

MEETING: 10TH JUNE 2013

**REVENUE BUDGET OUTTURN 2012/2013 AND REVENUE BUDGET FIRST
REVIEW 2013/2014**

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER

1. INTRODUCTION

- 1.1 The Authority's Statement of Accounts for 2012/2013 is currently being prepared and will be presented to the Authority's Governance Committee on 24th June 2013.
- 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 2012/2013 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 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 2012/2013

- 2.1 A summarised Revenue Budget Outturn is shown at Appendix A. 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 will change as the Statement of Accounts is progressed, though any changes are unlikely to have a material impact on the Authority's position.
- 2.2 The Outturn statement does not include provision for charges associated with compliance with the International Accounting Standard IAS 19 (formerly FRS 17), which deals with accounting for pensions. This 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 2013, identified an underspend of £0.400 million.
- 2.4 The Revenue Budget Outturn for 2012/2013 shows a net underspend of £1.588 million, at £53.981m compared with an original budget of £55.569m. The amount of any remaining underspend (£0.012m) has been added to the General Reserve, after reflecting the following:
- underspendings on various budget headings, detailed at paragraph 2.5;
 - the proposed transfers to earmarked reserves, detailed at paragraphs 2.8 to 2.9;
 - the proposed carry forward of delegated budget surpluses, detailed at paragraph 2.7.

Main Variances

- 2.5 The main areas of variance are detailed below. Where relevant, this includes a brief assessment of any ongoing impact into 2013/2014. A full base budget review will be undertaken when setting the 2014/2015 budget later in this financial year, and this will take full account of the variances identified.
- Employee Costs (£296,000 net overspend) – Fire fighter pay award was met from within the overall employee budget which is reflected in the saving in contingencies outlined below. As part of the back office review the Authority has had a number of early retirements during 2012/2013, the costs of which have been met from a transfer from the Organisational Change Reserve of £480,000 as planned, resulting in a net underspend of £184,000 on the employees budget. This was predominantly due to accrual of initial on-going revenue savings following the back office review, the full effect of which will be achieved in 2013/2014. These have been built in to the 2013/2014 budget.
 - Employee Costs – Firefighter Ill Health Retirements (£105,000 underspend) – as reported at Third Review, there has been one ill health retirement in 2012/2013.
 - Transport (£203,000 underspend) – £154,000 of the underspend relates to savings to the leasing budget. At the time of setting the 2012/2013 budget, it was uncertain how vehicles to be purchased in 2011/2012 would be financed so a provision was established in respect of leasing. Following an Options Appraisal Exercise, best value could be achieved by outright purchase from the revenue budget. This has generated in year savings and will also achieve savings to the revenue

budget in future years. The remaining underspend is due to fuel costs being less than projected at budget setting.

- Contingency (£658,000 underspend) – at the time of setting the 2012/2013 budget, amounts were set aside to meet pay awards. There was no corporate pay award in 2012/2013 and the Firefighter pay award was able to be met from underspends on the staffing budget.
- Revenue Contribution to Capital Outlay and Reserve Transfers (£729,000 underspend) – as reported elsewhere on the agenda, the total capital programme for 2012/2013, as planned, has been reduced during the year. In addition, a number of revenue underspends recognised during the year have been offered to finance capital schemes, and the Authority agreed at the Second Review to use the Regional Control Centre Reserve to part fund the Mobilisation and Control Project. The combined effect of these has seen a large reduction in the amount of the capital programme to be financed from the revenue budget.
- Income (£51,000 increase) – additional income has been received in respect of contributions from other Local Authorities and receipts during the year.
- Other Variances (£138,000 underspend) – a number of minor variances in Premises and Supplies and Services have arisen during the year which has helped reduce costs.

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 is provided at Appendix B.

Budget Carry Forward Reserve (fully allocated)

- 2.7 The main movement in the Earmarked Reserves relates to the Budget Carry Forward Reserve. Net movement in 2012/2013 of £468,260 is to fund mainly Capital Programme slippage which was revenue funded in 2012/13, or where particular revenue costs are committed into future years provided for, already, in the 2012/13 budget.

Other Proposed Transfers to Reserves

- 2.8 The Authority proposes to transfer £476,000 to the Carbon Management Plan Reserve in respect of new capital projects that were approved as part of the Environment Strategy 2010-15 review agreed at the last Authority meeting held on 25th March 2013. The schemes have been added to the Capital Programme for 2013/2014 to be financed from this reserve.
- 2.9 The Authority proposes to appropriate £1,100,000 from the underspend to the Organisational Change Reserve in preparation for future reviews that may incur further early retirements costs. In addition, planned operational IRMP reviews may result in the Authority running over establishment (budget) in the interim period, before being able to achieve the planned savings.

3. REVENUE BUDGET 2013/2014

- 3.1 Regular monitoring of the budget continues to take place and the full impact of the 2012/2013 revenue budget outturn, alongside current spending against budgets will continue to be evaluated during the early part of 2013/2014.

Earmarked Reserves

- 3.2 The position with regard to the use of earmarked reserves during 2013/2014 will be reported to Members throughout the year.
- 3.3 The long term strategy of the Authority is to ensure the level of reserves it holds is appropriate and that they are regularly reviewed to ensure they remain fully committed. The reserves are proactively and prudently managed so that these one-off reserves are utilised with the best effect on the Authority's long term finances. This is particularly relevant where the prospect of further cuts in government funding is planned and the Authority will plan to utilise its reserves in a number of invest to save schemes which will produce both service improvements and ongoing revenue budget savings.

4. GENERAL BALANCES

- 4.1 Appendix C shows the movement of balances within 2012/2013 and the estimated balance as at 31st March 2013, taking account of the provisional Outturn position. This statement also includes an update on the estimated level of balances at 31st March 2014.
- 4.2 Based on the financial risk profile of the Authority, it has been reported previously that it is considered appropriate to retain uncommitted general balances of around 5% of the revenue budget, which for 2013/2014 equates to approximately £2.666 million. The level of uncommitted balances as at 31st March 2013 is £2.678 million, and takes into account increased uncertainty in respect of future reduced grant settlements and is considered appropriate in this context.

5. RECOMMENDATIONS

5.1 Members are requested to:

- note the Revenue Budget Outturn for 2012/2013, detailed at paragraph 2.4;
- note the sums earmarked within the Budget Carry Forward Reserve at paragraph 2.7 and the proposed transfers to earmarked reserves at paragraphs 2.8 to 2.9 (Appendix B shows the estimated reserves position for 2012/13);
- note the position with regard to the Revenue Budget for 2013/2014 detailed at section 3;
- note the Balances position detailed at paragraph 4.2 and at Appendix C;
- give delegated authority to 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.

