

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item 8

MEETING: 13th JUNE 2016

**REVENUE BUDGET OUTTURN 2015/2016 AND REVENUE BUDGET FIRST
REVIEW 2016/2017**

**JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE AND
THE FINANCE OFFICER**

1. INTRODUCTION

- 1.1 The Authority's Statement of Accounts for 2015/2016 is currently being prepared and will be presented to the Authority's Governance Committee on 27th June 2016.
- 1.2 As preparation of the Statement of Accounts is on-going, the reported outturn position set out in this report may be subject to change, although no significant issues are anticipated at this stage.
- 1.3 This report therefore advises Members of the Revenue Budget Outturn position for 2015/2016 as it currently stands, outlining the main areas of variation and the reasons behind them. 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 do occur to the current position, then these will be reported to the next Authority meeting.

2. REVENUE OUTTURN 2015/2016

- 2.1 A summarised Revenue Budget projected Outturn is shown at Appendix A. There are a small number of issues still to be resolved and it is possible that the Outturn position may change as the Statement of Accounts is finalised. However, any changes are now 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 the complex and technical accounting requirements for pensions costs. 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 2016, identified a projected net underspend of £0.284 million. The Revenue Budget Outturn for 2015/2016 position, after most yearend accounting issues have been completed, shows an improved net underspend of £0.589m, an increase of £0.305 million. The main variations are set out in paragraph 2.4 below for information. Appendix A summarises this position showing the projected revenue outturn.

Main Variations

- 2.4 The main variations are detailed below for information. Where relevant, this includes a brief assessment of any impact into the 2016/2017 financial year.
- Employee costs (£78k overspend) – as reported at third review, the planned lower net staffing costs in preparation for the IRMP establishment changes, and the continued increase in firefighter turnover through higher than expected pension take up, along with lower employer pension costs have combined to almost absorb the continuing industrial action costs incurred and also the interim overtime costs while the IRMP staffing reviews are being fully reviewed and implemented.
 - Premises (£26k underspend) – as reported at third review, the move from Fulwell to the new Marley Park fire station resulted in increased business rates, however savings have been made on utility and other running costs resulting in a net underspend for the year.
 - Transport (£171k underspend) – the Authority has benefited from a combination of reduced costs of fuel due to lower price fluctuations during the year than originally estimated, and has incurred lower annual vehicle insurance charges for the year.
 - Supplies and Services (£113k overspend) – the agreed loan at market rate to the Trading Company (Impeller Resilience and Assurance Ltd) accounts mainly for this net overspend across the supplies and services budget. This cost can be absorbed within the overall revenue budget rather than having to be funded from earmarked reserves as originally planned.
 - Contingencies (£52k underspend) – as reported at third review, part of the contingency set aside when determining the budget has not been required due to effective budget management throughout the year.
 - Income (£410k overachieved) – the year end position shows an

increase in total income received, largely due to:

- A net increase in Grants and Contributions of £56,000. As reported at third review, the funding received for diversionary activities is lower than expected primarily due to a reduction in numbers attending Prince's Trust academic programmes. However, an increase in revenue government grants (Transformation Revenue Grant) reported at third review and an additional and unexpected Section 31 revenue (Response) grant was awarded to the Authority, all of which have resulted in an overall net increase in grants and contributions for the year.
- An increase in receipts of £35,000. As reported at third review, there have been one-off additional receipts from backdated NNDR refunds and the proceeds from the sale of low value vehicles.
- Increase in fees and charges income of £319,000. As reported during the year, income from training courses has continued to be lower than expected. However, increased income in respect of secondments (+£101k), the new police collaboration rental arrangements (+£96k) which have recently been finalised and settled, and charges made to the trading company in respect of various trading activities (+£137k) agreed and finalised. These have combined to generate the additional income. It was not possible to accurately assess the level of income from these sources when the original budget was set but these levels have helped to inform the position for 2016/17.
- Interest Received (£71k under budget) – reductions to cash flows levels combined with a drop in interest rates for short term monies have both contributed towards lower interest levels received on the Authority's cash working balances during the year than was estimated.
- Reserves and Provisions Appropriations (£278k increase) – the Organisational Change Reserve has been used to fund one-off transitional costs incurred during the year, and adjustments have been made to reflect the IFRS employee benefit accounting entry required for 2015/2016.
- Other minor budget variations totalling a net £86k overspend.

Earmarked Reserves

- 2.5 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 2015/2016 is provided at Appendix B for information at this stage. A further review of existing reserves will be carried out as part of the final accounts process once the final financial position for the year has been established.

The detail in Appendix B has been categorised as follows:

Reserves to prevent an increase in revenue budgets (£21.935m); and
Reserves to support service delivery requirements (£2.959m).

This analysis helps to further confirm that all reserves are not only fully earmarked for specific purposes but that the bulk of the reserves (almost £22m or 88%) are being held to mitigate against known future costs that the revenue budget would otherwise have to accommodate eg insurance, pfi, organisational change costs etc.

- 2.6 It is proposed to allocate £355k of the total underspend achieved in 2015/16 to the Organisational Change Reserve to fund the cost of the agreed Leadership Development Programme that the Authority recently approved in March, and £235k to the Capital Development Reserve to help provide funding to support the proposed Hebburn Station development, in light of the fact that capital funding no longer features within the government's grant funding allocations.
- 2.7 The proposed allocation of £590k to reserves as set out above will mean that the General Fund currently at £3,882k will be reduced by £1k as a result.

3. GENERAL BALANCES

- 3.1 The balance of the general fund as at 31st March 2016 is estimated to reduce very slightly to £3,881k at this stage.

4. REVENUE BUDGET 2016/2017

- 4.1 Regular monitoring of the budget continues to take place and the full impact of the 2015/2016 revenue budget outturn, alongside current spending against budgets will continue to be evaluated during the early part of 2016/2017.

There are no issues to raise at this early stage in the reporting cycle.

- 4.2 The Authority was notified as part of the Local Government Finance Settlement 2016/17, not only of its grant funding for 2016/17, but was also given the opportunity to accept the 4 year Grant Settlement offer (up to 2019/20). The Authority responded in the consultation that it needed more clarity over the offer before it could make an informed decision.

- 4.3 The Government has recently provided more information on the conditions required for the Authority to accept the offer and the Home Office is, in addition, to provide further specific advice and guidance for Fire Authorities in light of the proposals for closer collaboration with the Police and Crime Commissioners. The deadline for responses is 14th October 2016 and a separate report will be presented to the members of the Authority in September, setting out the detail and the rationale for either accepting or rejecting the 4 Year Settlement taking into account all known information and the possible implications for the Authority.

5. RECOMMENDATIONS

- 5.1 Members are requested to:
- note the Revenue Budget Outturn position for 2015/2016, set out at paragraphs 2.3 and 2.4;
 - note the position with regard to the Revenue Budget for 2016/2017 detailed at section 4.1;
 - note that a separate report on the 4 year Grant Settlement will be made in September;
 - note the General Fund position detailed at paragraph 3.1;
 - approve the transfers to reserves as set out in paragraph 2.6;
 - 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.

