

ANNUAL STATEMENT OF ACCOUNTS 2015/16 - UNAUDITED

SUMMARY

1. This report contains the Authority's full unaudited Statement of Accounts for 2015/16 (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 intention is that the audited Statement of Accounts will be approved by the Fire Authority by 31 July 2016 although statutorily this can be any time before 30 September 2016. These Accounts were also considered by the Governance, Audit and Scrutiny Committee at their meeting on 17 June 2016.

RECOMMENDATIONS

3. That Members:
 - (a) take assurance from the Accounts presented;
 - (b) approve the Capital Programme 'slippage' at paragraph 7 of this report; and
 - (c) approve the position on Reserves as at 1 April 2016.

2015/16 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. Notably, this year the team have worked hard to bring the Accounts production and audit forward with a backstop completion and sign-off date of 31 July 2016.
5. KPMG have been supportive throughout the process and have attended regular meetings held by Martyn Ransom, the Authority's Finance Manager.

2015/16 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 2015/16 is a £1.223m underspend. This compares well to the period 11 end of February 2016 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 2.

7. Capital Programme

The outturn for the Capital Programme shows a spend of £5.175m (£4.614m is the Authority's Capital Programme and £561k is the East Coast and Hertfordshire Control Room Consortium spend in 2015/16). The table in Appendix 3 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 (£1.348m) and Training infrastructure (£711k);
- (B) Vehicles: Main expenditure has been fleet replacement (£1.126m);
- (C) Plant and Equipment: Main expenditure has been the Core IT replacement programme (£271k) and Breathing Apparatus replacement (£442k).

The schemes that have not completed in 2015/16 are shown below and therefore it is proposed that the following allocations be rephased into the 2016/17 Capital Programme as follows:-

Project	2015/16		
	Allocation £'000	Actual £'000	Slippage £'000
Buildings			
Invest to Save	249	0	249
Bransholme	328	21	307
Clough Road	980	73	907
Central and Brough	4,449	1,348	3,101
Howden	290	0	290
Station Kitchens	150	0	150
Training Infrastructure ¹	2,128	711	222
Vehicles			
Operational ²	2,459	893	1,316
Support	311	233	78
Plant & Equipment			
Operational Equipment	252	102	150
IT	356	271	85
	11,952	3,652	6,855

¹ £1.195m for the ARK deferred to 2017/18.

² One appliance removed (£250k) because six will be purchased in total not the seven originally programmed.

RESERVES

8. Table 1 below shows the overall position on Reserves at 31 March 2016 and some recommended movements in reserves to be effected from 1 April 2016.

Table 1
Summary of Reserves 31 March 2016 and 1 April 2016
(excluding ESFM (Humberside) Ltd Reserve)

	£m 31 March 2016	£m Proposed Movements	£m 1 April 2016	Notes
General Reserve	6.263	-0.899	5.364	Movement out to the Income from HFR Solutions Reserve £399k and £500k to the Capital Programme.
Earmarked Reserves				
Wide Area Network (WAN)	1.050	-1.050	0	WAN costs are now mainstreamed as part of the base revenue budget so £1.050m moved to support funding of the Capital Programme.
Insurance	0.500	0	0.500	To meet potential uninsured losses.
Capital Programme Funding	0	+2.300	2.300	Funding for the Capital Programme to replace capital grant funding from DCLG which has now ceased.
Change Management	1.794	-0.750	1.044	To meet future costs associated with delivering efficiencies and transformation with a transfer out to the Capital Programme of £750k now that a significant part of the change programme has been delivered.
Central and Brough Fire Stations	3.502	0	3.502	Created to fully fund the new Fire Stations in Central Hull and Brough.
Income from HFR Solutions	0.999	+0.399	1.398	Transfer in from the General Reserve to reflect the contribution to the HFA underspend due to secondments etc., in 2015/16.
Resilience Reserve	0.300	0	0.300	To meet any expenditure required in relation to maintaining the Service's resilience.
East Coast and Hertfordshire Control Room Consortium	0.720	0	0.720	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	15.128	0	15.128	

9. Table 1 shows overall revenue reserves of £15.1m at 31 March 2016. 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 2017/18 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 actual	2013/14 actual	2014/15 actual	2015/16 actual (unaudited)	2016/17 projected	2017/18 projected
Capital Financing Requirement (CFR)	£17.7m	£16.6m	£15.6m	£16.1m	£15.7m	£15.2m
Long-term Borrowing(PWLB) (excluding leases)	£18.6m	£17.7m	£16.6m	£15.3m	£14.4m	£13.6m
Revenue Outturn	£2.1m underspend	£1.5m underspend	£1.3m underspend	£1.2m underspend	-	-
Total Revenue Reserves	£18.6m	£17.3m	£16.1m	£15.1m	£11.0m	£10.5m

12. 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 increased slightly in 2015/16 over the 2014/15 level. This is not a cause for concern and shows the CFR stabilising on a downward trend over the period 2012/13 to 2015/16. The recommended movements in reserves in Table 1 show further resources directed towards the capital programme which will reduce 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. Both of these elements demonstrate a financial tightening as efficiency measures are worked through alongside significant reductions in external funding.
13. The Authority's budget is balanced for 2016/17. 2017/18 onwards will require careful monitoring 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 2017/18 onwards.

CONCLUSION

15. This report captures the financial impact of the Authority's activities during the 2015/16 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 the new stations for Brough and Central Fire Station, Hull, which are currently under construction.
17. The financial challenges will continue over the period 2017/18 onwards and 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. An Equality Analysis will be undertaken on any relevant aspects as required.

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 2016 to ensure that robust arrangements were in place to produce the 2015/16 Statement of Accounts. The statutory notice to 'call the audit' was placed in the press throughout the area in the week commencing 9 May 2016.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

26. 2015/16 Annual Accounts working papers.
2015/16 Period 11 February 2016 Management Accounts and Prudential Indicators.

RECOMMENDATIONS RESTATED

27. That Members:
- (a) take assurance from the Accounts presented;
 - (b) approve the Capital Programme 'slippage' at paragraph 7 of this report; and
 - (c) approve the position on Reserves as at 1 April 2016.

K WILSON

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KW/MR/SJ
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