

## Budget and Financial Monitoring

### Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

#### 1 Purpose of Report

This report deals with issues arising from budget monitoring and with financial developments since the last meeting of the Authority. It requests approval to a number of virements to the 2011/12 budget as a consequence of these changes.

#### 2 Recommendations

The Fire Authority is recommended to

- a) Approve the virements set out in paragraphs. 6 and 7, totalling £285,000, which will result in net savings of £6,000 in the current year; and
- b) Note the current restrictions on lending to protect security of capital.

#### 3 Background

The Fire Authority agreed its 2011/12 budget in February 2011. In June 2011, it received a report on the un-audited outcome of the final accounts, including a commentary on the likely implications for the current year. This report summarises changes to date and proposes some actions in response.

#### 4 Changes to the Revenue Budget

The following changes to the revenue budget have been identified so far:

##### i Pay and Prices

As part of the report on the final accounts for last year in June, it was reported that no pay awards had occurred during 2010/11. As a consequence the base budget for 2011/12 includes the budgeted full year effect, which is now not needed. The amount that can be removed from this year's budget is £300,000. At the moment there is no indication that there will be significant increased costs of pay in 2011/12 and it may be possible to make further reductions once the position has been established on this and movements in prices.

**ii Public Value Reductions**

Most of the £1.146m reductions have either been secured or are likely to be achieved.

**iii Additional Officer**

A consequence of the Public Value reductions is the need for a Health and Safety Officer. It is, therefore, proposed to appoint a non-uniformed officer to deal with health and safety issues, at an estimated cost of £20,000 in the current year, increasing to £32,000 in a full year, a reduction in the previous operational post.

**iv Firefighters' Pension Scheme**

An apparent consequence of the changes to taxation rules nationally and the rules for the Firefighters' Pension Scheme mean that Fire and Rescue Authorities are liable for sanction charges on commuted lump sums in certain circumstances. These are both unavoidable and fall to be met locally in that they appear not to be chargeable to the Pension Account and not, therefore, funded from government grant. The cost to this Authority is estimated to be between £7,500 and £20,000 in 2011/12. Representations will be made locally and nationally to both Her Majesty's Revenue and Customs and government to address this apparent inequity.

**v Audited Accounts**

The audit of the accounts has been in progress and so far there is no indication of any likely changes to the revenue out-turn. The decisions made by the Fire Authority in June 2011, therefore, remain unaltered. The Audit Commission has, however, announced an 8% rebate on this year's fee, which will reduce costs by about £5,000

## 5 Capital Budget

The major project is the St Michael's Street scheme. Additional budgets were approved in June 2011 to meet the costs that resulted from the abandonment of the Regional Control Centre by the Government, i.e. accommodating our control room in the new building. Other than this the scheme is currently expected to be delivered to budget. .

Attention will be paid to monitoring the running costs of the new buildings. The 2011/12 budget assumes a net nil effect.

## 6 Summary of Changes

The changed position can be summarised as follows:

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Savings from 2010/11 pay and prices	-300	-300
Additional health and safety post	20	32
Audit Commission fees	-5	-5
<b>Total</b>	<b>-285</b>	<b>-273</b>

## **7 Proposed Virements**

Should the Fire Authority agree to the changes in the budget set out above, it is proposed that the balance of £285,000 is used to fund expenditure on the St Michael's Street scheme in 2011/12. This will reduce debt charges by £6,000 in 2011/12 and by £24,000 in future years.

## **8 Other Financial Issues**

There have been a number of concerns about the stability of financial markets, in the wake of the Greek sovereign debt crisis. Your Treasury Investment Strategy regards security of capital as first priority. Lending has, therefore, been restricted for the time being to the Debt Management Office (DMO) and to local authorities. This will result in a small loss of income equivalent to about 0.3%, but this is not expected to impact materially on the budget.

## **9 Financial Implications**

The financial implications are outlined in the main body of this report.

## **10 Legal Comment**

There are no direct legal implications arising from this report.

## **11 Equality Impact Assessment**

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

## **12 Appendices**

There are no appendices attached to this report.

## **13 Background Papers**

There are no background papers associated with this report.