

11. Provisional Financial Results 2010/11

Purpose of report

1. To brief the Authority on the provisional financial results for the year ended 31 March 2011.
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Recommendations

The Policy and Resources Committee recommends that the Authority:

- i) Notes the provisional financial results for 2010/11;***
- ii) Approves the re-phasing of capital budgets from 2010/11 to 2011/12;***
- iii) Approves the use of revenue resources as suggested in the Report; and***
- iv) Notes that the Audit Committee will consider the annual Statement of Accounts in detail.***

Introduction and Background

2. The recent change to the Authority's Committee structure now allows a report, on financial results, to be brought to the appropriate Committee in advance of the next full Authority meeting.
3. Detailed budget monitoring reports have been presented to the Policy and Resources Committee throughout the year, and Members will be aware that officers have been very active in seeking to minimise expenditure in anticipation of the very tight financial settlement.
4. The detailed Statement of Accounts will be presented to the Audit Committee for detailed scrutiny in due course, but the provisional results (subject to Audit) are provided here.

Use of Revenue Resources

5. The approved budget for 2010/11 was £31.395m.
6. In the last monitoring report presented to this Committee, in March 2011, the net underspending expected to be transferred to the Organisational Development Reserve was £0.495m.

7. The make up and funding of the budget is shown below:

| | £m |
|------------------------------------|---------------|
| Net Expenditure on Services | 31.123 |
| less: expected under-spending | - 0.495 |
| | 30.628 |
| Strengthening General Reserves | 0.272 |
| Organisational Development Reserve | 0.495 |
| | 31.395 |

| | £m | % |
|-----------------------|---------------|-------------|
| Council Tax | 20.727 | 66% |
| Business Rates | 9.315 | 30% |
| Revenue Support Grant | 1.353 | 4% |
| | 31.395 | 100% |

8. Since the date of the March projection, budget holders have continued to minimise expenditure and the out-turn position, detailed in Appendix 1 shows a significant further underspending.
9. For information the Appendix also shows where there are changes from the previous forecast (the Revised Budget).
10. The net underspending of £1.040m represents 3.3% of the budget, but should be considered as part of the Service preparation for the implications of the significant budget gaps contained in the Medium Term Financial Strategy 2011-12 to 2013-14.
11. As Members will be aware, from the revised Medium Term Financial Strategy approved in February 2011, whilst the immediate position is not quite so severe the future position is potentially significantly worse.
12. The existing approval is that the underspending is transferred to a Development Reserve to be used for capacity building and other invest to save measures to help prepare for the future financial position.
13. However, given the size of the final position it is suggested that this decision is amended to place some of the monies into an Operational Activity Reserve (to meet any staff costs arising from spare conditions) and the balance into general reserves.

| | £m |
|------------------------------|--------------|
| Development Reserve | 0.550 |
| Operational Activity Reserve | 0.300 |
| General Reserve | 0.190 |
| | 1.040 |

14. As the out-turn is still provisional and subject to Audit it is suggested that any variation is made in the General Reserves figure.
15. The transfer to General Reserves will increase them from around 3.7% of budget to around 4.3%, which is still not extreme. (The recent Audit Commission VFM tool-kit shows an average figure for FRA at 31 March 2010 was 8%).

Use of Capital Resources

16. As Members will be aware a distinction is made between:
 - Capital Strategy – representing the overall funding provided within the budget.
 - Capital Budget – representing the amount which has been authorised to be spent.
17. The Capital Strategy is split into 3 main blocks:
 - Vehicle renewal.
 - Major Building Works.
 - Minor Schemes – for which detailed allocation is made by the service Senior Management Board (SMB).
18. The Capital Strategy for 2010-11 was approved as below:

| | | £m |
|--------------------------------|------------------------|--------------|
| FRA - Feb 2010 | 2010-11 Strategy | 3.980 |
| FRA - Jun 2010 | Re-phased from 2009-10 | 3.050 |
| | | 7.030 |
| USAR Retentions | from USAR Reserve | 0.033 |
| ex Lease Pumps | from Lease provision | 0.132 |
| Vehicle replacement | from Lease provision | 0.324 |
| Software | Revenue Contribution | 0.005 |
| Capital Strategy | | 7.524 |
| not allocated to budget (IRMP) | | - 4.134 |
| Capital Budget | | 3.390 |

19. Of the £3.390m capital budget £2.714m (80%) has been expended, giving an underspend of £0.676m. This is partially due to the pause caused by the re-assessment of priorities following the appointment of a new Chief Fire Officer and the same caution on spending exhibited in the Revenue Budget.
20. It has previously been reported that the revenue cost of small overspendings on vehicle schemes and Betony Road retentions totalling £0.059m will be contained within the future revenue budget; it is therefore proposed to re-phase the remaining unspent balances of £4.869m into 2011-12 (including the un-allocated strategy).
21. This will not have a detrimental effect on the future revenue budget, as provision for financing costs has been made assuming the capital expenditure had been made in 2010/11.

Role of the Audit Committee

22. As a result of major changes to the accounting arrangements; i.e. the implementation of International Financial Reporting Standards (IFRS) and changes to arrangements under the Accounts and Audit Regulations 2011 (issued 31 March 2011); the Audit Committee will not be asked to approve the Statement of Accounts until the Audit is completed in September.
23. The Accounts will be prepared in accordance with IFRS and will show the true economic cost of providing the service. This will differ significantly from the position shown by this report, which is prepared on the statutory basis on which the budget, grant and precept are prepared, and to which Members are accountable for managing.
24. This is because there are some significant items:
- Those which are required to be charged by statute, but are not permitted under IFRS.
 - Those which are required to be charged under IFRS but not allowed by statute.
25. The Statement of Accounts will reconcile these differences and the Audit Committee will scrutinise this reconciliation as well as the Accounts themselves.

Financial Considerations

| Consideration | Yes/No | Reference in Report i.e. paragraph no. |
|---|--------|---|
| There are financial issues that require consideration | Yes | Statutory review of financial position |

Legal Considerations

| Consideration | Yes/No | Reference in Report i.e. paragraph no. |
|---|--------|---|
| There are legal issues e.g. contractual and procurement, reputational issues that require consideration | No | See Financials above |

Additional Considerations

26. The table below sets out any additional issues arising from the proposals contained in this report and identifies the relevant paragraphs in the report where such issues are addressed.

| Consideration | Yes/No | Reference in Report i.e. paragraph no. |
|--|--------|---|
| Resources (e.g. Assets, ICT, Human Resources, Training & Development, Sustainability). | No | |
| Strategic Policy Links (e.g. IRMP, Authority Plan, Equality & Diversity, Partnerships, Environmental Impact). | No | |

| Consideration | Yes/No | Reference in Report i.e. paragraph no. |
|--|--------|---|
| Risk Management / Health & Safety (e.g. risk management and control measures, risk register score). | No | |
| Consultation with Representative Bodies | No | |

Supporting Information

Appendix 1 – Provisional Revenue Out-turn 2010/11

Appendix 2 – Provisional Capital Out-turn 2010/11

Background papers – Draft Minutes of the Policy and Resources Committee meeting held on 8 June 2011.

Contact Officer

Martin Reohorn – Director of Finance & Assets

01905 368205

Email: mreohorn@hwfire.org.uk