

Outlook for 2008/09 Final Accounts and 2009/10 Budget

Report of the Treasurer

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1 Purpose of Report

This report updates the Authority on prospects for closing the 2008/09 Accounts and on other events that are likely to impact on the 2009/10 Budget. It also seeks approval to virements recommended by its Committees.

2 Recommendations

The Fire Authority is recommended to:

- a) Approve the virements recommended by the Strategy and Resources Committee, as set out in Appendix A(i) and note changes that have been identified since;
- b) Approve £18,000 to implement fully the Asset Management System (paragraph 4);
- c) Approve the changes to Maternity Pay recommended by the Human Resources Committee, earmarking part of the Pensions and Other Staff Matters Reserve to meet costs in 2009/10, and to review the changes when considering the budget for 2010/11 (paragraph 5);
- d) Note the current position of "Backward" and "Forward" Looking Annual Efficiency Statements and agree to spend up to £100,000 on implementing efficiencies through the St Michael's Street project (paragraph 6);
- e) Note the likely balance sheet positions at 31 March 2009, set out in paragraph 7; and
- f) Note the prospects for the 2009/10 revenue and capital budgets (paragraph 8).

3 Virements 2008/09

The minutes of the Strategy and Resources Committee of 5 March 2009 refer to virements totalling £136,000 arising at 31 January 2009, which were recommended for approval. These are set out at Appendix A(i). Since then the following further variations have been identified, totalling £230,000, and are set out in Appendix A(ii). The Authority is asked to note these, the implications of which are discussed at paragraph 7 below.

4 New Spending Pressures 2009/10

Two new areas of spending have been identified in 2009/10:

- There is a need to incur a further £18,000 expenditure on fully implementing the Asset Management System. The System has been installed, and it was hoped to complete its implementation and links to existing systems, using in-house staff. As a result of capacity issues, this has been delayed and officers recommend that external support is purchased to complete the tasks as soon as possible.
- The report of the Integrated Risk Management Planning (IRMP) Working Group (see item 13 on the agenda) recommends expenditure of £51,000 in 2009/10, with ongoing costs of £5,000 a year.

If both are approved, this would require £69,000 to be earmarked from the General Fund (see paragraph 7 below) with £5,000 growth committed in the 2010/11 budget.

5 Maternity Pay

The minutes of the Human Resources Committee of 26 February 2009 (see item 5 on the agenda) refer to the decisions being recommended to the Authority on changes to maternity pay arrangements.

The Committee was advised that the Fire Authority would need to consider how to fund any extra costs, either by virement from an existing budget or by finding the cost from reserves. If the latter course were agreed, money would be available for one year only, and this would mean committing future years' budget to growth. Given that there are currently predicted deficits in 2010/11 and later years, the Authority may wish to reconsider its policy along with other potential growth items, when putting together the next year's budget.

The Human Resources Committee agreed an option that would cost between £7,000 and £10,000 extra per employee, depending on post. Fixing a definite cost also depends on whether the change in policy increases the annual average number of pregnant employees above the past average of one per year. Given these uncertainties, it is recommended that costs in 2009/10 would be met from reserves, and the policy confirmed for 2010/11 onward as part of the budget process.

6 “Backward” and “Forward” Look Efficiencies

Fire and Rescue Service (FRS) Circular 15/2009 requires the Authority to submit its Final Statement of Efficiencies in 2008/09 (Backward) and estimated efficiencies for 2009/10 (Forward) by 20 July 2009. The Circular makes limited changes, but does now require up-front investment to be netted off, and also provides for efficiencies gained through regional collaboration to be reported by the Regional Management Board (RMB). There will be an opportunity to review the position on 3 July 2009, but the present position is as follows:

	Position Previously Reported	Latest Position
	£000	£000
2008/09		
Management of Vacancies	60	60
Reduction in Retained Service costs as a result of Community Fire Safety (CFS) activities	100	100
Restructuring of duties and use of partnerships to reduce prevention posts	41	41
Procurement of - Health and safety support - Radio Communications		8
		31
	201	240
2009/10		
Management of vacancies		40
Reduction in Retained Service costs as result of CFS activities		40
Procurement of radio communications		69
		149

Work to date on the St Michael’s Street scheme has revealed the potential for efficiency improvements during the planning of the detailed project. At present some £60,000 remains in the Efficiency Reserve and it is recommended that the Reserve is topped up to £100,000, with a transfer of £40,000 from the General Fund, and that these resources are used to ensure that efficiencies are identified and achieved during the implementation of the project.

If agreed, then detailed spending would be approved by the Chief Fire Officer and Treasurer after consulting the Chair.

7 Balance Sheet Issues likely for 2008/09

Key issues likely to arise from the 2008/09 Balance Sheet are as follows:

General Fund

The General Fund is likely to be made up from net efficiencies and underspendings as follows:

	Fire Authority February 2009 £000	Appendix A(i) £000	Appendix A(ii) £000	Total £000
Executive	169	(-20)	61	210
Human Resources and Development	(-2)	-	-	(-2)
Service Delivery	279	118	151	548
Strategy and Performance	(-7)	28	51	72
Resources	(-41)	10	(-33)	(-64)
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	398	136	230	764

Of this, £40,000 is required for the cycle to work scheme and £28,000 to fund one-off service developments, which were approved as part of the budget. Subject to approval, a further £18,000 will be required for implementing the Asset Management System, £51,000 for the IRMP proposal, and £40,000 to add to the Efficiency Reserve.

A number of the underspendings will be the result of delayed spending, and the Authority will be asked to consider adding these amounts to the 2009/10 budget. These total, provisionally, £339,000.

The balance (i.e. £248,000) will be available for deployment as the Authority wishes. At present the policy is to add any available resources to the capital reserve to reduce the funding costs of the St Michael's Street scheme.

There may be further additions to the General Fund for expenditure that the Authority has already agreed to roll forward, if not spent, e.g. Executive Leadership Programme.

Capital Reserve

Currently the total balance stands at £1,236,000, made up of £427,000 for purchasing and renewing ongoing assets, and £809,000 for funding the St Michael's Street project. In order to clarify this, it is recommended that the reserve is clearly split into these separate elements for future reporting.

The current capital budget and prudential guidelines are based on the capital reserves funding £1,197,000 of the St Michael's Street project. This should be easily achievable through a combination of the reallocation of the General Reserve, previously held to cover inflation (as reported in February 2009), and a share of the final General Fund referred to above.

Other Reserves

There is no further information that directly affects the other reserves, other than the potential call on the Pensions and Other Staff Matters reserve for Maternity Pay (paragraph 5 above). Significantly, there is no further news on the outcome of the Retained Firefighters' pension issues relating to 2001 to 2006, and this remains the biggest potential contingent liability.

Other Balance Sheet Items

The main items of potential concern are cash / investments and issues covering these are dealt with in a separate report following the fall-out from the Icelandic Banking Crisis.

8 Prospects for 2009/10 and Later Years

It is very early to be clear about 2009/10, although it is already three months since the budget was set. Notable changes include:

- i The likely reduction in interest on revenue balances as interest rates continue to fall. The possible effect is £100,000, although it is possible that this might be offset by reduced pay settlements, and temporary use of cash to avoid funding capital from loan.
- ii The changes resulting from monitoring include a number of ongoing savings, which have not been built into the 2009/10 budget. This will help 2009/10 and also reduce the potential budget shortfall forecast to arise in 2010/11 of £182,000.
- iii Any additional balances transferred to the Capital Reserve will reduce debt charges, in the case of the St Michael's Street project, with effect from 2010/11 onwards.
- iv Persistent rumours of changes to the 2010/11 grant settlement continue, including an adjustment for the £5 billion extra efficiencies in the public sector, announced in the Pre-Budget report.

9 Financial Implications

The financial implications are as outlined in the main body of the 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

Appendix A(i)

Virements recommended for approval arising at 31 January 2009

Appendix A(ii)

Variations to virements outlined in Appendix A(i)

13 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

Virements recommended for approval arising at 31 January 2009

The net total is moved to the contingency of that department.

	(Over) / Underspend £000
<u>Executive</u>	
Interest on Investments – due to the current economic climate, investment income will be less than originally anticipated. Future budgets have also been reduced to reflect the change in circumstances.	(20)
<u>Service Delivery</u>	
Operations – there will be around £10,000 left from the single year New Dimension growth for 2008/09 – this may be required in 2009/10 for operational staff.	10
District – watch projections have been updated, and further savings are anticipated.	30
Prevention – further salary savings have been identified in the Prevention pay budgets, due to staff vacancies and temporary contracts at a lower cost.	50
Road Safety Strategy – no further spend is expected on cycle training before the end of the financial year.	28
Strategy and Performance	
Pay budgets – savings have accrued in this business area due to staff vacancies – it is proposed that some of these savings are taken forward to pay for graphics work in 2009/10.	28
<u>Resources</u>	
Fleet Management – savings have accrued through staff vacancies.	10
Total	136
Net transfer to Departmental Contingencies	(136)

Variations to virements outlined in Appendix A(i)

	(Over) / Underspends £000
<u>Executive</u>	
Debt charges as a result of lower capital spending	28
Contributions to Capital Fund as fewer contributions are needed as a result of capital scheme slippage	30
Other underspends (net)	3
<u>Service Delivery</u>	
Watch Projections have identified further savings	65
Replacement of obsolete radiation detectors (spending agreed by Chief Fire Officer and Treasurer)	(10)
Incident Command overtime	5
Community fire safety initiatives	91
<u>Strategy and Performance</u>	
Savings on Mobilising Equipment through the Remsdaq contract	20
Savings built into the radio contract and reduced maintenance cost	31
<u>Resources</u>	
Uniform – higher spending as a result of increased levels of retained recruits	(15)
Laundry – increased costs as a result of levels repaired rather than replaced firekit	(8)
Operational Equipment Maintenance – a possible overspend is currently predicted	(10)
Total	230
Net transfer to General Fund	(230)