

Report of the Treasurer

5. Provisional Financial Results 2013/14

Purpose of report

1. To receive financial results for 2013/14 and to approve treatment of financial variations.

Recommendations

It is recommended that the Committee:

- i) Notes the provisional financial results for 2013/14;***
- ii) Approves the transfer of £0.130m to a Business Rates Reserve;***
- iii) Approves the transfer of a further £0.211m to the Budget Reduction Reserve;***
- iv) Approves the transfer of the balance of £0.353m to General Balances; and***
- v) Approves the re-phasing of capital budgets to 2014/15 as detailed in Appendix 2.***

Introduction and Background

2. Detailed budget monitoring reports have been presented to the Committee on a quarterly basis throughout 2013/14, and have shown that Officers are vigorously controlling budgets to minimise expenditure to prepare for the forecast future financial position.
3. The Audit and Standards Committee will consider the full Statement of Accounts which, as required, will be completed on the basis of International Financial Reporting Standards (IFRS) in September following completion of the external audit.
4. Until the process is completed these financial results remain provisional, but it is unlikely that they would change materially as a result of the audit.

Revenue Budget

5. The approved revenue budget for 2013/14 was £32.549m (*Appendix 1 Line 43 Column 2*) to which additional agreed expenditure of £0.068m funded from earmarked reserves (*Appendix 1 Line 42 Column 2*) has been added bringing the total expenditure budget to £32.617m (*Appendix 1 Line 39 Column 2*).

6. The net budget of £32.549m was funded by the forecast grant, precept and business rate figures which, since the changes to local government finance from April 2013, are now potentially variable in year rather than being fixed.
7. On 26 March the third quarter Budget Monitoring report forecast a planned year end underspend of £0.973m and the Committee resolved that £0.400m should be transferred to a Pension Tribunal Reserve and the balance of £0.573m to the Budget Reduction Reserve.
8. All of the in year savings that had impacts beyond 2013/14 have already been incorporated into the 2014/15 approved budget and future Medium Term Financial Plan (MTFP).
9. The final out-turn position is now expected to be some £0.564m lower than this at £1.537m.
10. There are two fundamental reasons for this:
 - a. Continued pressure on budget holders has produced further net savings of £0.211m.
 - b. Specific one-off issues arising after the previous projections were prepared, totalling £0.353m.
11. To put the former figure into context, the 2014/15 budget (including the results of paragraph 8 above) still requires identification of £0.150m of targeted savings and £0.036m of unidentified savings. The incidence of the £0.211m savings in 2013/14 will inform the identification of these £0.186m 2014/15 savings.
12. The specific one-off issues relate to four matters:
 - a. Back-dated rate appeals: Officers have challenged the rateable values of Fire Authority properties and have been successful in reducing them and receiving substantial back-dated rebates. The net effect of this in 2013/14 is a one-off sum of £0.115m.
 - b. The budget made provision for payment of rent on the new Bromsgrove joint Police and Fire station from the original expected date of handover of 1 January rather than the actual date of 3 April. This provides a one-off sum of £0.063m
 - c. Accrued sums relating to maintenance payments to the supplier of the Mobilising System are now found to be payable only when the system is signed off as meeting 100% of the contract requirement. It is, however, functioning appropriately. This provides a one-off sum of £0.135m
 - d. Government has issued an additional grant in respect of business rates and a further Revenue Support Grant distribution. It is proposed that £0.130m of this is reserved to cover potential collection fund losses in 2013/14, which will materialise as lower Business Rate receipts in 2015/16, leaving a net effect of a one-off sum of £0.040m.

13. It is proposed that, in addition to the transfers to reserves that the Committee has already approved (paragraph 7 above), the additional underspending be transferred to reserves as follows:
 - a. Budget holder savings £0.211m to the Budget Reduction Reserve.
 - b. One-off savings £0.353m to General Balances.
14. This latter transfer will reduce the Treasurer's concerns regarding use of balances to defer the timing of front-line savings to be considered by the Full Authority on 9 June.
15. The capital programme, as detailed in Appendix 2, is split into three main blocks:
 - a. Vehicle Replacement.
 - b. Major Building Works.
 - c. Minor Schemes - *detailed allocation made by Senior Management Board (SMB).*
16. The total approved budget for 2013/14 was £10.897m, against which expenditure of only £2.772m has been incurred representing delayed spending of £8.125m (75%).
17. The significant variation is due to two main factors:
 - a. A pause on creating spending commitments until the outcome of the Community Risk Management Plan (CRMP) review was known – particularly in respect of vehicles and buildings.
 - b. Provision being made for major building replacement which, although now progressing, is not as advanced as originally budgeted. This alone represents 48% of the delayed spending.
18. It is proposed that the unspent element of these budgets is rolled forward to 2014/15. This will not have a detrimental effect on the 2014/15 revenue budget as provision for capital financing was made on the basis that the financing would have commenced in 2013/14.

Role of the Audit and Standards Committee

19. The Statement of Accounts will be prepared on an IFRS basis and will show the true economic cost (but not the overall economic benefits) of providing a Fire and Rescue Service.
20. The IFRS basis differs substantially from the statutory basis on which Members are charged with managing the finances of the Fire Authority which is the basis of this Provisional Financial Results report.
21. This is because there are significant items which:
 - a. Are required to be charged by statute but which are not permitted under IFRS.

- b. Are required to be charged under IFRS but which are prohibited by statute.
22. The Statement of Accounts will reconcile these differences and the Audit and Standards Committee will scrutinise this reconciliation as well as the Accounts themselves.

Conclusion

23. It can be seen that the Authority's finances are well controlled and that the resultant underspending is part of a planned response to known future budget constraints.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Whole report
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	Budget prepared in support of current policy priorities
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	n/a
Consultation (identify any public or other consultation that has been carried out on this matter)	n/a
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	n/a

Supporting Information

Appendix 1: Revenue Budget 2013/14 – Provisional Out-turn

Appendix 2: Capital Budget 2013/14 – Provisional Out-turn

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