

MEETING: 23rd JUNE 2014

**REVENUE BUDGET OUTTURN 2013/2014 AND REVENUE BUDGET FIRST
REVIEW 2014/2015**

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER

1. INTRODUCTION

- 1.1 The Authority's Statement of Accounts for 2013/2014 is currently being prepared and will be presented to the Authority's Governance Committee on 30th June 2014.
- 1.2 As preparation of the Statement of Accounts is ongoing and the final outturn position may be subject to change, this report advises Members of the Revenue Budget Outturn position for 2013/2014 as it currently stands, outlining the main areas of variance and any related proposed actions. It is proposed that the Finance Officer, in consultation with the Chief Fire Officer and the Chairman of the Authority, be given delegated authority to take any further additional final accounts decisions beyond those included in this report. If any material changes occur to the current position, these will be reported to the Authority.

2. REVENUE OUTTURN 2013/2014

- 2.1 A summarised Revenue Budget Outturn is shown at Appendix 1. This Outturn statement shows spend against the revised budget. A small number of issues have still to be resolved, and it is possible that the Outturn position may change as the Statement of Accounts is progressed, though any changes are unlikely to have a material impact on the Authority's overall position for the year.
- 2.2 The Outturn statement does not include provision for charges associated with compliance with the International Accounting Standard (IAS) 19, which deals with accounting for pensions. This however has an overall neutral effect on the financial position of the Fire Authority, in accordance with the Statement of Recommended Practice. Adjustments relating to charges associated with compliance with IAS 19 will be reflected in the Authority's Statement of Accounts.

Outturn Position

- 2.3 The Third Review, reported to Members in January 2014, identified an overall underspend at that stage of £0.842 million which was predominantly in respect of employees cost savings projected, have been confirmed in the year. It also recognised that these and any further budget savings in year would be required to fund one off spending pressures and additional costs associated with implementing future budget proposals as part of a prudent and robust approach to budget setting. This was seen as particularly relevant and prudent as government funding reductions could possibly be further extended from 2017/2018 up to 2020.
- 2.4 The Revenue Budget Outturn for 2013/2014 shows a net underspend of £1.618m, at £51.712m compared with an original budget of £53.330m. This position reflects the following:
- the main variations of £0.776m since the third review are set out in 2.5;
 - Appendix 2 shows in more detail, explanations of all budget variations comparing the 2013/14 out-turn with the revised budget position summarised at Appendix 1; and,
 - the proposed transfer to an earmarked reserve, detailed at paragraph 2.7;

Main Variances from the Third Review

- 2.5 The main areas of note which makes up the additional saving of £776k since the third review are detailed below for information. Where relevant, this includes a brief assessment of any ongoing impact into 2014/2015. A full base budget review however is currently being progressed, the outcome of which will inform the setting of the 2015/2016 budget later in this financial year, and this will take full account of any ongoing variances identified.
- Contingency (£618k underspend) – this position has been achieved as a result of the 1% pay award and some, limited inflation exposure and pensions increases being absorbed within existing budgets. In addition, leasing costs provided for were not required as a result of the vehicle fleet review taking place which effectively saw a freeze on new vehicles during 2013/14. The review will identify the service requirements in 2014/15 where a full options appraisal will be carried out to assess the most cost effective means of acquiring the replacement vehicles.
 - Additional government grant funding (£184k over estimate) – the Authority recently received additional government grant funding in relation to the smaller business rates rebate scheme which was extended by the Chancellor in his Autumn Statement (£77k), and an additional allocation of Grant (£107k) which returned, to all authorities,

a share of the government's top slice for capitalisation funding which was, as expected, an over provision.

- Other budget variations (net £26k over spend)

Earmarked Reserves

2.6 Earmarked reserves are funds that are set aside to meet costs of specific purposes in future financial years. Such reserves ensure that the Authority can adopt and operate a more flexible approach to budget management and meet cost pressures of committed and known future service costs. A statement showing the movement on earmarked reserves in 2013/14 is provided at Appendix 3 for information at this stage, which takes into account the agreed reserve transfers from the in depth review of existing reserves carried out in February as part of the budget process.

2.7 In addition the Authority proposes to appropriate the 2013/14 underspend to help replenish the Development Reserve, which was reduced by a transfer of £6m to the Organisational Change Reserve, to recognise the delay in achieving the savings from the revised Fire Service Response Model agreed in March and which will be implemented in stages. The reserve will be used strategically to identify areas of one-off spend which will help reduce the revenue budget on an ongoing basis in recognition of the fact that government funding reductions are now expected to follow a similar trajectory to those already incurred, and may be prolonged up until 2020 according to the Chancellor.

3. GENERAL BALANCES

3.1 Appendix 4 shows the movement of balances within 2013/2014 and the estimated balance as at 31st March 2014, taking account of the provisional Outturn position. This statement also includes an update on the estimated level of balances at 31st March 2015.

4. REVENUE BUDGET 2014/2015

4.1 Regular monitoring of the budget continues to take place and the full impact of the 2013/2014 revenue budget outturn, alongside current spending against budgets will continue to be evaluated during the early part of 2014/2015. There are no issues to raise at this stage.

5. RECOMMENDATIONS

5.1 Members are requested to:

- note the Revenue Budget Outturn position for 2013/2014, set out at

- paragraph 2.4;
- approve the proposed transfer to earmarked reserves at paragraph 2.7 (Appendix 3 shows the estimated reserves position for 2013/14 prior to the proposed transfer);
 - note the position with regard to the Revenue Budget for 2014/2015 detailed at section 3;
 - note the General Balances position detailed at paragraph 3.1 and at Appendix 4;
 - approve the delegated authority requested for the Finance Officer, in consultation with the Chief Fire Officer and the Chairman of the Authority to take any additional final accounts decisions in order to maximise the financial position of the Authority.