

ANNUAL STATEMENT OF ACCOUNTS 2014/15

SUMMARY

1. This report contains the Authority's full unaudited Statement of Accounts for 2014/15 (see Appendix 1) and also highlights below the key aspects of revenue and capital outturn for the year.
2. 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 2015.

RECOMMENDATIONS

3. (a) That Members take assurance from the Accounts presented and that after the Fire Authority meeting on 26 June 2015 a copy signed by the Executive Director Service Support/S.151 Officer be presented for audit;
- (b) That Members approve the Capital Programme 'slippage' at paragraph 7 of this report;
- (c) That Members approve the position on Reserves as at 1 April 2015.

2014/15 ANNUAL STATEMENT OF ACCOUNTS

4. 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.
5. KPMG have been supportive throughout the process and have attended regular meetings held by Martyn Ransom, the Authority's Finance Manager.

2014/15 FINANCIAL YEAR

6. 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 2014/15 is a £1.269m underspend. This compares well to the period 11 end of February 2015 projection in the Management Accounts of a £1.306m underspend.

The full schedule of variances is set out in more detail in the attached Statement of Accounts (Appendix 1, pages 72-74), but principally the key headlines are:-

Community Safety - £291k underspend – additional income and lower employee costs;

Fire Fighting and Rescue Operations - £699k underspend – lower employee costs;

Management and Support - £371k underspend – higher employee costs offset by additional income and a fuel underspend.

7. Capital Programme

The outturn for the Capital Programme shows a spend of £5.145m (£4.002m is the Authority's Capital Programme and £1.143m is the East Coast and Hertfordshire Control Room Consortium spend in 2014/15). The table on page 75 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 progression of the Clough Road scheme - £1.93m
- (B) Vehicles: Main expenditure has been fleet replacement - £711k
- (C) Plant and Equipment: Main expenditure has been the Core IT replacement programme - £424k

The schemes that have not completed in 2014/15 are shown below and therefore it is proposed that the following allocations be rephased into the 2015/16 Capital Programme as follows:-

Project	2014/15		
	Revised Estimate	Actual	Variance/Slippage
	£'000	£'000	£'000
Buildings			
Clough Road	2,910	1,930	(980)
Immingham West	175	105	(70)
Bransholme	350	22	(328)
Brough	1,100	23	(1,077)
Howden	120	-	(120)
Withernsea	110	90	(20)
Training Infrastructure	2,037	159	(1,878)
Station End Equipment	100	-	(100)
Brigg	240	17	(223)
Invest to Save	210	136	(74)
Vehicles			
Operational	2,811	352	(2,459)
Plant & Equipment			
Management Information System	36	-	(36)
Equipment	511	259	(252)
Breathing Apparatus	645	125	(520)
	11,355	3,218	(8,137)

RESERVES

8. Table 1 below shows the overall position on Reserves at 31 March 2015 and some recommended movements in reserves to be effected from 1 April 2015.

Table 1

Summary of Reserves 31 March 2015 and 1 April 2015

	£m 31 March 2015	£m Proposed Movements	£m 1 April 2015	Notes
General Reserve	6.634	-1.593	5.041	Movements out to Income from HFR Solutions Reserve £493k, Central and Brough Fire Stations £1.1m
Earmarked Reserves				
Wide Area Network (WAN)	1.750	-0.700	1.050	To meet the costs of the WAN over its lifecycle. First two years of WAN costs now met so £500k moved to support funding of the 2015/16 capital programme and £200k to the Central and Brough Fire Stations
Insurance	0.500	0	0.500	To meet potential uninsured losses.
Capital Programme Funding 2015/16	0	+0.500	0.500	Funding for the 2015/16 Capital Programme to partly replace capital grant funding from DCLG which has now ceased.
Change Management	2.405	0	2.405	To meet future costs associated with delivering efficiencies.
Central and Brough Fire Stations *	3.149	+1.300	4.449	Created to fully fund the new Fire Stations in Central Hull and Brough.
Income from HFR Solutions	0.506	+0.493	0.999	Transfer in from the General Reserve to reflect the contribution to the HFA underspend due to secondments etc., in 2014/15.
East Coast and Hertfordshire Control Room Consortium	0.856	0	0.856	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.
Total Revenue Reserves	15.800	0	15.800	

* Total scheme cost for the two stations was estimated at £4.1m in 2012. The latest estimate by the Authority's advisors is £4.5m due to construction cost inflation over 2012 to 2015 and some design changes to the Brough scheme which has resulted in the addition of a 3rd appliance bay.

9. Table 1 shows overall revenue reserves of £15.8m at 31 March 2015. 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 2016/17 onwards.
10. 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.

KEY FINANCIAL INDICATORS

11. Against the backdrop of significant austerity (the Authority's external financing from Government has been reduced by 28% or £7.5m over 2011/12 to 2015/16 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	2013/14	2014/15
Capital Financing Requirement (CFR)	£17.7m	£16.6m	£15.6m
Long-term Borrowing (PWLB)	£18.7m	£17.7m	£16.6m
Revenue Outturn	£2.1m underspend	£1.5m underspend	£1.3m underspend
Total Reserves (capital & revenue)	£19.13m	£17.3m	£15.8m

12. Fundamentally the Authority's underlying position is sound and against the backdrop of austerity the CFR (the Authority's underlying need to borrow for a capital purpose) has been reduced alongside a decrease in long-term borrowing (PWLB). The revenue outturn underspend is lower than in the previous year and overall reserves have also reduced. Neither are a cause for concern but demonstrate a financial tightening as efficiency measures are worked through alongside significant reductions in external funding.
13. The Authority's budget is balanced for 2015/16. 2016/17 onwards will present a significant challenge given that the Government's austerity programme is unlikely to abate before 2020.
14. The Service Re-design Programme currently underway will examine all possible options for further efficiency in 'non-fire engine' areas of the Service. This will be vital for the challenges that will lie ahead for 2016/17 onwards.

CONCLUSION

15. This report captures the financial impact of the Authority's activities during the 2014/15 financial year. The picture is one of robust finances despite the fact that £7.5m has been removed from the Authority's base funding over the period 2011/12 to 2015/16.
16. 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.

17. The financial challenges will continue over the period 2015/16 onwards with particular focus now on what lies ahead from 2016/17. The Authority is well placed to meet these challenges.

STRATEGIC PLAN COMPATIBILITY

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

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

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

LEGAL IMPLICATIONS

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

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

21. No direct issues arising.

CORPORATE RISK MANAGEMENT IMPLICATIONS

22. 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

23. No direct issues arising.

COMMUNICATION ACTIONS ARISING

24. No direct issues arising.

DETAILS OF CONSULTATION

25. The Authority's Finance Officers have worked closely with KPMG since January 2015 to ensure that robust arrangements were in place to produce the 2014/15 Statement of Accounts. The statutory notice to 'call the audit' was placed in the press throughout the area in the week commencing 1 June 2015.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

26. 2014/15 Annual Accounts working papers.
2014/15 Period 11 February 2015 Management Accounts and Prudential Indicators.

RECOMMENDATIONS RESTATED

27. (a) That Members take assurance from the Accounts presented and that after the Fire Authority meeting on 26 June 2015 a copy signed by the Executive Director Service Support/S.151 Officer be presented for audit;
- (b) That Members approve the Capital Programme 'slippage' at paragraph 7 of this report;
- (c) That Members approve the position on Reserves as at 1 April 2015.

K WILSON

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KW/SJ
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