

Governance, Audit and Scrutiny Committee
11 June 2013

Report by the Director of Finance
and Assets/S.151 Officer

ANNUAL STATEMENT OF ACCOUNTS 2012/13

REPORT EXECUTIVE SUMMARY

This report contains the Authority's full unaudited Statement of Accounts for 2012/13 (see Appendix 1) and also highlights below the key aspects of revenue and capital outturn for the year. Appendix 2 sets out the audited Statement of Accounts for the Authority's Community Interest Company (CIC) for 2012/13.

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 audited Statement of Accounts must be approved by the Fire Authority by 30 September 2013.

1. That Members take assurance from the Accounts presented and that after the Fire Authority meeting on 24 June 2013 a copy signed by the Director of Finance and Assets/S.151 Officer be presented for audit.

2012/13 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. The Accounts this year include Group Accounts to reflect the incorporation of the CIC's activities into the Authority's main financial statements.
3. KPMG have been supportive throughout the process and have attended regular meetings held by Martyn Ransom, the Authority's Finance Manager.

2012/13 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 2012/13 is a £2.076m underspend. This compares well to the period 11 end of February 2013 projection in the Management Accounts of a £1.949m underspend.

The full schedule of variances is set out in more detail in the Foreword to the Statement of Accounts (Appendix 1), but principally includes areas such as:-

Underspends

• Wholetime Firefighter costs	-	£542k
- Pay award less than anticipated		
• Community Safety	-	£212k
- Support Staff vacancies		
• Corporate Support	-	£426k
- Support Staff vacancies		
• Hydrants	-	£176k
- Less repairs and maintenance than anticipated		
• Other Contributions	-	£611k
- Income received from additional staff members that are on secondment		
- Income received in relation to charges made to the CIC		
- Income received from the East Coast and Hertfordshire Consortium in relation to security and WAN costs		
• Capital Financing costs	-	£556k
- Lower interest and Minimum Revenue Provision due to capital programme slippage		

Overspends

- Premises Repairs and Maintenance - £217k
 - Higher level of repairs than anticipated and also professional fees in relation to a number of refurbishment projects, e.g. Clough Road and the Control project

5. HFR Solutions CIC

The Authority's CIC was established in January 2012 and commenced trading on 1 April 2012. It is a wholly controlled company of the Authority.

The CIC's Annual Accounts for 2012/13 (Appendix 2) (the CIC has the same year end of 31 March as the Authority) were compiled by Audit Solutions (UK) Limited of Scunthorpe and independently audited by Streets Audit LLP of Lincoln in April. There is no requirement under the Companies Act legislation for an audit due to the size of the CIC's turnover, but it was felt from the perspective of prudence that an audit would give maximum assurance before consolidation into the Authority's accounts took place.

The first year trading performance of the CIC has been strong with a post corporation tax surplus of £298k. In addition to this the Authority has seconded staff and charged staff time to the CIC to the order of £280k.

The later section of this report on Reserves recommends that the £280k be placed in an earmarked reserve to clearly identify the CIC's contribution to the Authority's financial position. The remaining £298k surplus is shown within the Authority's Group Accounts (page 52 of the Authority's Accounts refers). In total therefore in the first year of trading the CIC has generated a total financial benefit of £578k.

6. Capital Programme

The outturn for the Capital Programme shows a spend of £3.457m. The table on page ix of the Annual Accounts sets this out in detail. Across the categories of the capital programme the picture is broadly as follows:-

- (A) Estates: Hornsea, Withernsea, Patrington, Preston and Scunthorpe – these schemes have all completed in 2012/13;
- Immingham West and Workshops – these schemes are still under discussion with decisions anticipated during 2013/14;
- Clough Road – this scheme has now received full planning approval and is underway in the current financial year with completion in 2014/15;
- Control – this scheme is underway and will complete during 2013/14.
- (B) Vehicles: 8 x Fire Engines and the new Aerial appliance are partially completed and will all be delivered before the close of 2013.
- (C) Plant and IT and Equipment
Equipment: The Breathing Apparatus replacement project has already replaced the compressors and will continue with the

replacement of cylinders in 2013/14. Further IT infrastructure improvement works will continue in 2013/14 as part of the Data Centre/Control Suite Refurbishment.

Therefore, it is proposed that the following allocations be rephased into the 2013/14 Capital Programme:-

	£k
Immingham West	175
Workshops Relocation	1,997
Control	421
Clough Road	3,935
Vehicles	77
IT – Core Programme	98
IT – Control	188
IT – MIS – Firewatch	36
Equipment	57
Breathing Apparatus	848
Total	7,832

RESERVES

7. Table 1 below shows the overall position on Reserves at 31 March 2013 and some recommended movements in reserves to be effected from 1 April 2013.

Table 1
Summary of Reserves 31 March 2013 and 1 April 2013

	£m 31 March 2013	£m Proposed Movements	£m 1 April 2013	Notes	£m Projected 31 March 2014 – based on likely initiative/ scheme progress
General Reserve	8.804	-3.343	5.461	Movements out to WAN, Control, Clough Road, Insurance, Data and Intelligence Management, Lease buy-out, Central, HFR Solutions and in from RDS Equal Pay	5.461
Earmarked Reserves					
BA Replacement	0.700	0	0.700	No change	0
Wide Area Network (WAN)	1.750	+0.163	1.913	£163k carry forward from 12/13 to meet initial infrastructure costs	1.750
Control	0	+0.100	0.100	£100k carry forward from 12/13 to meet fit out costs of new Control Suite	0
Clough Road	1.100	+0.150	1.250	Increased proportion of the £3.9m scheme costs to be met from Reserves which will reduce borrowing costs that would fall to the Revenue Budget	0
Insurance	0.400	+0.100	0.500	Additional £100k to meet potential costs of MMI	0.500
Water Rescue Equipment	0.100	0	0.100	No change	0
RDS Equal Pay	0.350	-0.350	0	Costs now met so balance returned to the General Reserve	N/A
Data and Intelligence Management	0	+0.150	0.150	To improve the management and accessibility of data and	0

	£m 31 March 2013	£m Proposed Movements	£m 1 April 2013	Notes	£m Projected 31 March 2014 – based on likely initiative/ scheme progress
				intelligence internally and with partners	
Lease buy-out	0	+0.750	0.750	To be deployed on vehicle lease buy-outs where it is advantageous to do so	0
Change Management	2.500	0	2.500	No change	2.300
Property Maintenance (renamed New Brough Fire Station)	1.229	0	1.229	To be used on the creation of the new Brough Fire Station	0
Central Fire Station	0	+2.000	2.000	Created to part fund the new Fire Station in Central Hull	2.000
HFR Solutions	0	+0.280	0.280	Created from the £280k contribution to the Authority's underspend as a result of staff secondments and staff time charged to the CIC	0.280
East Coast and Hertfordshire Control Room Consortium	1.659	0	1.659	HFRS's share (originally £1.8m per FRS) of the money that remains from the original £7.2m. This will reduce as the scheme progresses	1.000
Total Revenue Reserves	18.592	0	18.592		13.291

8. Table 1 shows overall revenue reserves of £18.6m at 31 March 2013 with a projected level of £13.3m at 31 March 2014. 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 2014/15 onwards.

9. The earmarked reserves identified in the table underpin a number of key areas of work for the Service. Many of these workstreams are now in the implementation/delivery stage with circa £5.0m expected to be applied in 2013/14 to schemes such as Clough Road, BA Replacement, the Service-wide WAN and the East Coast and Hertfordshire Control Room Consortium.
10. Table 1 now also identifies firm funding for the solutions required at Brough and Hull Central. Further reports will be brought before Members in due course to ensure that fit for purpose facilities are created for these two locations as part of the Authority's ongoing programme of fire station investment and renewal.

CONCLUSION

11. This report captures the financial impact of the Authority's activities during the 2012/13 financial year. The picture is one of robust finances despite the fact that £5.3m has been removed from the Authority's base funding over the period 2011/12 to 2014/15.
12. Judicious use of reserves has ensured, and will continue to ensure, that key investment projects are undertaken. Principal amongst these are the Control Refurbishment, the WAN, Clough Road, BA Replacement and in the near future the solutions for Brough and Central Fire Station, Hull.
13. The financial challenges will continue over the period 2014/15 onwards with particular focus now on what lies ahead from 2015/16. The Authority is well placed to meet these challenges with early engagement underway on possible operational efficiencies.

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. No direct issues arising.

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

21. The Authority's Finance Officers have worked closely with KPMG since January 2013 to ensure that robust arrangements were in place to produce the 2012/13 Statement of Accounts. The statutory notice to 'call the audit' was placed in the press throughout the area in the week commencing 3 June 2013.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

22. 2012/13 Annual Accounts working papers.
2012/13 Period 11 February 2013 Management Accounts and Prudential Indicators.

RECOMMENDATIONS RESTATED

23. That Members take assurance from the Accounts presented and that after the Fire Authority meeting on 24 June 2013 a copy signed by the Director of Finance and Assets/S.151 Officer be presented for audit.

K WILSON

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KW/SJ
3 June 2013