

Statement of Accounts 2020/21

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915, 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 2020/21 and seeks approval for use of the General Fund balance in 2021/22.

2 Recommendations

The Fire Authority is recommended to:

- a) Note the final position of the revenue budget and the General Fund balance in 2020/21, and
- b) Approve use of the General Fund balance in 2021/22.

3 Background

The Accounts and Audit Regulations 2015 state that the Statement of Accounts must be approved by the Treasurer and published on the Authority's website by 31 May following the end of the financial year. However due to the Coronavirus pandemic, the Accounts and Audit (Amendment) Regulation 2020 was passed to amend the dates by which the Statement of Accounts must be approved and published. For the financial year 2020/21, draft statements must now be approved by 31 July 2021, with final audited accounts published by 30 September 2021.

Officers have worked as closely as possible to the original timetable for draft accounts; the accounts will be signed off by the Treasurer in June.

The Statement of Accounts will be audited by Grant Thornton and will be presented to the Standards, Audit and Performance Committee for approval in September. The Fire Authority agreed at its February 2012 meeting that the Statement of Accounts would be formally approved each year by its Audit and Performance Management Committee (now renamed as above), as those charged with governance.

This report informs the Authority of the outturn of the revenue account in 2020/21 and recommends the possible treatment for the balance on the General Fund. The year-end position could change following the audit.

4 Revenue Budget and Expenditure

In February 2020, Shropshire and Wrekin Fire Authority approved a revenue budget of £23.221m for 2020/21. 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 2020/21 was funded as follows:

Council tax income	£17.244m
Non-domestic rates from authorities	£1.610m
Business rates top-up grant	£2.389m
Government Grant	£1.978m
	£23.221m

Given the ongoing uncertainty surrounding the mid to late years of the planning period, members were advised to approve a budget for 2020/21, and task officers to update scenario planning as and when more details on future years became available.

Following consideration of the options presented, members approved a revenue budget for 2020/21 and a precept increase of £2.00 per year, or 1.99%.

During 2020/21 the Fire Authority received regular updates on financial performance and approved net changes of £943,000 to the revenue budget (including those considered at this meeting). Actual outturn on the revenue budget was £21.633m; underspends of £645,000 were identified and are detailed below. This consisted of unspent balances on budgets (-£82,000) and also anticipated expenditure that will be slipped into 2021/22 (£727,000). The Authority also received £12,000 in additional grant income.

Efficiencies and other variances	£'000
Firefighting and control pay	-105
Prevention pay	33
Officers pay	23
Operations pay	-40
Training and Development pay	-19
Subsistence	21
Technical Services	-24
Prevention	21
Consultancy	-19
Other variances	27
Total	-82

Slipped Expenditure	£'000
Covid 19 support grant - grant received in 20/21 but the associated expenditure to occur in 21/22	333
Protection grants - grant received in 20/21 but the associated expenditure to occur in 21/22	142
Property maintenance	114
Development	62
Project salaries	32
Legal fees	22
Training	16
Animal rescue donations	6
Total	727

Income	£'000
Additional government grant received	12

5 Use of the General Fund Balance

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.

In September 2014, the Strategy & Resources Committee recommended that future balances on the General Fund should be allocated to the Unearmarked Capital Reserve (subsequently renamed Major Projects Reserve), to fund major improvements at the Stafford Park site in Telford. This was approved by the Fire Authority in October 2014. However, in previous years, members have also transferred some of the balance to Service Transformation Programme (STP) Staff Reserve, which has been used to transform the Service's IT infrastructure and systems.

General Fund Balance 2020/21

The balance on the General Fund at the end of 2020/21 is £1.600m. A total of £727,000 will be slipped to 2021/22, leaving a balance of £873,000 available for distribution to reserves.

The Coronavirus pandemic began to affect the United Kingdom in March 2020, with England going into lockdown on 23 March. As the accounts were closed for 2019/20, it was unclear how the pandemic would affect the Authority's financial position, particularly collection fund income and precept following council tax base growth. The Income Volatility Reserve was increased by £450,000 to allow for any fluctuations in income.

Due to reduced receipts during 2020/21, deficits were reported on both the council tax and business rates collection funds, a proportion of which must be repaid by the Authority. In 2021/22, government grant will be paid to cover 75% of these deficits, with the remaining 25% repayable over 3 years rather than the usual 1 year.

Similarly, growth in the council tax base has resulted in additional precept collection for the Authority in recent years. However, due to a large number of households being supported with payment of council tax, 2021/22 will see only a slight increase in council tax base. Again, government grant will be paid in 2021/22 to cover this loss of tax base growth.

Given the government assistance and compensation for reduced funding receipts, there is no requirement to increase the Income Volatility Reserve further, although it is felt prudent to hold the reserve at its current level.

Other reserves such as the Training Reserve have been useful in funding items of expenditure that do not currently require a permanent increase in the budget, thereby smoothing the budget and the precept. The Service Transformation Programme Staff Reserve has enabled the Service to support change, particularly in Training and Protection, and will continue to provide funding for the Fire Alliance with Hereford & Worcester Fire and Rescue Service.

Finally, all contributions to capital reserves will make available more funding for schemes and major projects, reducing borrowing costs into the long term. The ICT Reserve is also used to fund capital projects in this way.

It is proposed that:

- £100,000 is added to the STP Staff Reserve
- £100,000 is added to the Training Reserve
- £250,000 is added to the ICT Reserve
- £250,000 is added to the Earmarked Capital Reserve, and
- The balance (currently £173,000) is added to the Major Projects Reserve

The General Fund balance is subject to audit and therefore these figures may change.

6 Annual Governance Statement

The Annual Governance Statement for 2020/21 will be approved by the Treasurer in June 2021 and will be published on the Authority's website. The Statement will be taken to the Standards, Audit and Performance Committee in September for approval, along with an Improvement Plan for 2021/22.

7 Financial Implications

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

8 Legal Comment

The Accounts and Audit (Amendment) Regulation 2020 was passed to amend the dates by which the Statement of Accounts must be approved and published. For the financial year 2020/21, draft statements must now be approved by 31 July 2021, with final audited accounts published by 30 September 2021.

9 Initial Impact Assessment

An Initial Impact Assessment has been completed.

10 Appendices

There are no appendices to this report.

11 Background Papers

There are no background papers associated with this report.