

Governance, Audit and Scrutiny Committee
16 June 2017

Report by the Finance Manager

ANNUAL STATEMENT OF ACCOUNTS 2016/17 - UNAUDITED

REPORT EXECUTIVE SUMMARY

This report contains the Authority's full unaudited Statement of Accounts for 2016/17 (see Appendix 1) and also highlights below the key aspects of revenue and capital outturn for the year.

The Accounts covered by this report in Appendix 1 are subject to audit by KPMG in their role as the Authority's external auditor. The draft unaudited Statement of Accounts for 2016/17 was published on the Authority's website on 24 May 2017 which is an excellent achievement. The intention is that the audited Statement of Accounts will be approved by the Fire Authority by 31 July 2017 although statutorily this can be any time before 30 September 2017.

RECOMMENDATIONS

1. That Members take assurance from the Accounts presented and make any comments to the Fire Authority as necessary.

2016/17 ANNUAL STATEMENT OF ACCOUNTS

2. The production of the Annual Accounts is a key task for the Finance Team. Once again the team has delivered a sound product within the tight deadlines and they should be commended for this. Notably, this year the team have worked hard again to achieve the Accounts production in line with last year's timetable to ensure completion and sign-off before 31 July 2017.
3. KPMG have been supportive throughout the process and have attended regular meetings held by Martyn Ransom, the Authority's Finance Manager.

2016/17 FINANCIAL YEAR

4. Revenue Budget

The revenue budget contains all of the Authority's day-to-day expenditure for the financial year.

The outturn position for the revenue budget for 2016/17 is a £1.095m underspend. This compares well to the period 11 end of February 2017 projection in the Management Accounts of a £1.107m underspend.

The full schedule of variances is set out in more detail in the attached Statement of Accounts at Appendix 1 on page 80.

5. Capital Programme

The outturn for the Capital Programme shows a spend of £6.935m (£6.492m is the Authority's Capital Programme and £443k is the East Coast and Hertfordshire Control Room Consortium spend in 2016/17). The table in Appendix 1 on page 83 of the Annual Accounts sets this out in detail. Across the categories of the capital programme the picture is broadly as follows:-

- | | | |
|-----|----------------------|---|
| (A) | Estates: | Main expenditure has been the new Fire Stations for Central Hull and Brough (£3.71m) and Training infrastructure at Immingham West (£490k); |
| (B) | Vehicles: | Main expenditure has been fleet replacement (£1.301m); |
| (C) | Plant and Equipment: | Main expenditure has been the Core IT replacement programme (£176k). |

The schemes that have not completed in 2016/17 are shown below and therefore it is proposed that the following allocations be rephased into the 2017/18 Capital Programme as follows:-

Project	2016/17		
	Allocation £'000	Actual £'000	Slippage £'000
Buildings			
Invest to Save	255	43	212
Bransholme	579	223	356
Clough Road	877	0	877
Howden	290	0	290
Sundry Buildings	440	67	373
Station Kitchens	114	96	18
Vehicles			
Operational	1,316	1,229	87
Support	154	72	82
Plant & Equipment			
IT Equipment	1,010	176	834
Equipment	228	122	106
	5,263	2,028	3,235

RESERVES

6. Table 1 below shows the overall position on Reserves at 31 March 2017 and some recommended movements in reserves to be effected from 1 April 2017.

Table 1

Summary of Reserves 31 March 2017 and 1 April 2017

(excluding ESFM (Humberside) Ltd Reserve)

	£m 31 March 2017	£m Proposed Movements	£m 1 April 2017	Notes
General Reserve	6.746	-1.373	5.373	Movement out to the Income from HFR Solutions Reserve £373k and £1m to the Capital Programme.
Earmarked Reserves				
Insurance	0.500	0	0.500	To meet potential uninsured losses.
Capital Programme Funding	0.560	+1.544	2.104	Funding for the Capital Programme to replace capital grant funding from the Home Office which has now ceased.
Change Management	1.044	-0.544	0.500	To meet future costs associated with delivering efficiencies and transformation with a transfer out to the Capital Programme of £544k now that a significant part of the change programme has been delivered.

	£m 31 March 2017	£m Proposed Movements	£m 1 April 2017	Notes
Income from HFR Solutions	1.398	+0.373	1.771	Transfer in from the General Reserve to reflect the contribution to the HFA underspend due to secondments etc., in 2016/17.
Resilience Reserve	0.300	0	0.300	To meet any expenditure required in relation to maintaining the Service's resilience.
Total Revenue Reserves	10.548	0	10.548	

7. Table 1 shows overall revenue reserves of £10.548m at 31 March 2017. The Authority has worked hard in recent years to deliver a sound level of reserves. This is particularly important against the uncertain financial backdrop for 2018/19 onwards.

KEY FINANCIAL INDICATORS

8. Against the backdrop of significant austerity (the Authority's external financing from Government has been reduced by £11m over 2011/12 to 2019/20 as well as a 5 year freeze in the precept/council tax between 2011/12 and 2015/16) it is worth reflecting on some of the Authority's key financial indicators as set out in the table below:-

Key Indicator	2012/13 actual	2013/14 actual	2014/15 actual	2015/16 actual	2016/17 actual (unaudited)
Capital Financing Requirement (CFR)	£17.7m	£16.6m	£15.6m	£16.1m	£14.5m
Long-term Borrowing(PWLB) (excluding leases)	£18.6m	£17.7m	£16.6m	£15.3m	£14.5m
Revenue Outturn	£2.1m underspend	£1.5m underspend	£1.3m underspend	£1.2m underspend	£1.1m underspend
Total Revenue Reserves	£18.6m	£17.3m	£16.1m	£15.1m	£10.5m

9. Fundamentally the Authority's underlying position is sound. The Capital Financing Requirement (CFR) (the Authority's underlying need to borrow for a capital purpose) has decreased over the 2015/16 level. This shows the CFR stabilising on a downward trend over the period 2012/13 to 2016/17. The recommended movements in reserves in Table 1 show further resources directed towards the capital programme which will stabilise the CFR further in line with the reducing financial size of the Authority due to austerity. The revenue outturn underspend is lower than in the previous year and overall reserves have also reduced in line with the strategy of

applying reserves to deliver capital renewal in the form of the new stations for Central Hull and Brough.

10. The Authority's budget is balanced for 2017/18. 2018/19 onwards will require careful monitoring given that the Government's austerity programme is likely to continue beyond 2020.

CONCLUSION

11. This report captures the financial impact of the Authority's activities during the 2016/17 financial year. The picture is one of robust finances despite the austerity that has been in place over the period 2011/12 to 2016/17.
12. Judicious use of reserves has ensured that key investment projects have been undertaken.
13. The financial challenges will continue over the period 2018/19 onwards and the Authority is well placed to meet these challenges.

STRATEGIC PLAN COMPATIBILITY

14. Good financial management is a key enabler for the achievement of the Authority's Strategic Objectives.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

15. Timely and accurate financial statements are key to the Authority's financial health and financial planning.

LEGAL IMPLICATIONS

16. The Fire Authority must approve the final audited accounts by 30 September annually.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

17. An Equality Analysis will be undertaken on any relevant aspects as required.

CORPORATE RISK MANAGEMENT IMPLICATIONS

18. No direct issues arising but the Authority continues to actively mitigate risks by earmarking reserves where possible. This is a prudent approach and an essential element of sound financial management.

HEALTH AND SAFETY IMPLICATIONS

19. No direct issues arising.

COMMUNICATION ACTIONS ARISING

20. No direct issues arising.

DETAILS OF CONSULTATION AND/OR COLLABORATION

21. The Authority's Finance Officers have worked closely with KPMG since January 2017 to ensure that robust arrangements were in place to produce the 2016/17 Statement of Accounts. The statutory notice to 'call the audit' was placed in the press throughout the area in the week commencing 8 May 2017.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

22. 2016/17 Annual Accounts working papers.
2016/17 Period 11 February 2017 Management Accounts and Prudential Indicators.

RECOMMENDATIONS RESTATED

23. That Members take assurance from the Accounts presented and make any comments to the Fire Authority as necessary.

M RANSOM

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KW/MR/SJ
23 May 2017