

## Statement of Accounts 2012/13

### 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 2012/13, and seeks approval for use of the General Fund balance in 2013/14.

### 2 Recommendations

The Fire Authority is recommended to:

- a) Approve the addition of £147,000 to 2013/14 revenue budgets, for expenditure that has slipped from 2012/13;
- b) Approve the use of a Service Delivery Reserve, to fund initiatives in service delivery and prevention; and
- c) Task officers to review the revenue budget and present recommendations for the use of the General Fund balance in 2013/14, to the September meeting of the Fire Authority.

### 3 Background

Closedown of the financial year 2012/13 is now complete, and the Authority's Statement of Accounts is currently being audited by Grant Thornton. The Statement was also signed on 28 June 2013 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 out turn of the revenue account in 2012/13, and recommends possible treatment for the balance.

## 4 Revenue Budgets

The out turn 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.

Out turn on the revenue budget for 2012/13 is £1,506,000. Officers have reported £245,000 of this balance to Members during the year, with a balance of £1,261,000 being reported at closedown.

This is made up of the following areas:

<b>Slipped Expenditure</b>	<b>£'000</b>
Training and development	54
Service Transformation Programme - projects	90
Other	3
<b>Total</b>	<b>147</b>

<b>Efficiencies and other variances</b>	<b>£'000</b>
Pay and prices	827
Staff – Human Resources and Development	67
Staff – Service Delivery and Control	95
Staff – Retained Duty System	300
Staff – Prevention and Operations	-67
Staff - Other	6
Pensions	99
Communications and information management	-62
Equipment and uniform	-79
Equipment replacement	-50
Facilities and hydrants	-54
Fleet management and workshops	-73
Service delivery	25
Human resources and development	66
Other variances	14
<b>Total</b>	<b>1,114</b>

The Authority is asked to approve the transfer of £147,000 into revenue budgets for 2013/14, to continue projects from 2012/13.

The opportunity savings identified in 2012/13 are closely linked to the 2020 planning options, which are currently undergoing impact assessments.

Officers have worked hard to identify savings in all budgets, and those considered to be sustainable will be brought to the Strategic Risk and Planning Group (StRaP) in September, and then to the Fire Authority.

Officers will also be analysing overspends, which have occurred in 2012/13, to consider the severity of cuts already made to the revenue budget.

## **5 Analysis of the General Fund Balance**

Setting slipped expenditure aside, there is a balance of £1.36m in the General Fund at the end of the year. A high proportion of this balance is expected and can be explained:

### **Pay and Prices**

The Fire Authority's strategy for pay and price provision has been to provide for an average level of pay award and inflationary increase, in order to avoid unnecessary increases in council tax. Members are kept informed throughout the year about contingencies held for pay and prices, and actual pay awards that have been negotiated.

Where a negotiated pay award is less than the award budgeted, or where no pay award is given, reductions are made to the pay contingency as revenue budgets are set for future years.

The balance in the General Fund includes £800,000 pay and prices balances to 2012/13; the revenue budget set for 2013/14 has already included a reduction of £200,000 to the contingency. The pay and price contingency will be considered again as the Authority sets the revenue budget for 2014/15.

### **Pay**

There have been savings of £400,000 in the pay budgets for 2012/13, predominantly in the operational staff budgets.

Following high spend during the first part of the year, increased expenditure was anticipated on overtime and modified duties payments, and, as a result, Members approved budget increases in these areas. Payments made during the second part of the year were managed down, and so this opportunity saving can be returned to balances.

Payments to retained firefighters for operational activity were lower in 2012/13 than in previous years, and there may be further opportunity to reduce revenue budgets to a lower 'average' level, providing that sufficient reserves are in place to cover higher than average activity levels, such as hot summers and flooding. However, the revenue budget for 2013/14 has already included a Public Value saving of £30,000 from the retained duty system budgets, with a further £30,000 planned for 2014/15.

Officers will be reviewing variances from this year and previous years to identify where savings can be made, when setting future revenue budgets.

## 6 Reserves

At the close of 2011/12, two new reserves were created to address specific issues being faced by the Authority over the next few years:

- **Service Transformation Programme Staff Reserve**  
This reserve was created to cover the staff elements of the Service Transformation Programme, as additional staff were, and will continue to be, required on specific projects within the Programme.
- **Income Volatility Reserve**  
This reserve was created to ensure that the Authority can react to volatility in funding levels over the next few years, in light of the changes to funding streams introduced in 2012/13.

### Service Delivery Reserve

In addition to the two reserves set up following the close of 2011/12, a reserve has been established using £232,000 of government grants and other income earmarked to fund initiatives in service delivery and prevention.

The Fire Authority is asked to approve the use of the Service Delivery reserve for such expenditure.

## 7 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.

In light of the significant financial pressures faced by the Authority into the medium term, officers are planning to undertake a number of budget reviews in the next few months. It is hoped that these reviews will identify ways in which the 2012/13 General Fund balance can be used to enable further reductions to be made to the revenue budget in future years.

It is, therefore, proposed that the balance of £1.36m is held in the General Fund, and that officers will present recommendations to the Fire Authority in September on the use of this balance.

## 8 Spending Review 2014

On 26 June, the Chancellor set out departmental budgets for the financial year 2015/16, announcing that £11.5 billion of savings would be found from government budgets in order to continue the Coalition's programme of deficit reduction.

Despite an overall budget reduction of 10% to the Department of Communities and Local Government, it was announced that there would be a reduction of 7.5% to fire and rescue authorities.

In addition, two funds have been created:

- A £45 million Fire Efficiency Incentive Fund to invest capital in ensuring that fire service assets, such as fire stations, are appropriately located to ensure efficient and effective service delivery; and
- A £30 million resource fund through the local government settlement to encourage joint working between fire and rescue authorities, collaboration with other blue lights services, and to meet the upfront costs of service transformation.

The impact on Shropshire and Wrekin Fire Authority of this latest round of cuts has been exemplified at the appendix to the report. It can be seen that this level of cuts, as well as a continued Council Tax Referendum Limit of 2%, still requires the Fire Authority to find a further £1.7 million in service cuts in order to deliver the fire and rescue service and at the same time present a balanced budget.

## **9 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.

## **10 Financial Implications**

The financial implications are outlined in the main body of the report.

## **11 Legal Comment**

Under the Accounts and Audit Regulations 2011, the Fire Authority or its Committee is required to approve the Statement of Accounts 2012/13 by the end of September 2013.

## **12 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **13 Appendix**

Strategic Planning Model - Budget Surplus / Deficit to 2019/20

## **14 Background Papers**

There are no background papers associated with this report.

### Strategic Planning Model - Budget Surplus / Deficit to 2019/20

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Forecast Expenditure	20,570	20,350	20,486	20,773	21,314	21,807	22,311
Forecast Income:							
Revenue Support Grant	(3,019)	(4,104)	(3,422)	(2,889)	(2,379)	(2,076)	(1,774)
2011/12 Council Tax Freeze Grant	(336)	(336)	(336)	(0)	(0)	(0)	(0)
Council Tax Support Grant	(1,794)	(0)	(0)	(0)	(0)	(0)	(0)
Business rates from local authorities	(1,363)	(1,405)	(1,447)	(1,491)	(1,535)	(1,581)	(1,629)
Business rates top up	(2,063)	(2,126)	(2,190)	(2,255)	(2,323)	(2,393)	(2,465)
Council Tax	(12,634)	(12,962)	(13,299)	(13,645)	(14,000)	(14,365)	(14,739)
Collection Fund	(51)	(0)	(0)	(0)	(0)	(0)	(0)
Total income	(21,260)	(20,933)	(20,694)	(20,280)	(20,237)	(20,415)	(20,607)
Deficits / (Surplus)	(690)	(583)	(208)	493	1,077	1,392	1,704