

Statement of Accounts 2010/11

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report sets out the key revenue issues that have arisen from work on the Statement of Accounts 2010/11, and seeks specific approval to a number of virements from the General Fund in 2011/12.

2 Recommendations

The Fire Authority is recommended to:

- a) Approve the addition of £284,000 of expenditure slipped into 2011/12 to the current year's budgets;
- b) Approve the budget of £64,000 for Risk Reduction Officers and £24,000 for H.R. staff in 2011/12;
- c) Approve the transfer of the balance of the General Fund, £1,841,000 to the reserves as set out in paragraph 5, subject to review during the preparation of the 2012/13 budget.

3 Background

As reported to the April 2011 meeting the Fire Authority is now required to approve the Statement of Accounts by the end of September and a meeting is being arranged to do this. However the responsible finance officer must sign and date the statement of accounts and certify that it presents a true and fair view of the financial position by 30 June.

Closing the accounts is particularly time-consuming this year as a consequence of the adoption of International Financial Reporting Standards so the new timetable is welcome. The process is on course to enable the Treasurer to sign the Statement by the end of the month; however the outturn position for our revenue and capital accounts is already clear. There may be further changes as a result of current checks or the work of the auditor; however the general overall position is clear. This report deals with the outturn and recommends a number of virements for the current year.

4 Revenue Budgets

The net total of efficiencies, slippage and other savings is held in the General Fund Balance. The Fire Authority's policy is to reduce this total to zero during the year by:

- Considering whether to add slippage from last financial year, to 2011/12 budgets, in order to catch up the service delivery
- Considering approval of requests to use unspent resources for additional services in 2011/12 or for addition to earmarked reserves
- Transferring any balance to the Unearmarked Capital Reserve in order to minimise capital financing charges on major schemes

The total slippage, efficiencies and net underspendings during the year has been confirmed during the close-down as £2,213,000, of which £1,011,000 of under spends had previously been reported to Members. A further £1,202,000 has been identified during the work on closing the accounts. Therefore £2,213,000 is expected to appear on the balance sheet at 31 March 2011 as held in the General Fund

Of the £1,202,000, £284,000 has arisen as a result of expenditure that has slipped into 2011/12. Details are set out in the Appendix and the Authority is asked to approve additions to 2011/12 budgets of £284,000.

There has also been an under spend of £94,000 in prevention staff pay budgets, and members are asked to consider approving £64,000 of this to continue the employment of Risk Reduction Officers who are currently on temporary contracts. The Human Resources (HR) department have sought to extend temporary contracts totalling £24,000 to complete implementing changes identified in HR systems identified through the change agenda.

If these requests are approved the balance in the General Fund will reduce from £2,213,000 to £1,841,000.

The details of all underspends are set out in the appendix, together with the likely impact on 2011/12 and later years.

5 Reserves

The £1,841,000 remaining in the General Fund would normally be transferred to the un-earmarked capital reserve in order to reduce future borrowing costs; however there are a number of other issues that should first be considered:

ICT Improvements Reserve

The Fire Authority agreed to set up this reserve from funds available on closing the 2010/11 accounts. The scope of the reserve and the terms for its deployment are set out in that report. Given the issues involved, some of which are dealt with elsewhere on the agenda it is proposed to set aside £500,000 to this reserve rather than the £300,000 previously envisaged.

Pensions and Other Staff Matters Reserve

This reserve would meet any one-off transitional costs of staff changes which might arise from Public Value proposals e.g. phasing in change that might take more than one financial year to achieve. It is proposed that £100,000 is set aside for this, its use subject to the approval of the Fire Authority as part of its budget planning process.

Capital Earmarked Reserve

As there is little scope for additional building schemes in the capital programme, there would be use in setting aside funds to meet building schemes that could deliver efficiencies or generate rental income. Potential schemes have been identified but not yet developed at a number of sites including Wellington and Telford. There may also be a need for capital works to secure changes identified through the Public Value process. It is proposed that £450,000 is set aside for this purpose.

Capital Un-earmarked Reserve

The balance of the General Fund could be added to this reserve which is used to fund major projects in the capital programme thereby reducing financing costs. This would enable the Fire Authority to minimise borrowing on the St. Michael's Street project in 2011/12, and also enable one-off funding of replacement assets thereby reducing replacement provision otherwise needed from the revenue account in later years. It is therefore proposed that the balance of £791,000 is added to this reserve.

These movements to reserves could be kept under review and be confirmed or altered according to circumstances arising during the budget process, e.g. in the light of developments on retained fire-fighter pension issues etc.

6 Annual Governance Statement

The Audit and Performance Management Committee considered the draft Annual Governance Statement (AGS) on 9 June 2011. Under the revised timetable this should be drafted by the end of June to accompany the signed and dated statement of accounts. In previous years the AGS would have been sent to the Fire Authority for signature by the end of June because it had to accompany the Statement of Accounts.

As these are now being considered in September, there is no reason why the AGS should not be reported to the Fire Authority in July together with the rest of the matters the Committee considered at its June meeting, rather than report it at short notice to this meeting.

7 Conclusions

This report deals only with the likely outcome of the revenue account in 2010/11. The full Statement and a comprehensive report on the Accounts will be brought to members in September accompanied by the approved Annual Governance Statement.

8 Financial Implications

The financial implications are outlined in the main body of the report.

9 Legal Comment

Under the Accounts and Audit Regulations 2011, the Fire Authority is required formally to approve the Statement of Accounts 2010/11 by the end of September 2011

10 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

11 Appendix

Statement of Variations between Budget and Actual Expenditure

12 Background Papers

There are no background papers associated with this report.

Statement of Variations between Budget and Actual Expenditure

i Expenditure Slippage

Budget	Variation £000	Description
Staffing Costs. I.T.	10	Continuation of temporary staff contracts, as a result of staff underspends.
Furniture and Stationery	24	Expenditure delayed to fit in with the move to new H.Q.
Hydrants	41	Contract work not yet delivered
Training and Developments	58	Planned training not delivered
Other minor slippage	<u>32</u>	A total of 6 budgets all below £10,000
Total	165	
Other slippage already agreed		
Temporary Working Arrangements for St Michael's St. project	74	A budget was agreed with members to deal with revenue costs such as rent for displaced services. This covered the life of the project and some costs are falling in 2011/12
Command and Control System	<u>45</u>	Balance of budget remaining required in 2011/12 to complete the project.
Total slippage	<u>284</u>	

ii Efficiencies and other opportunity savings

Budget	Variation £000	Reason for Variation	Impact in Later Years
<u>Staffing Costs</u>			
Service delivery	272	A total of £351,000 in staff savings has arisen, partly as a result of policies on recruitment during the year.	Dealt with through the Public Value process
Prevention	94		
Operations	-21		
Other	6		
Pensions	215		
Command and Control Investment	243	This is the current underspend on installing the new command and control system, approved by the Fire Authority in December 2009	One- off saving so there is no impact
Financial Services	39	£97,000 in financial service savings has arisen as a result of managing the capital programme and cash balances.	Slipped spending should reduce the saving going forward.
Debt Charges	38		
Interest on Investments	20		
Facilities and Equipment	-100	This overspend is caused by extra equipment costs where replacement is imminent; incidental costs of premises; and electricity costs.	These costs should largely be reduced in future years with the implementation of the capital programme
Other Variations	112	A number of underspends occurred including Communications £47,000, Prevention £31,000, and Training £25,000	These budgets will be examined either as a result of changes to the ICT Strategy or during the base budget review.
Total variations identified on closing the accounts	918		

iii Efficiencies and savings already reported

Budget	Variation £000	Reason for Variation	Impact in Later Years
Pay and Prices Contingency	533	Both 2009/10 and 2010/11 pay and prices contingencies were underspent	£200,000 underspends are already reflected in 2011/12 Public Value reductions
Other budget variations	478	This is the net effect of efficiencies and opportunity savings offset by additional budget approvals during 2010/11	These are extra one-off savings or have been addressed through the Public Value programme
Total variations in budgets already reported	1,011		

iv Total expected in the General Fund

Appendix Reference	Reason for net balance	Total £000
i	Slippage in expenditure	284
ii	Efficiencies and other opportunity savings	918
iii	Efficiencies and savings already reported	<u>1,011</u>
iv	Total General Fund	2,213