

Statement of Accounts 2019/20

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915, 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 2019/20 and seeks approval for use of the General Fund balance in 2020/21.

2 Recommendations

The Fire Authority is recommended to:

- a) Note the final position of the revenue budget and the General Fund balance in 2019/20, and
- b) Approve use of the General Fund balance in 2020/21.

3 Background

The Accounts and Audit Regulations 2015 state that the Statement of Accounts must be approved by the Treasurer and published on the Authority's website by 31 May following the end of the financial year. However due to the Coronavirus pandemic, the Accounts and Audit (Amendment) Regulation 2020 was passed to amend the dates by which the Statement of Accounts must be approved and published. Draft statements must now be approved by 31 August 2020, with final audited accounts published by 30 November 2020.

Officers have worked as closely as possible to the original timetable for draft accounts; due to new working practices being implemented following the move to home working, the accounts were signed off by the Treasurer on 15 June 2020.

The Statement of Accounts is currently being audited by Grant Thornton and will be presented to the Standards, Audit and Performance Committee for approval in July. Presentation may have to be moved back to the September meeting of the Committee, depending on current circumstances, but will remain within the new deadline of 30 November 2020. The Fire Authority agreed at its February 2012 meeting that the Statement of Accounts would be formally approved each year by its Audit and Performance Management Committee (now renamed as above), as those charged with governance.

This report informs the Authority of the outturn of the revenue account in 2019/20 and recommends the possible treatment for the balance on the General Fund. The year-end position could change following the audit.

4 Revenue Budget and Expenditure

In February 2019, Shropshire and Wrekin Fire Authority approved a revenue budget of £22.288m for 2019/20. 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 2019/20 was funded as follows:

Council tax income	£16.565m
Non-domestic rates from authorities	£1.529m
Business rates top-up grant	£2.350m
Government Grant	£1.844m
	£22.288m

In terms of precept strategy, it was announced that fire authorities could increase precept by up to 3% without triggering a referendum. This was considered alongside other precept options, and also in light of the continuing pressures on the revenue budget from Fire pension scheme employer contributions, and it was agreed that the precept would be increased by 2.99% on the revenue budget, or 5p per week for a Band D household.

During 2019/20 the Fire Authority received regular updates on financial performance and approved net changes of £738,000 to the revenue budget (including those considered at this meeting). Actual outturn on the revenue budget was £21.252m; underspends of £298,000 were identified and are detailed below. This consisted of unspent balances on budgets (£167,000) and also anticipated expenditure that will be slipped into 2020/21 (£131,000). The Authority also received £112,000 in additional grant income; this included higher than anticipated s31 grant for business rates reliefs and a balance of the business rates levy account which has been distributed across local authorities.

Efficiencies and other variances	£'000
• Net savings on pay budgets totalling £16.5m	84
• Legal Services	28
• Training and Development budgets	32
• Prevention	20
• Technical Services	12
• Income and Grant	-24
• Other variances	15
Total	167

Slipped Expenditure	£'000
• Legal fees	31
• Covid 19 support grant	62
• Development	11
• Property maintenance	21
• Animal rescue donations	6
Total	131

Income	£'000
• Additional government grant received	112

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 and Resources Committee recommended that future balances on the General Fund should be allocated to the Unearmarked Capital Reserve (subsequently renamed Major Projects 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 2019/20

The balance on the General Fund at the end of 2019/20 is £1.148m. A total of £131,000 will be slipped to 2020/21, leaving a balance of £1.017m available for distribution to reserves.

The Coronavirus pandemic began to affect the United Kingdom in March 2020, with England going into lockdown on 23 March 2020. The Service incurred minimal expenditure in the financial year 2019/20, and grants totalling £445,000 have been received from central government to cover expenditure relating to the pandemic.

Whilst the Authority is able to cover costs during 2020/21, it is as yet unclear how the pandemic will affect revenue in future years. Potential reductions in business rates and council tax receipts to constituent authorities will indirectly affect the Authority through reduced collection fund balances and council tax bases. The costs borne by central government to support businesses and individuals through the pandemic must also be considered when reviewing possible settlements in 2021/22 and into the medium term.

Members may wish to consider increasing the balance of the Income Volatility Reserve, which currently stands at £237,000. This would provide one off contributions to the revenue budget while reviewing other areas of the financial strategy such as the capital programme or the precept strategy.

Other reserves such as the Operational Equipment Reserve have been useful in funding unanticipated items of expenditure that would not require a permanent increase in the budget, thereby smoothing the budget and the precept. The Service Transformation Programme (STP) Staff Reserve has enabled the Service to support change and has also will continue to provide funding for the Fire Alliance with Hereford & Worcester Fire and Rescue Service.

Finally, all contributions to capital reserves will make available more funding for schemes and major projects, reducing borrowing costs into the long term.

It is proposed that:

- £100,000 is added to the STP Staff Reserve
- £70,000 is added to the Equipment Replacement Reserve
- £450,000 is added to the Income Volatility Reserve; and
- The balance (currently £397,000) is added to the Major Capital Projects Reserve

The General Fund balance is subject to audit and therefore these figures may change.

6 Annual Governance Statement

The Annual Governance Statement for 2019/20 was approved by the Treasurer on 15 June 2020 and has been published on the Authority's website. The Statement will be taken to the Standards, Audit and Performance Committee in July for approval, along with an Improvement Plan for 2020/21.

7 Financial Implications

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

8 Legal Comment

The Accounts and Audit (Amendment) Regulation 2020 was passed to amend the dates by which the Statement of Accounts must be approved and published. Draft statements must now be approved by 31 August 2020, with final audited accounts published by 30 November 2020.

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.