

# Statement of Accounts 2013/14

## Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011, or Joanne Coadey, Head of Finance, on 01743 260215.

### 1 Purpose of Report

This report sets out the key revenue issues, which have arisen from work on the Statement of Accounts 2013/14, and seeks approval for use of the General Fund balance in 2014/15.

### 2 Recommendations

The Fire Authority is recommended to:

- a) Approve the addition of £153,000 to 2014/15 revenue budgets, for expenditure that has slipped from 2013/14; and
- b) Task officers to review the revenue budget and present recommendations for the use of the General Fund balance in 2014/15, to the September meeting of the Strategy and Resources Committee.

### 3 Background

Closedown of the financial year 2013/14 is now complete, and the Authority's Statement of Accounts will be audited by Grant Thornton in July. The Statement was also signed on 30 June 2014 by the Treasurer, as responsible finance officer, who certified that the Statement presented a true and fair view of the financial position of the Authority.

The Fire Authority agreed at its February 2012 meeting that the Statement of Accounts would be formally approved in September each year by its Audit and Performance Management Committee.

This report informs the Authority of the outturn of the revenue account in 2013/14, and recommends that the possible treatment for the balance be considered by officers and presented to the Strategy and Resources Committee in September.

## 4 Revenue Budget and Expenditure

In February 2013, Shropshire and Wrekin Fire Authority approved a revenue budget of £21.260m for 2013/14. This budget quantified the Service's strategic and operational plans, and the further sub-division into business areas also enabled individual business plans to be quantified, and achievements monitored.

The revenue budget for 2013/14 was funded as follows:

Council tax income	£12.7m
Non-domestic rates from authorities	£1.4m
Business rates top-up grant	£2.1m
Revenue Support Grant	£5.1m
	<b>£21.3m</b>

A further one-off grant was offered to those authorities that froze council tax in 2013/14. After considering the effects on long-term financial planning, the Fire Authority agreed to increase council tax by 1.99%, or 3p per week for a Band D household.

During 2013/14 the Fire Authority has approved net transfers to the General Fund balance of £311,000. Actual outturn on the revenue budget was £20.237m, resulting in an additional surplus of £712,000, which is detailed below.

Some of this year's savings represent expenditure that has slipped from 2013/14 into 2014/15, and it is proposed that this will be held in the General Fund balance at the end of the year, and transferred back to the revenue account for use in 2014/15.

The Authority is asked to approve this transfer of £153,000 into revenue budgets for 2014/15 for the continuation of projects.

<b>Slipped Expenditure</b>	<b>£'000</b>
Training and development	63
Service Transformation Programme - projects	60
Communications strategy	30
<b>Total</b>	<b>153</b>

The remaining variances from the revenue budget at the end of the year were identified as follows:

<b>Efficiencies and other variances</b>	<b>£'000</b>
<b>Pay and prices</b> – This contingency has been reviewed throughout the budget monitoring process, and variances reported to Members. A reduction of £200,000 has been made to the contingency in 2014/15, and the ongoing strategy for providing for pay and prices over the next few years will be discussed with the Strategic Risk and Planning (StRaP) Working Group.	133
<b>Staff</b> – Due to the close monitoring of pay budgets during the year, very few variances remained at year end.	-24
<b>Technical Services</b> – Savings in operational equipment and utilities costs were identified, however expenditure exceeded budgeted levels for travel costs and vehicle repairs. The revenue budget for building maintenance was reduced by £50,000 as part of the Public Value process, however this saving has not been achieved, and expenditure will be managed going forward with a combination of revenue and dedicated reserve.	30
<b>Communications and information management</b> – Unspent balances in information and technology and communications have been identified, due to the receipt of Government grant for the collaboration with Hereford and Worcester Fire Authority on control room functions.	64
<b>Capital charges</b> – Savings have been identified and revenue budgets reduced for 2014/15 and later years.	58
<b>Human resources and development</b> – As the Fire Authority is operating a firefighter recruitment freeze due to its current financial position, savings have been realised in training and development elements of the budget. Expenditure on staff advertising costs and medical reports was also lower than anticipated.	93
<b>Corporate services</b> – Insurance premiums were lower than budgeted levels for 2013/14, and there were also savings in corporate management costs.	28
<b>Service Transformation Programme</b> – These savings represent the running costs of capital schemes within the Programme that have not yet begun.	47
<b>Operations and prevention</b> – Expenditure on prevention campaigns throughout the year was lower than anticipated.	24
<b>Income</b> – The Authority received a rebate related to its insurance performance, and also received £25,000 from Shropshire Risk Management Services Ltd, for recharge of services.	60
<b>Business Rates income</b> – The 2013/14 budget was based on Government estimates for business rate income; however actual receipts from constituent authorities were higher than this estimate.	46
<b>Total</b>	<b>559</b>

The outturn on the revenue budget is held in the General Fund at the end of the year, and it has been the Authority's policy to allocate funds and reduce the balance to zero. This has been done by transferring part of the balance into current revenue budgets, to continue projects and work streams, which are not completed, and allocating the remainder into Authority reserves.

Officers will continue to review the revenue budget and to identify savings in all budgets, and those considered to be sustainable will be brought to the StRaP Working Group and Strategy and Resources Committee in September, and then to the Fire Authority.

Officers will also be analysing overspends, which have occurred in 2013/14, to consider the severity of cuts already made to the revenue budget.

## **5 Reserves**

At the end of 2012/13, three new reserves were created as the accounts were closed.

### **Training Reserve**

There have been, and will continue to be, changes in the management structure of the Service, which will inevitably require additional training and development of staff over the next three years and beyond. This reserve has been created to enable this training and development to be carried out, without adding additional pressure to the revenue budget.

### **New Operational Equipment Reserve**

This reserve has been established to help provide some stability in the revenue budget in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established.

### **Building Maintenance Reserve**

The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. This reserve has been created to deal with exceptional, unexpected repairs that do not require a regular revenue budget.

These reserves have been created to support revenue expenditure and smooth out fluctuations in the revenue budget, and reviews will be carried out to identify smarter use of the Authority's resources. These reserves will act as enablers to reduce the revenue budget, and close the expected budget deficit modelled to 2019/20.

## **6 Use of the General Fund Balance**

In previous years, the balance of the General Fund has been allocated to Authority reserves, where specific pressures had been identified.

Officers will begin revenue budget reviews in the next few months, in anticipation of the budget-setting process for 2015/16. These reviews should focus upon the way, in which the Authority funds its commitments over the next few years, and the best use of revenue and capital funds.

It is proposed that the balance of £870,000 is held in the General Fund, and that officers present recommendations to the Strategy and Resources Committee in September on the use of this balance.

## **7 Annual Governance Statement**

The Annual Governance Statement (AGS) was drafted by the end of June for the Treasurer to consider while signing the Statement of Accounts. The AGS will be taken to the Audit and Performance Management Committee in September, for approval together with the Statement of Accounts.

## **8 Financial Implications**

Financial implications are outlined in the main body of the report.

## **9 Legal Comment**

Under the Accounts and Audit Regulations 2011, the Fire Authority or one of its Committee is required to approve the Statement of Accounts 2013/14 by the end of September 2014.

## **10 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **11 Appendix**

There are no appendices to this report.

## **12 Background Papers**

There are no background papers associated with this report.