

## **Report of the Treasurer**

### **13. Provisional Financial Results 2012/13**

#### **Purpose of report**

1. To consider the provisional financial results for 2012/13 and to approve treatment of financial variations.
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#### **Recommendations**

**It is recommended that the Authority:**

- i) notes the provisional financial results for 2012/13;**
- ii) approves the use, creation and amalgamation of earmarked reserves;**
- iii) approves the rephasing of capital budgets from 2012/13 to 2013/14; and**
- iv) notes that the Audit Committee will consider the Annual Statement of Accounts in detail.**

#### **Introduction and Background**

2. Detailed budget monitoring reports have been presented to the Policy & Resources (P&R) Committee on a quarterly basis through the year, and previous Members will be aware that Officers are actively controlling budgets to minimise expenditure in the light of future financial projections.
3. The detailed Statement of Accounts will be presented to the Audit Committee in September following the review by the External Auditors. As a result of this process these Financial Results are provisional until that process is complete, but are unlikely to change.

#### **Use of Revenue Resources**

4. The approved budget for 2012/13 was £33.821m (*Appendix 1 Column 2 Line 39*), to which additional agreed expenditure of £0.475m funded from earmarked reserves has been added, bringing the total budget to £34.296m (*Appendix 1 Column 4 Line 39*).

5. The makeup of the budget is shown in detail in Appendix 1 and summarised below:

Net Expenditure on Services		<b>34.296</b>
Use of Development Reserve		(0.070)
Use of Other Earmarked Reserves		
New Dimensions (Training Facilities)	(0.179)	
RDS Part-time Compensation	(0.100)	
Workwear Payment Phasing	(0.056)	
DEFRA Boat Grant	(0.050)	
Net Other	(0.020)	(0.405)
		<b>33.821</b>

6. At the last meeting of the P&R Committee, based on expenditure to Quarter 3, a managed underspend of £0.767m was projected. Since then continued tight control of expenditure has increased this to a provisional outturn figure of £1.447m (*Appendix 1 Column 8 Row 39*).
7. For information, this figure is after allowing for transfers to earmarked results where underspending is caused by timing differences. These are:
- a. £0.575m in respect of capital financing costs of the Fire Station replacement programme, arising from the timing of major building works. The approved Medium Term Financial Plan (MTFP) assumes that this reserve will be utilised in 2013/14.
  - b. £0.213m in respect of the programme of non-capital station maintenance.
  - c. £0.045m in respect of New Dimensions.
  - d. £0.012m in respect of the Young Firefighters Association (YFA).
8. For the benefit of new Members it should be noted that this underspending is controlled and planned as a preparation for the financial projections indicated in the approved MTFP. It does not represent a failure of financial control, but a sign of the commitment of all budget-holders to avoid unnecessary expenditure.
9. It is recommended that, as previously discussed at P&R Committee, this underspend is transferred to a special Budget Reduction Reserve, separate from General Reserves, to be used to smooth the timing/costs of budget reduction measures necessary over the next few years.

### **Reserves and Balances**

10. At the end of 2011/12 the General Reserves stood at £1.396m (4.1% of core budget), and, although at the lower end of the spectrum of stand-alone fire authorities, the level is considered adequate and not requiring further increase throughout the MTFP period. As a consequence the balance at the end of 2012/13 will remain as £1.396m.

11. In addition, Earmarked Reserves are held for various purposes. The extent of these, including the recommendations made above, is summarised in the table below:

	Balance at 31-Mar-12 £m	From/(to) Rev 12/13 £m	Re- designate £m	12/13 Savings £m	Balance at 31-Mar-13 £m
Pensions Reserve	0.422				0.422
New Fire Control Reserve	0.267				0.267
Operational Activity Reserve	0.300	0.045			0.345
New Dimensions Reserve	0.710	(0.179)			0.531
ICP Workwear Reserve	0.060	(0.056)			0.004
YFA Reserve	0.015	0.002			0.017
	1.774	(0.188)	0.000	0.000	1.586
Development Reserve	0.479	(0.070)			0.409
Capital Finance Phasing Reserve		0.575			0.575
Property Maintenance Reserve		0.213			0.213
	0.479	0.718	0.000	0.000	1.197
Training Reserve	0.231	(0.010)	(0.221)		0.000
Tax/NI Settlement Reserve	0.100	(0.100)			0.000
Relocation Reserve	0.092		(0.092)		0.000
DEFRA Boat Grant Reserve	0.050	(0.050)			0.000
RDS Implementation Reserve	0.018		(0.018)		0.000
Budget Reduction Reserve			0.331	1.447	1.778
	0.491	(0.160)	0.000	1.447	1.778
	2.744	0.370	0.000	1.447	4.561

Appendix 1 Column 5 Line 40	(0.070)
Appendix 1 Column 5 Line 41	(0.405)
Appendix 1 Column 5 Line 42	0.845
	0.370

12. As a consequence of the tight control of spending it has been possible to contain the expenditure for which some of the smaller reserves were established within the annual revenue budget. The Chief Fire Officer and Treasurer recommend that these reserves are consolidated into the Budget Reduction Reserve, to give a total figure of £1.778m.

### Use of Capital Resources

13. The Capital Programme, as detailed in Appendix 2, is split into 3 main blocks:
- Vehicle Replacement.
  - Major Building Works.
  - Minor Schemes – for which detailed allocation is made by the Service Senior Management Board (SMB).
14. The total approved budget for 2012/13 was £10.288m (*Appendix 2 Column 1 Row 60*); however the Budget and Precept Report approved by the Fire

Authority in February 2013 anticipated a rephasing of capital budgets to 2013/14 totalling £5.927m, giving a revised budget of £4.361m (*Appendix 2 Column 3 Row 60*).

15. Against this revised budget, expenditure of £3.416m (78%) has been incurred, resulting in a variation of £0.956m (*Appendix 2 Column 5 Row 60*).
16. Within this total is expenditure of £0.185m on assets for which provision had originally been made to lease, but which are now capitalised.
17. It is recommended to rephase the remaining £1.131m to 2013/14.
18. This will not have a detrimental effect on the 2013/14 revenue budget as provision for financing costs was made on the basis that this expenditure would have been incurred in 2012/13.
19. It should be noted that although the Authority has given specific approval for the individual major building schemes, these have not been detailed in the report as they might compromise the Authority's position when tendering or negotiating construction contracts.

#### **Role of the Audit Committee**

20. The Statement of Accounts will be prepared on the basis of International Financial Reporting Standards (IFRS) and will show the true economic cost (but not overall economic benefits) of providing the service.
21. This basis differs substantially from the statutory basis on which Members are charged with managing the finances of the Fire Authority, and on which this Provisional Financial Results paper is written.
22. This is because there are significant items which:
  - a. are required to be charged by statute, but which are not permitted under IFRS; and
  - b. are required to be charged under IFRS but which are not allowed by statute.
23. The Statement of Accounts will reconcile these differences and the Audit Committee will scrutinise this reconciliation as well as the Accounts themselves.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	Statutory reporting of financial position
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	n/a
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	n/a
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	n/a
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	n/a

## Supporting Information

Appendix 1 – Revenue Budget 2012/13

Appendix 2 – Capital Budget 2012/13

## Contact Officer

Martin Reohorn – Director of Finance & Assets (Treasurer)  
(01905 368205)  
Email: [mreohorn@hwfire.org.uk](mailto:mreohorn@hwfire.org.uk)