

AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY MEETING
DATE:	30TH JUNE 2011
REPORT NO.	CFO/066/11
REPORTING OFFICER:	ASSISTANT CHIEF EXECUTIVE & TREASURER
CONTACT OFFICER:	KIERAN TIMMINS, EXTN. 4202
OFFICERS CONSULTED:	
SUBJECT:	REVENUE OUTTURN 2010-2011 & THE STATEMENT OF ACCOUNTS

APPENDIX A	TITLE:	“REVENUE BUDGET TO ACTUAL ”
APPENDIX B	TITLE:	“QUARTER 4 WRITE OFFS”
APPENDIX C	TITLE:	“CAPITAL 2010/2011 OUTTURN”
APPENDIX D	TITLE:	“CAPITAL 2011/2012 – 2015/2016 PROGRAMME”
APPENDIX E	TITLE:	“EARMARKED RESERVES – PLANNED AND ACTUAL MOVEMENTS”
APPENDIX F	TITLE:	“UNAUDITED STATEMENT OF ACCOUNTS 2010 – 2011” – <u>TO FOLLOW</u>

ATTACHED –HARD COPIES

***A Glossary of Terms has been provided at the end of this report for your reference**

Purpose of Report

1. To inform Members of the final accounts position for 2010/2011.

Recommendations

2. That Members:
 - (a) note the final accounts of the Authority and the savings achieved for 2010/2011 of £2.140million; and
 - (b) confirm their approval of continuing to fund the £0.934m capitalised smoke alarm installation costs from borrowing as part of a medium term financial strategy;
 - (c) note the resultant £2.140m increase in the General Fund reserve.

Executive Summary

The Authority after receiving an exceptionally poor Government grant settlement of only a 0.5% increase in 2010/2011 established a robust budget to meet the resulting financial challenge. The 2010/2011 budget:

- enabled the Service's response standards to be maintained at the existing high levels;
- continued with the high levels of investment in community safety;
- provided significant investment in its buildings, vehicles, equipment and staff;
- kept council tax increases at below its target of 4%;
- continued with the delivery of the 2009/2010 approved savings plan that would achieve £4.572m of savings by 2010/2011.

The approved revenue budget is £73.326m. The third quarter financial review report, CFO/015/11, identified £3.400m savings over and above those within the financial plan that were used to increase reserves. Having recognised the likely future financial challenges facing the public sector Members instructed Officers to try and further maximise savings in the year.

The final accounts of the Authority have now been completed prior to audit and total revenue expenditure in 2010/2011 is £72.120m. This is a £1.206m or 1.6% saving against the £73.326m revised budget. (This is in addition to the £3.400m savings identified during the year in the Financial Review reports)

If the Authority continues its strategy to maximise reserves then borrowing to fund capitalised smoke alarm installation costs reduces revenue spending by a further £0.934m and increased the underspend to £2.140m.

The Authority has an approved strategy of building up reserves in order to provide a short-term buffer while it re-engineers the Service to meet the pending public sector financial challenge. The revised revenue saving of £2.140m will be used set against the General Fund reserve as part of this approved strategy in the first instance.

The revised revenue saving of £2.140m will be used to increase the General Fund reserve as part of this approved strategy in the first instance.

Capital spending was £8.604m resulting in a "underspend" of £1.398m against the £10.002m budget for 2010/2011. The variance can be broken down into:

- A £1.280m re-phasing of planned spend from 2010/2011 into 2011/2012, requiring the carry forward of capital budget into 2011/2012,
- A net small underspend on schemes of £0.118m

The increase in year-end reserves of £3.051m compared to that anticipated can be explained by:

- £0.911m of reserves for grant & special project schemes for which funding was received in 2010/2011 but the scheme will be delivered over more than one year therefore requiring a carry forward of funding via a reserve; and
- A £2.140m increase in the General Fund reserve funded from the revenue saving identified above to help provide a short-term buffer to meet the future financial challenge.

Introduction & Background

3. In previous years the Authority was required by regulation to approve the **unaudited** Statement of Accounts within a set timescale (usually by the 30th June of the following year). The accounts would then be audited and brought back to Members for consideration, approval and sign off for publication before the regulation deadline of the 30th September. Report CFO/025/11 advised the Authority that the Accounts and Audit Regulations 2003 had been amended and that responsibility for signing off the unaudited statement of accounts now resides with the responsible finance officer, the Assistant Chief Executive & Treasurer. The Authority is still required to consider, approve and sign off the statement of accounts for publication by the 30th September. The benefit of the change in procedure is that it allows Members to take into account any comments from the Auditor following the completion of their audit before Members consider the statement of accounts.
4. This report sets out for Members consideration the actual financial performance of the Authority compared to the 2010/2011 revenue and capital budgets. Although Members are not required to consider or sign off the unaudited statement of accounts at this time, a copy of the statement is attached as **Appendix F** to this report for Members information.

2010/2011 Budget – Background

5. The Authority received a very poor grant settlement in the last spending review CSR2007 and its Formula Grant, (which makes up nearly two-thirds of its revenue funding), increased by only 1.0%, 0.5% and 0.5% in 2008/2009, 2009/2010 and 2010/2011 respectively.
6. The Authority recognised that to maintain its financial planning targets for council tax (*increases of no more than 4%*) then significant savings would have to be achieved. To deliver the required level of cost reduction the Authority acknowledged that as staff costs make up nearly 80% of its revenue budget then it would have to reduce the number of its staff. At the same time the Authority was and is committed to avoiding compulsory redundancies and maintaining high performance levels in the meeting the challenges of fire risk to the communities of Merseyside.

7. The Authority developed and approved in 2009/2010 an innovative medium term financial plan which included:-
 - Introducing significant changes to staffing and working practices to deliver savings through staffing efficiencies, which will be achieved without redundancy by using natural retirement rates;
 - Maintaining service levels whilst continuing with the modernisation programme and delivering the Authority's Purpose of making Merseyside a Safer, Stronger, Healthier Community;
 - The plan required the Authority to achieve £4.6m of savings by 2010/2011;
 - The Authority set a council tax increase for 2010/2011 of 3.85%, and assumed future years increases of 4%.
8. The Authority has an excellent record for successful financial planning and management.
9. Some of the key elements of the Authority's base budget for 2010/11 were:
 - **Revenue Budget:**
 - set at £73.3million;
 - contained provision for pay bill and inflation increases of 2%;
 - assumed the complete delivery of the £4.6m of saving approved in 2009/2010 by 2010/2011.
 - **Capital:**
 - a five year capital investment programme, (2010/2011 – 2014/2015), of £36.8m;
 - planned spend in 2010/2011 of £12.0m.
 - **Reserves:**
 - Maintain a general reserve of £2.5m as a hedge against risk
 - Approve £7.1m of earmarked reserves to fund specific projects and one-off initiatives.
10. The single most strategic and demanding aspect of the approved financial plan was the achievement of the approved saving options plan required over the 2009/2010 to 2011/2012 period. The full list of target savings is in the table below:

Description	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Saving Options:			
Effectively Reducing ill health retirements	-200	-350	-350
Review management Structures	-400	-400	-400
Non Uniform Support Costs	-150	-150	-150
Special Appliance provision/ORC	-280	-280	-280
Grey Book/Green Book Review	-250	-250	-250
Further Review of RRT (11 posts)	-400	-400	-400
LLAR * 1	-300	-300	-300
Apply Retirement Re-engagement	0	-175	-175
Income Generation through social enterprise	0	-175	-200
Procurement Efficiencies Target	-200	-250	-250
Self Rostering	-360	-360	-360
Reduce R & R team	-1,332	-1,332	-1,332
Engineering Centre of Excellence	0	-150	-150
	-3,872	-4,572	-4,597

11. Despite the financial pressures the Authority set itself the challenge of building upon its already excellent performance and continuing with Merseyside Fire & Rescue Service's world leading work whilst providing a cost effective service to the people of Merseyside. It would:

- Invest in world leading community fire safety initiatives;
- Invest in a full range of rescue services to make Merseyside safer including the inshore rescue service;
- Invest in equality including a risk based programme of fire safety advocates;
- Invest in the most modern and up to date equipment and vehicles to make fire fighting efficient and safe;
- Invest in services like the Search & Rescue Team and the Small Fires Units;
- Invest in prevention of Firework Incidents to build upon the significant reduction in nuisance incidents around Bonfire night.

How the 2010/2011 Budget changed during the year

12. Throughout the year Members received regular financial review reports detailing the Service's progress in implementing the approved saving options, any additional budget amendments required, plus the movements from and to reserves.

13. During 2010/11 it became apparent that (despite the challenges arising from CSR2007) that a significantly more challenging position loomed ahead for public services finances and that it was likely that the next spending review would result in a requirement for large-scale cuts in public services. In light of this significant uncertainty the Authority decided to adopt a strategy that it would aim as far as possible to maximise its level of reserves ahead of the 2010 spending review in order to give it a buffer to manage any financial challenges ahead.

14. The most recent financial review report CFO/015/11 identified additional savings of £3.400m which were incorporated into the revised budget. These arose from:-
- A pay freeze in 2010/2011 for all staff; and
 - Non Filling of vacancies in anticipation of future cuts ahead
15. The Authority set aside this money as part of its budget decision for 2011/2012 in an inflation reserve of £1.142m in case of the risks of paybill increases and created a severance reserve of £2.258m to meet the anticipated costs of voluntary severance and voluntary early retirement.
16. Further minor budget amendments have been made since CFO/015/11 that reflect already approved policy decisions these were:
- The further use of £0.161m from reserves to the revenue budget, (mainly £0.138m from the clothing reserve to fund the purchase of brand new (PBI Gold) firefighter protective clothing);
 - an increase of £0.096m in the capital budget of which the majority, £0.058m, is funded from revenue and reflects approved additional building & ICT works for existing schemes.

The table below shows how the overall budget has moved across the year:

REVENUE BUDGET MOVEMENTS IN 2010/2011

	Original Budget	Qtr 3 Report Budget	Further Budget	Final Budget	Original to Final Budget
	£'m	£'m	£'m	£'m	£'m
Net Expenditure					
Fire Service	72.807	70.431	0.161	72.032	0.810
Corporate	0.592	0.603	0.000	0.603	0.011
	73.399	71.034	0.161	72.635	0.821
Use of Reserves	-0.073	2.292	-0.161	2.131	2.204
Total Expenditure	73.326	73.326	0.000	74.766	3.025
Funded By					
Government Grant	-46.304	-46.304	0.000	-46.304	0.000
Precept	-27.022	-27.022	0.000	-27.022	0.000
	-73.326	-73.326	0.000	-73.326	0.000

CAPITAL BUDGET MOVEMENTS IN 2010/2011

	Original Budget	Qtr 3 Report Budget	Further Budget	Final Budget	Original to Final Budget
	£'m	£'m	£'m	£'m	£'m
Total	11.953	9.906	0.096	10.002	-1.951

Financial Performance in the Year & 2010/2011 Revenue Outturn Position:

17. Officers have successfully implemented and delivered the approved savings planned for 2010/2011.
18. In considering the Authority budget and financial plan for 2010/11 – 2014/15, the Authority adopted a strategy to look for opportunities to increase the Authority's reserves in light of the risk around some of the key assumptions in the financial plan, particularly around future grant increases. This strategy was reinforced during the year when Members noted the coalition Government's approach to public finances and the reality that future grant settlements would be significantly below the level assumed.
19. As stated already in this report a revenue saving of £3.400m was identified during the year and used to increase reserves.
20. **Capitalisation** - One further option that the Authority has considered as part of the strategy to build up reserves was to review alternatives for financing elements of the approved budget. The cost of smoke alarm installation is capital expenditure according to government regulations. The budget assumed that the capital cost would be funded by a revenue contribution. It is open for the Authority to consider financing this expenditure by borrowing as part of a short term strategy to maximise reserves. It does however spread the costs (of firefighter salaries) over a longer period of time. This report has been prepared on the assumption that the Authority will choose to borrow to fund this expenditure.
21. Further on in this report more detail is provided on the year-end variations but as the summary below outlines the Authority has:
 - successfully kept expenditure within the approved plan; and
 - as part of its strategy of building up reserves, delivered a further £1.206m saving against its gross revenue budget after taking into account year-end reserves. (*Therefore in total £4.606m of additional savings have been achieved in the year*); and
 - by financing capitalised smoke alarm installation salaries by borrowing increased the saving by a further £0.934m to increase reserves as part of its financial strategy.

Year-End revenue summary:

	£'m
Revised Budget	73.326
Actual Expenditure (before year-end reserves)	<u>71.209</u>
Savings before reserves	-2.117
Required Year-End Earmarked Reserves	<u>0.911</u>
Actual Saving	-1.206
Fund capitalised alarm installation via borrowing	<u>-0.934</u>
Revised year-end saving	-2.140
Increase General Reserve	<u>2.140</u>
Adjusted Year-End Position	<u><u>0.000</u></u>

22. The £0.911m of year-end ear marked reserves relate to a requirement to carry over funding from grants and special projects which are taking place over more than one financial year. Details of the reserves that make-up the £0.911m is provided further on in this report in the reserves section.
23. The table overleaf outlines the summarised revenue position for the Authority in 2010/2011, (**Appendix A** provides a more detailed analysis):

2010/11 Analysis of Revenue Outturn by Expenditure Type

(Assuming £934k of smoke alarm capitalised installation costs are funded via borrowing & not a revenue contribution)

	Budget	Actual	Variance	Of Which Yr-End ER request	Net Variance
	£'000	£'000	£'000	£'000	£'000
SPEND ANALYSIS:					
EMPLOYEE COSTS	56,319	56,027	-292	143	-149
PREMISES	2,623	2,546	-77	69	-8
TRANSPORT	1,802	1,728	-74	5	-69
SUPP & SERVICES	4,788	4,270	-518	263	-255
AGENCY SERVICES	2,479	2,432	-47	24	-23
CENTRAL SUPPORT SERVICES	250	237	-13		-13
CAPITAL FINANCING	6,485	5,211	-1,274	0	-1,274
CORPORATE MGT	603	605	2	0	2
INCOME	-4,272	-4,912	-640	407	-233
NET SERVICE EXPENDITURE	71,077	68,144	-2,933	911	-2,022
INFLATION PROVISION UNALLOCATED	118	0	-118		-118
OPERATING (SURPLUS) / DEFICIT	71,195	68,144	-3,051	911	-2,140
MOVEMENT on EARMARKED RESERVES	2,131	3,042	911	-911	0
MOVEMENT on GENERAL RESERVE				2,140	2,140
FINAL YEAR-END POSITION	73,326	71,186	-2,140	2,140	0
FUNDED BY					
Precept Income (9941-45)	-27,022	-27,022	0	0	0
General Grant Income - NNDR/RSG	-46,304	-46,304	0	0	0
TOTAL GRANTS / PRECEPTS	-73,326	-73,326	0	0	0
OVERALL (SURPLUS)/DEFICIT FOR THE YEAR	0	-2,140	-2,140	2,140	0

24. A breakdown of the year-end variances, (after earmarked reserve adjustment), is now provided in the following paragraphs and analysed by the main expenditure types:

- **Employee Costs, £0.149m (-0.3%) favourable variance –**
 - A 0.3% variance on the employee budget arising from staff vacancies and turnover. Employee outturn figures were consistent with forecasts and overall neutral. The Firefighter retirement profile remains consistent with the current financial plan's expectations in 2010/11 and future years.
- **Premises Costs, £0.008 (0.03%) favourable variance –**
 - Expenditure was consistent with the budget and forecast.
- **Transport Costs, £0.069 (3.8%) favourable variance –**
 - The end of an operational lease agreement for 5 appliances during the year resulted in a saving of £0.070m.

- **Supplies and Services, £0.255m (5.2 % of budget) favourable variance–**
 - A number of small variances in service areas resulted in a net underspending of £0.110 on professional services support. The Service has a number of one-off or specialist projects and initiatives that either due to skill shortages or due to other priorities requires the Service to buy in professional support. Officers have tried to limit the use of professional support when ever possible.
 - Closely managing ICT and other supplies budgets saved £0.115m.
- **Agency & Central Support Services, £0.036m (1.3% of budget) favourable variance –**
 - Expenditure was consistent with the budget and forecast.
- **Capital Financing, £1.274m (19.6%) favourable variance-**
 - The £0.934m HFSC alarm installation costs charged to capital were assumed within the original budget to be financed by an equivalent revenue contribution to capital (RCCO). In the recent past the Authority has reviewed this treatment and decided to borrow to fund the expenditure as part of a medium term financial strategy to maximise reserves. The outturn position assumes the Authority continues to agree to borrow to fund the capitalised HFSC installation costs instead of funding them by a revenue contribution. This has reduced revenue expenditure by £0.934m.
 - Robust management of the Authority’s cashflow combined with the re-phasing of some capital schemes into future years meant the need for new borrowing was not as great as anticipated in the year and resulted in a one-off saving on interest payments of £0.266m.
- **Corporate Management, £0.002m (-0.3%) favourable variance-**
 - Expenditure is consistent with the budget and forecast.
- **Income, £0.233m additional income above budget –**
 - Members will recall that they have tasked Officers with maximising income. Selling the Authority’s Electronic Standard Operating Procedures Manual to other fire authorities, £0.090m, ensured discretionary fees and charges income was £0.75m above budget. Secondment income and insurance contributions increased the favourable variance by a further £0.064m.

25. Since the last financial review 5 unrecoverable debts have been written off under delegated powers at a value of £5,966 and an analysis of the detailed accounts is attached as **Appendix B**.

2010/2011 Capital Spending

26. The Authority originally approved a capital budget for 2010/2011 of £11.953m. During 2010/2011 the financial review reports updated Members on the movements in the capital programme. The final 2010/2011 capital budget was set at £10.002m. Full details of the changes to the 2010/2011 programme and the 5 year programme are outlined in **Appendices C and D**.
27. Actual spending in the year was £8.603m, a net variation of £1.398m against the final budget, however Officers propose to re-phase £1.280m of planned 2010/2011 expenditure into 2011/2012. The difference between the net underspend and the amount required to be carried forward as re-phasing is the total value of net cost reductions, £0.118m, in a variety of schemes. A summarised capital programme is shown below:

2010/11 Capital Programme Summary of Changes to Expenditure & Funding

Programme	Original Budget	Final Budget	Outturn	Year-end Re-phasing from 2009/10 into 2010/11	Variance after Re-Phasing Adjustment
	£'m	£'m	£'m	£'m	£'m
EXPENDITURE					
Building/Land	5.746	3.956	3.762	0.326	0.132
Fire Safety	1.752	1.837	1.709	0.000	-0.128
Hydrants	0.037	0.040	0.012	0.009	-0.019
ICT	0.603	1.293	0.842	0.426	-0.025
RCC ICT	0.050	0.267	0.213	0.054	0.000
Operational Equipment	0.677	0.446	0.306	0.133	-0.007
T.D.A.	0.110	0.286	0.257	0.029	0.000
Vehicles	2.978	1.877	1.503	0.303	-0.071
TOTAL	11.953	10.002	8.604	1.280	-0.118
FINANCING					
Capital Receipts	0.900	0.000	0.000		0.000
Revenue Contribution	1.000	1.485	0.485		-1.000
Grants	1.072	1.309	1.309		0.000
External Contributions	0.000	0.000	0.000		0.000
Supported Borrowing	3.251	3.251	3.251		0.000
Unsupported Borrowing	5.730	3.957	3.559	1.280	0.882
TOTAL	11.953	10.002	8.604	1.280	-0.118

28. The most significant year-end re-phrasings are outlined below:

- Building Programme, £0.326m year-end re-phasing. Various building and accommodation refurbishment schemes have been slightly delayed due to planning design & approval, technical design challenges and the tendering and commencement of work being later than originally scheduled. The largest amount is £0.123m for the now completed HART Project at Croxteth refurbishment. All re-phased schemes should be completed in 2011/2012.

The Engineering Centre of Excellence was completed in 2010/2011 and is now fully operational, overall expenditure on the project was £3.699m compared to an original budget of £3.515m. The key additional investment was in sprinklers

- ICT, £0.426m year-end re-phasing. The innovative Incident Ground Management System is now planned for completion in early 2011/2012 requiring £0.257m to be re-phased into next year.
- The Vehicle replacement programme, £0.303m year-end re-phasing. A delay has been reported by suppliers in the delivery of the refurbished CPL Specialist appliance due to the technical challenges around refurbishing an existing chassis leading to a re-phasing of the £0.153m budget.

A full detailed breakdown of the 2010/2011 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix C.

2010/2011 Movement on Reserves

29. A detailed analysis of the planned and actual movement on reserves in 2010/2011 has been prepared and is attached as **Appendix E** to this report. The table below summarises the movements in the year:

Reserve	Opening Balance	Anticipated Closing Balance	Actual Closing Balance	Year-End Variation to that Anticipated	Explained By;	
					Specific Projects continuing into Year 2	Year-End Saving
	01.04.10 £'000	31.03.11 £'000	31.03.11 £'000	£'000	£'000	£'000
Total Earmarked Reserves	10,096	12,227	13,138	911	911	
General revenue Reserve	2,544	2,544	4,684	2,140	0	2,140
Total reserves	12,640	14,771	17,822	3,051	911	2,140

30. The £0.911m year-end increase in earmarked reserves is to cover timing issues related to grant funded projects and special projects. In summary these are:

	Increase £'m
Bonfire Initiative	0.019
Ill Health Retirement Penalty charge	0.038
ICT Strategy for CFS	0.027
Occupational Health ICT investment	0.017
Water Rescue	0.045
PFI	0.064
Museum Works	0.013
Other	0.067
Grant/Income/Contribution related	0.621

	0.911

(The unaudited statement of accounts document attached to this report outlines the purposed use of each of the reserves and the balance being carried forward into 2011/2012)

31. The Authority has an approved strategy of using any additional savings to increase reserves in light of the pending financial challenge. As already stated in this report and outlined in the table below, the service has delivered additional savings of £1.206m on its revenue budget, after taking account of the above earmarked reserves. In addition this report has recommended the Authority approve the funding of the £0.934m smoke alarm installation capitalised costs through borrowing and not through a revenue funding as assumed in the budget. This would increase the revenue saving from £1.206m to £2.140m, and increase the General Fund Reserve from £2.544m to £4.684m.

Year-End revenue summary:

	£'m
Revised Budget	73.326
Actual Expenditure (before year-end reserves)	<u>71.209</u>
Savings before reserves	-2.117
Required Year-End Earmarked Reserves	<u>0.911</u>
Actual Saving	-1.206
Fund capitalised alarm installation via borrowing	<u>-0.934</u>
Revised year-end saving	-2.140
Increase General Reserve	<u>2.140</u>
Adjusted Year-End Position	<u><u>0.000</u></u>

Final Accounts – Unaudited Statement of Accounts

32. The unaudited statutory accounts are attached as “The Statement of Accounts” (Appendix F) and explain the Authority’s financial position in detail. However, at this point they are for Members information as the recent changes to the Accounts & Audit Regulations only require Members to consider and approve the statement of accounts after they have had sight of the Auditors report in September, 2011.

Managing Performance:

33. Despite the financial pressures the Authority has continued to invest in making Merseyside Safer, Stronger and Healthier.
34. Overall staffing arrangements have changed at over a third of fire stations in Merseyside whilst performance standards and response have been maintained. Expected reductions of staff by natural retirement rates have been in line with assumptions.
35. Key performance successes achieved by the end of 2010/2011 include:
- The Authority continues to be the leading fire authority in the world to visit households to carry out HFSCs. Nearly 700,000 to date and approximately 70,000 carried out in 2010/2011;
 - Fitted over 700,000 free smoke alarms;
 - Reduced fire deaths from 20 in 1999 to 5 in 2010/2011, a 75% reduction;
 - Employed advocates which serve diverse communities like age, disability, deafness, drugs, alcohol, arson and anti-social behaviour, as well as multilingual specialists.

The table below summarises some key performance over the last 8 years:

Year	Accidental Dwelling Fires	Injuries in Accidental Dwelling Fires	Fatalities in Accidental Dwelling Fires	Anti Social Behaviour Fires
2003-2004	1,612	171	9	18,984
2004-2005	1,470	173	11	12,258
2005-2006	1,456	155	11	11,689
2006-2007	1,336	126	8	12,721
2007-2008	1,286	69	9	10,449
2008-2009	1,302	107	9	7,648
2009-2010	1,297	117	8	7,372
2010-2011	1,156	134	5	6,593
Reduction between 2003/04 to 2010/11	-28.3%	-21.6%	-44.4%	-65.3%

Summary Position

36. The final accounts of the Authority show revenue expenditure in 2010/2011 is £72.120m. This is a £1.206m or 1.6% saving against the £73.326m revised budget. (This is in addition to the £3.400m savings identified during the year in Financial Review reports.)
37. If the Authority continues its strategy to maximise reserves then borrowing to fund capitalised smoke alarm installation costs reduces revenue spending by a further £0.934m and increased the underspend to £2.140m.
38. The Authority has an approved strategy of building up reserves in order to provide a short-term buffer while it re-engineers the Service to meet the pending public sector financial challenge. The revised revenue saving of £2.140m will be used set against the General Fund reserve as part of this approved strategy in the first instance.
39. Capital spending was £8.604m resulting in a “underspend” of £1.398m against the £10.002m budget for 2010/2011. The variance can be broken down into:
- A £1.280m re-phasing of planned spend from 2010/11 into 2011/12, requiring the carry forward of capital budget into 2011/12;
 - A net small underspend on schemes of £0.118m.

40. The increase in year-end reserves of £3.051m compared to that anticipated can be explained by:
- £0.911m of reserves for grant & special project schemes for which funding was received in 2010/2011 but the scheme will be delivered over more than one year therefore requiring a carry forward of funding via a reserve; and
 - A £2.140m increase in the General Fund reserve funded from the revenue saving identified above to help provide a short-term buffer to meet the future financial challenge.

Equality & Diversity Implications

41. None arising from this report.

Financial Implications & Value for Money

42. The total revenue expenditure, (after funding smoke alarm installation through borrowing), in the year was £71.186m and resulted in a saving of £2.140 against the £73.326m budget.
43. The saving will, as part of the approved financial strategy, be used to increase the General Fund reserve by £2.140m to help create a short term buffer in order to meet the forecast financial challenge arising from the squeeze on public finances. Other earmarked reserves have increased by £0.911m to carry forward funds received for specific projects in 2010/2011, but will be delivered over more than one year.
44. Capital expenditure in the year was £8.604m resulting in a £1.398m “underspend” against the £10.002m budget. However a £1.280m re-phasing of schemes from 2010/2011 into 2011/2012 meant that overall capital had a small net underspend of £0.118m.
45. The General Fund Balance as at 31 March 2011 stood at £4.684m.

Health & Safety & Environmental Implications

46. None arising from this report.

Contribution to Achieving Our Purpose:

“To Make Merseyside a Safer, Stronger, Healthier Community”

47. The achievement of actual expenditure within the approved financial plan and delivery of the expected service outcomes is essential if the Service is to achieve the Authority’s vision.

BACKGROUND PAPERS

Report CFO/013/10 “MFCDA Budget and Financial Plan 2010/2011-2014/2015”
Authority 18th February 2010.

Report CFO/141/10 “Financial Review 2010/11 –April to June Review” Audit & Value
For Money Scrutiny Panel 02 September 2010.

Report CFO/094/10 “Financial Review 2010/11 – April to September Review” Audit
& Value For Money Scrutiny Panel 29 November 2010.

Report CFO/015/11 “Financial Review 2010/11 – April to December Review”
Authority 17th February 2011.

Glossary of Terms

ACE&T – Assistant Chief Executive & Treasurer

CAPITAL EXPENDITURE (or capital spending) – Section 40 of the *Local Government and Housing Act 1989* defines ‘expenditure for capital purposes’. This includes spending on the acquisition of assets either directly by the Authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

HFSC – Home Fire Safety Check

RESERVES -Amounts set aside to meet future contingencies but whose use does not affect the Authority’s net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account.

REVENUE EXPENDITURE -This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.