

Report of the Treasurer

10. Provisional Financial Results 2014/15

Purpose of report

1. To receive financial results for 2014/15 and to approve treatment of financial variations.

Recommendations

It is recommended that the Authority:

- i) Notes the provisional financial results for 2014/15;***
- ii) Approves the transfer of £0.300m to the Operational Activity Reserve;***
- iii) Approves the transfer of £0.300m to an ear-marked reserve for late equipment delivery;***
- iv) Approves the transfer of the balance of £1.229m to a temporary earmarked reserve and require the Policy and Resources Committee to recommend its appropriate use; and***
- v) Approves the re-phasing of capital budgets to 2015/16 as detailed in Appendix 2.***

Introduction and Background

2. Although this subject is normally a matter for the Policy and Resources Committee, this year the Committee does not meet between the end of the financial year and the date by which the Statement of Accounts must be submitted. As a consequence the necessary decisions will need to be made by the full Authority.
3. Detailed budget monitoring reports have been presented to the Policy and Resources Committee on a quarterly basis throughout 2014/15, and have shown that Officers are vigorously controlling budgets to minimise expenditure to prepare for the forecast future financial position.
4. 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.
5. 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

6. The approved revenue budget for 2014/15 was £32.637m (*Appendix 1 Line 40 Column 2*) to which additional agreed expenditure of £0.062m funded from earmarked reserves (*Appendix 1 Line 38 Column 2*) has been added bringing the total expenditure budget to £32.699m (*Appendix 1 Line 37 Column 2*).
7. The net budget of £32.637m was funded by the forecast grant, precept and business rate figures (*Appendix 1 Line 47 Column 2*) which, since the changes to local government finance from April 2013, are now potentially variable in year rather than being fixed.
8. On 25th March the third quarter Budget Monitoring report forecast a planned year end underspend of £0.855m. The forecast at the second quarter was an underspend of £0.705m, and in February the Authority approved transfer of this sum to the Budget Reduction Reserve as part of the Medium Term Financial Plan (MTFP) strategy for dealing with the costs of excess firefighters, arising from the approved Community Risk Management Plan (CRMP).
9. Appendix 1 shows that the final out-turn position is now expected to be an under spending of £2.534m, an increase of £1.679m since the third quarter.
10. A large part of this increase arises from a relatively small number of one-off issues:
 - a. £0.479m – planned expenditure on equipment delayed or not delivered by the end of the financial year, partly caused by the delay to the final approval of the CRMP to September 2014.
 - b. £0.284m – secondment income. A very cautious approach had previously been adopted only accounting for actually committed secondments, of which more were confirmed in the final quarter.
 - c. £0.247m – Retained Firefighter operational activity payments, reflecting the net reduction in overall activity.
 - d. £0.100m – Retained Firefighter additional training. The impact of strike action during 2014/15 and the Action Short of Strike (overtime ban) had a significant impact on the ability to deliver this training, and it has not been possible to catch up within 2014/15.
 - e. £0.157m - Back-dated rate appeals: Officers have continued to challenge the rateable values of Fire Authority properties and have been successful in reducing them and receiving further substantial back-dated rebates, arriving after the third quarter.
 - f. £0.122m – balance of the provision for inflation, which as agreed is only allocated when a proven case is made by budget-holders
 - g. £0.092m – settlement of the Support Staff pay award from 1st Jan 2015 rather than 1st April 2014 as budgeted.

- h. Continued pressure on budget holders has produced further net savings of £0.198m.
- 11. The majority of the items in the above list, although large, are all one-off events and have no impact on the future budget requirement, however the Management Team are now examining (h) in detail to determine how much can be removed from future budgets.
- 12. It is proposed that the total under spending be transferred to reserves as follows:
 - a. £0.705m to Budget Reduction Reserve (as already approved).
 - b. £0.300m to an earmarked reserve to cover delayed equipment delivery.
 - c. £0.300m to the Operational Activity Reserve (£0.200m to bring the underlying reserve to £0.500m and £0.100m to allow completion of delayed training).
- 13. This leaves a figure of £1.229m for which could be utilised for a number of one-off requirements, for example:
 - a. Additional funding requirement for Wyre Forest Transformational Bid scheme, should it proceed.
 - b. Extension of the capital programme or revenue funding planned capital expenditure to reduce future revenue charges.
 - c. Extension of the Worcester/Hereford second pump DCP trial.
 - d. To meet any in-year grant reductions that might arise from the Chancellor's budget in July.
- 14. It is proposed that this balance is transferred to an ear-marked reserve and that the Authority request that the Policy and Resources Committee consider the most appropriate use in due course.

Capital Budget

- 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 2014/15 was revised to £6.773m by the February Authority meeting. Against this revised budget, expenditure of only £4.779m (71%) has been incurred, an under spending of £1.994m.
- 17. The significant part of this variation (£1.389m) arises from two factors:

- a. £0.637m Worcester Fire Station being slightly delayed compared to the budget plan.
 - b. £0.752m Minor Building Schemes. A pause on creating spending commitments until the outcome of the Community Risk Management Plan (CRMP) review was known in September and commitment of Property staff to the Joint Property Vehicle process rather than actual property work.
18. It is proposed that the unspent element of these budgets (£1.993m) as set out in Appendix 2 is re-phased to 2015/16. This will not have a detrimental effect on the 2015/16 revenue budget as provision for capital financing was made on the basis that the financing would have commenced in 2014/15.

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, despite the late one-off items, the resultant under spending 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)	Budget prepared in support of current policy priorities

potential implications).	
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 2014/15 – Provisional Out-turn

Appendix 2: Capital Budget 2014/15 – Provisional Out-turn

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