

Statement of Accounts 2016/17

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011, or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report sets out the key revenue issues, which have arisen from work on the Statement of Accounts 2016/17, and seeks approval for use of the General Fund balance in 2017/18.

2 Recommendations

The Fire Authority is recommended to:

- a) Approve the addition of £49,000 to 2017/18 revenue budgets, for expenditure that has slipped from 2016/17; and
- b) Note the final position of the revenue budget and the General Fund balance in 2016/17.

3 Background

At its meeting in December 2016, the Audit & Performance Management Committee were informed of a change in the timetable for the completion and approval of the Statement of Accounts.

An extract from the report is shown here:

“The Audit and Accounts Regulations 2015 introduced a fundamental change in the closedown timetable process for local authorities from the financial year 2017/18, which is summarised in the table below.

Activity	Existing	Revised	Change
Accounts signed and certified by S151 Officer	30 June	31 May	1 month earlier
Accounts approved and published	30 September	31 July	2 months earlier

Although these changes will not take effect until 2018, it is important that current plans are updated to ensure that the Authority can comply with the new deadlines. The Finance Team in discussion with Grant Thornton, the Authority's external auditors, are intending to pilot an early closedown process for the financial year 2016/17, so that any issues identified can be dealt with before the new deadlines legally take effect."

The Finance team, in collaboration with auditors, officers and other stakeholders, has successfully met the first of these deadlines, and the draft Statement of Accounts for 2016/17 was signed off by the Treasurer and published on the website on 31 May 2017.

The Statement of Accounts will be audited by Grant Thornton in July. The Fire Authority agreed at its February 2012 meeting that the Statement of Accounts would be formally approved in September each year by its Audit and Performance Management Committee, as those charged with governance.

This report informs the Authority of the outturn of the revenue account in 2016/17, and recommends the possible treatment for the balance on the General Fund. The year-end position could change following the audit in August.

4 Revenue Budget and Expenditure

In February 2016, Shropshire and Wrekin Fire Authority approved a revenue budget of £21.669m for 2016/17. This budget quantified the Service's strategic and operational plans, and the further sub-division into business areas also enabled individual business plans to be quantified, and achievements monitored.

The revenue budget for 2016/17 was funded as follows:

Council tax income	£14.779 m
Non-domestic rates from authorities	£1.314m
Business rates top-up grant	£2.161m
Government Grant	£3.415m
	£21.669m

In terms of precept strategy, the Fire Authority considered the effects of a number of options on the revenue budget, and agreed to increase council tax by 1.99% or 4p per week for a Band D household.

During 2016/17 the Fire Authority received regular updates on financial performance and approved net changes of £501,000 to the revenue budget, which included a transfer into the Service Transformation Programme of £250,000. Actual outturn on the revenue budget was £21.406m; overspends of £238,000 were identified and are detailed below.

Some of this year's savings represent expenditure that has slipped from 2016/17 into 2017/18, and it is proposed that this will be held in the General Fund balance at the end of the year, and transferred back to the revenue account for use in 2017/18.

The Authority is asked to approve this transfer of £49,000 into revenue budgets for 2017/18 for the continuation of projects.

Slipped Expenditure	£'000
Service Transformation Programme - IT projects	45
Equality & Diversity Promotional Material	4
Total	49

The remaining variances from the revenue budget at the end of the year were identified as follows:

Efficiencies and other variances	£'000
<p>Technical Services – variances include the following:</p> <ul style="list-style-type: none"> • There has been additional expenditure during this financial year on utilities, due to changes in supplier and changes in billing processes. • Budgets in Workshops were overspent at the end of the year. • Other variances 	<p>-53 -48 -5</p>
<p>IT and Communications – there is a net overspend on the information technology and communications budgets. New ICT procurement now requires licences rather than capital outlay for systems, therefore the budget profile has changed. This is being reviewed and will be addressed as the budgets are compiled for future years.</p>	-48
<p>Financial Services – some year-end adjustments on contributions to and from reserves have resulted in a net deficit in this area. Future budgets will be amended accordingly.</p>	-154

Efficiencies and other variances	£'000
<p>Training & Development and Human Resources – variances include the following:</p> <ul style="list-style-type: none"> • There has been additional expenditure on medical reports, including asbestos and pre- employment medicals • Training and development courses, including recruit training, have incurred expenditure not included within budgets for the year. • Recruitment consultancy costs and expenses have been incurred for firefighters and senior posts during the financial year. • Savings have been identified on consultancy and specialist advice 	<p>-19 -22 -15 8</p>

Prevention – savings were identified in travel costs and some initiatives in this area	21
Income – additional income has been generated during the year, which includes proceeds from the sale of small items of equipment.	25
Other Variances	-24
Additional government grant received	47
Total	-287

Additional Pensions Costs

In March 2017, officers received confirmation from Her Majesty's Revenue and Customs that, where a retained firefighter, who did not join a pension scheme, is awarded an injury and ill-health pension under the compensation scheme rules, the ill-health pension payable is not subject to income tax as it is exempt under section 644 ITEPA 2003. Additional payments have been made to the pensioners affected, and this has resulted in additional expenditure of £125,000 from the revenue budget. To allow for this unexpected expenditure, a transfer of £125,000 has been made from the Pensions and Other Staff Issues Reserve.

5 Use of the General Fund Balance

The outturn on the revenue budget is held in the General Fund at the end of the year, and it has been the Authority's policy to allocate funds and reduce the balance to zero. This has been done by transferring part of the balance into current revenue budgets, to continue projects and work streams, which are not completed, and allocating the remainder into Authority reserves.

In September 2014, the Strategy & Resources Committee recommended that future balances on the General Fund should be allocated to the Unearmarked Capital Reserve, to fund major improvements at the Stafford Park site in Telford. This was approved by the Fire Authority in October 2014. However, in previous years, members have also transferred some of the balance to Service Transformation Programme (STP) Staff Reserve, which has been used to transform the Service's IT infrastructure and systems.

General Fund Balance 2016/17

The balance on the General Fund at the end of 2016/17 is £311,000, and members have been asked to approve that a balance of £49,000 is left in the Fund, to cover expenditure that has slipped into 2017/18.

Members will receive a paper later on the agenda, which will detail officers' proposed continued work on the transformation of the Service, and the intention to formally collaborate with Hereford & Worcester Fire and Rescue Service. The Authority will be asked at this point to consider and approve the use of the remainder of the General Fund balance.

6 Annual Governance Statement

The Annual Governance Statement for 2016/17 has been drafted, for consideration by the Treasurer while signing the Statement of Accounts by the end of June. The Statement will be taken to the Audit and Performance Management Committee in July for approval, along with an Improvement Plan for 2017/18, and will subsequently be contained within the Statement of Accounts.

7 Financial Implications

Financial implications are outlined in the main body of the report.

8 Legal Comment

Under the Accounts and Audit Regulations 2015, the Fire Authority or one of its Committees is required to approve the Statement of Accounts 2016/17 by the end of September 2017.

9 Initial Impact Assessment

An Initial Impact Assessment has been completed.

10 Appendix

There are no appendices to this report.

11 Background Papers

There are no background papers associated with this report.