projected out-turn would leave General Balances at around £1.3m, as a result of the final out-turn the actual figure will be £1.180m. This represents 3.8% of the 2010-11 Core Budget and compares with 4.1% expected in the Medium Term Financial Plan (MTFP). There should be an addition to balances of £0.271m in 2010/11 bringing the figure up to 4.7% of the 2010-11 Core Budget.
8. In addition £1.194m is held in earmarked reserves for specific purposes. The table below details the balance at 31 March 2010:

	£m
Urban Search & Rescue Reserve	0.358
New Dimensions HVP/ECU Reserve	0.248
Pensions Reserve	0.167
New Burdens (Fire Control) Reserve	0.130
Training Reserve	0.083
ICP-Workwear Reserve	0.060
Relocation Reserve	0.045
LPSA Reward Grant Reserve	0.033
New Dimensions Training Reserve	0.030
Environment Agency Grant Reserve	0.022
RDS Implementation Reserve	0.018
	1.194

9. The NJC are currently negotiating with representatives of RDS personnel in respect of the Unfair Treatment of Part-Time workers ruling. This is not yet resolved, but if it results in additional costs they may fall to be met from general balances.

Use of Capital Resources

10. As Members are aware a distinction is made between the
- Capital Strategy - representing the overall funding provided within the budget; and
 - Capital Budget - representing the amount which has been authorised to be expended.
11. For example, this allows financial provision to be made for major building works, but which are not authorised until the Budget Committee has approved an individual business case.
12. The Fire and Rescue Authority had an approved Capital Strategy of £5.709m for 2009-10 of which £3.945m was allocated to the Capital Budget. Expenditure of £2.968m (75%) has been incurred, a net underspending of £0.977m. Details of the variation are shown below:

	£m
Minor Schemes Slippage	-0.173
Phasing - Routine Vehicle Replacements	-0.596
Additional Costs - CARP	0.123
ex-Primary Lease Pumps	0.154
Ops Logistics Building Retention	0.018
Pebworth - phasing	-0.453
Kidderminster - phasing	-0.050
Variation from Allocated Budget	-0.977

13. The difference between the Capital Strategy and the approved Budget, £1.764m, is due to the provision for Major Building Schemes not yet being required.
14. It is proposed that the sums described in the table above are slipped and added to the 2010-11 budget.
15. The CFO and Management Team will be undertaking a major review of capital priorities in the next few weeks.

The Role of the Audit Committee

16. On 30 June the Audit Committee will meet to approve the statutory Annual Statement of Accounts for 2009-10.

17. The Accounts are prepared in accordance with the Accounting Code of Practice, and in doing so show the true economic costs of providing the Service. This differs significantly from the statutory basis on which the budget, grant and precept are prepared.
18. For statutory, precept and grant setting purposes there is a small surplus of £0.033m on the Revenue Account. However, the Income and Expenditure account, prepared under the Accounting Code of Practice will show an accounting deficit of £11.740m. This figure reconciles back to the Council Tax decision, by adjusting for the items
 - required to be charged for the Code of Practice, but not permitted for council tax purposes
 - required to be charged for statutory council tax purposes, but not included within the Code of practice.
19. The table below summarises the position:

	£m	£m
Accounting deficit from Statement of Accounts		11.740
<u>Less items not permitted by statute</u>		
Adjustments relating to Pensions	-15.832	
Net Depreciation/Impairment	-4.623	
Share of Council Tax		
Surpluses	0.066	-20.389
<u>Plus items required by statute</u>		
Direct Pensions contributions etc	7.874	
Transfer from earmarked reserves	-0.128	
Minimum Revenue Provision	0.780	
Revenue Financing of Capital	0.090	8.616
Statutory Council Tax Surplus		-0.033

20. The statutory Annual Statement of Accounts reflects the potential outlay of £0.538 million over the next five years relating to the retirement of the previous Chief Fire Officer. It should be borne in mind that this is a provisional sum and the matter has yet to be determined. This sum is offset by a provision for a potentially equivalent contribution over the same period being made available by the two constituent councils. These matters arose in 2009/10 and are being concluded but should be recognised in the Accounts as early as possible.

Treasury Management

21. The FRA invests surplus cash with Worcestershire County Council under a Treasury Management agreement. In return for receiving interest payments at the average rate achieved by WCC the FRA shares risk proportionate to the relative size of their cash balances.

22. To assure Members that FRA funds are not put at undue risk, the following points are relevant:
- WCC complies with the CIPFA Code of Practice on Treasury Management;
 - The practical arrangements mean that FRA funds are put at no greater risk than those of WCC;
 - In the current climate, WCC has adopted a prudent approach to investment, considering the security of taxpayers' funds to have a higher priority than maximising returns. This policy has been endorsed by the FRA Budget Committee; and
 - Current policy is to deposit only with the Bank of England.
23. A consequence of this, and the current market conditions, is that the rate of interest received averages less than 0.5%.

Background papers:

None

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