

## Statement of Accounts 2011/12

### Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252007, 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 2011/12, and seeks specific approval for virements from the General Fund in 2012/13.

### 2 Recommendations

The Fire Authority is recommended to:

- a) Approve the addition of £184,000 to 2012/13 revenue budgets, for expenditure that has slipped from 2011/12;
- b) Approve the creation of a Service Transformation Programme Staff Reserve, for the secondment and backfilling of staff to complete the Programme;
- c) Approve the creation of an Income Volatility Reserve, to protect the Authority against detrimental transitional changes in grant and business rates; and
- d) Approve the transfer of the balance of the General Fund of £1,263,000 to the reserves, set out in paragraph 5, subject to review during the preparation of the 2013/14 budget.

### 3 Background

Closedown of the financial year 2011/12 is now complete, and the Authority's Statement of Accounts has been audited by the Audit Commission. The Statement was also signed on 28 June 2012 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 will be formally approved in September by the Audit and Performance Management Committee.

This report informs the Authority of the out turn of the revenue account in 2011/12, and recommends possible uses 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 2011/12 is £1,411,000. Officers have reported £226,000 of this balance to Members during the year, with a balance of £1,185,000 being reported at closedown.

This is made up of the following areas:

<b>Slipped Expenditure</b>	<b>£'000</b>
Training and development	31
Hydrants	47
Operational equipment	10
Human Resources staff	24
Command and control system	23
Other items of minor slippage	13
<b>Total</b>	<b>148</b>

<b>Efficiencies and other opportunity savings</b>	<b>£'000</b>
Staff savings – Service Delivery and Control	36
Staff savings – Executive and Management Support	48
Staff savings – Training and Development	24
Staff savings - other	24
Pay and prices	485
Facilities and fleet management	-75
Financial services – debt charges	144
Part Time Workers Tribunal – additional costs	-105
Pensions	253
Mobilising systems	27
Training and development	79
Planning and performance	69
Other variations	28
<b>Total</b>	<b>1,037</b>

A detailed appendix of the variances identified accompanies this report.

The Authority is asked to approve the transfer of £148,000 into revenue budgets for 2012/13, to continue projects from 2011/12. The treatment of the remaining balance of £1,263,000 is considered below.

## **5 Reserves**

In 2011/12, transfers were made into several of the Authority's reserves, where specific pressures had been identified, with the balance being transferred to the Unearmarked Capital Reserve.

This year, it is proposed that two new reserves are created to address specific issues being faced by the Authority over the next few years:

### **1. Service Transformation Programme Staff Reserve**

The Service Transformation Programme is a high-level programme of activities, which will be completed to ensure the Service is best placed to meet the challenges it is likely to face over the coming years.

The Programme consists of a series of activities, projects and reviews, which will be supported and delivered by a mixture of Service staff and third party resources.

Expenditure associated with the projects within the Programme has been included in the revenue budget and the capital programme. There will, however, be further costs as a result of the staff resources required to complete the projects and reviews, as existing staff are seconded and backfilled or external resources bought in.

It is proposed to create a reserve to cover the staff elements of the Service Transformation Programme, as additional staff will be required in the following areas:

Information Management Review  
Mobile Working Review  
People Management Review  
Programme Management

The Programme will run over five years, and an initial reserve of £300,000 is recommended. This reserve will be reviewed during 2012/13, with any anticipated changes being brought to Members for approval.

## **2. Income Volatility Reserve**

There are a number of changes being introduced in 2013/14, which will affect the way, in which the Fire Authority is funded, and the levels of funding that will be received.

### **Business Rates Retention**

As part of the Local Government Resource Review, the current business rates system is being changed to facilitate the retention of business rates in local areas, which will enable councils to retain growth in business rates in their areas.

Despite having very little ability to influence business rate growth, fire authorities will be funded through a percentage share of each council's billing authority business rate baseline, and will then be subject to a top up to bring them to their baseline funding level. Although the top up will be subject to an inflationary increase, there will still be uncertainty around the way, in which the total funding pot is distributed – what would have been allocated in formula grant under the old funding mechanism.

Reserves will be used to smooth any volatility or fluctuations in the funding received against current estimates in the Medium Term Corporate Plan.

### **Localisation of Council Tax Support**

The Government intends that, from April 2013, future support for council tax will be offered as reductions within the council tax system. Regulations will set the rules, allowances and awards for claimants of state pension age, so they do not experience a reduction in support as a direct result of the reform. Local authorities will have the freedom to design schemes for working age claimants, taking into account their responsibilities towards vulnerable groups and the importance of supporting incentives to work, reducing demand for support.

Funding – based on 90% of the forecast council tax benefit expenditure for 2012/13 – will be available to billing and major precepting authorities. This funding will have the effect of reducing each authority's council tax requirement and will help to offset the reduction in council tax base as a result of the creation of new council tax reductions to be set out in local schemes.

The Fire Authority is faced with uncertainty from both constituent authorities, as they create different schemes and make different decisions about how to close the 10% funding shortfall.

In light of these changes and the uncertainty around future funding, it is proposed to create a reserve to ensure that the Authority can react to volatility in funding levels over the next few years.

Indicative figures provided by the Government show council tax support localisation grant payable to the Authority of £1.768m for 2013/14 – this equates to a fall in council tax base of around 12.5%. If grant were reduced to around 10% of council tax base, the Authority would need to find an additional £370,000. In addition, if the actual reduction in council tax base from each authority were nearer to 15%, the cost to the Fire Authority could be a further £340,000.

The effect on income of these slight changes could be substantial, and a number of scenarios could affect the Authority simultaneously, for more than one year.

Although these estimations are purely indicative, and no firm calculations have been done, it would seem prudent to transfer the balance of the out turn of £963,000 into this reserve, to mitigate the effects of changes to grant funding.

## **6 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.

## **7 Financial Implications**

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

## **8 Legal Comment**

Under the Accounts and Audit Regulations 2011, the Fire Authority or its Committee is required to approve the Statement of Accounts 2011/12 by the end of September 2012.

## **9 Equality Impact Assessment**

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

## **10 Appendix**

Statement of Variations between Budget and Actual Expenditure

## **11 Background Papers**

There are no background papers associated with this report.