

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Fire Authority
DATE OF MEETING	22 October 2014
OFFICER	David Skinner, Director of Finance & Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Financing Arrangements for Injury Awards to Firefighters
EXECUTIVE SUMMARY	<p>Fire and Rescue Authorities have recently been contacted by the Department of Communities and Local Government (DCLG) to clarify the correct financing arrangements for compensatory payments in respect of injury awards or injury gratuities to retired firefighters (this also includes protected rights on ill-health pension, injury award and injury gratuity elements that have been paid to retained firefighters who were employed from before 6 April 2006 and who have been ill-health retired due to a qualifying injury).</p> <p>It has been brought to the attention of the DCLG that a number of authorities have been making these payments from their pension account, whilst DCLG considers that they are not part of the Firefighters Pension Scheme and should therefore have been made from authorities' operating accounts. This system should have been in operation since 2006 when the new scheme legislation came into effect.</p> <p>The Firefighter Pensions Team at Buckinghamshire County Council, who are the administrator for the Firefighters Pension Fund, was contacted by BMKFA and has now confirmed to us that the payments have been made from the Pension Account rather than the Operating Account and that to date these payments total £1.38m.</p> <p>It was agreed with the external auditors that a provision of £1.38m should be created in the Statement of Accounts for the year ending 31 March 2014. The CFO/CE has commissioned an independent review to determine if it has a legal obligation to make a £1.38m repayment from the operating account to the DCLG. The financing arrangements for the Firefighters Pension Fund</p>

	<p>mean that the Authority submits a grant claim each year for pensions paid in excess of contributions received, which effectively balances the income and expenditure to zero each year so that there is no impact on the operating account. Injury pension payments were included in these claims, which means the amount of allowable expenditure included, and therefore grant income claimed each year may be overstated, and hence a potential repayment liability exists.</p> <p>Authorisation from Members is sought to transfer the amount from reserves to cover this provision. Should the provision not be required then this amount will be returned to reserves.</p> <p>The DCLG has not yet considered whether to charge interest on the potential liability nor indeed what the penalty rate is likely to be. A contingent liability has been created in the Statement of Accounts to reflect this additional potential liability.</p> <p>Authorisation is also sought to give the Chief Fire Officer delegated authority to approve a permanent virement to cover the on-going future payments of approximately £193k that will potentially need to be made from the operating account subject to the outcome of the independent investigation.</p>
ACTION	Decision.
RECOMMENDATIONS	<p>It is recommended that the Authority:</p> <ol style="list-style-type: none"> 1. Authorise a transfer from the revenue contribution to capital reserve to create a £1.38m provision, which will cover the potential liability for the period 1 April 2006 to 31 March 2014; 2. Delegate authority to the Chief Fire Officer to approve a permanent virement of £193k from contingency in the event the Authority is required to meet on-going future payments from the operating account subject to the outcome of the independent investigation.
RISK MANAGEMENT	Management of our financial resources is a key risk to the Authority.
FINANCIAL IMPLICATIONS	As set out in the executive summary section above.
LEGAL IMPLICATIONS	All requests for transfers to/from reserves require formal approval by the Executive Committee as per

	<p>Financial Regulations (B.6).</p> <p>The one-off payment involves resources not being used for the purposes approved by the Authority, which requires formal approval by the Executive Committee as per Financial Regulations (B.5).</p> <p>The Executive Committee are responsible for agreeing in-year virements within delegated limits in consultation with the Chief Finance Officer as per Financial Regulations (B.5).</p>
HEALTH AND SAFETY	None.
EQUALITY AND DIVERSITY	None.
USE OF RESOURCES	The projected additional expenditure will be factored into the Medium Term Financial Plan for 2015/16.
PROVENANCE SECTION & BACKGROUND PAPERS	<p>BMKFA Financial Regulations;</p> <p>Statement of Accounts for the year ending 31 March 2014</p> <p>http://bucksfire.gov.uk/files/9214/1209/8838/Annual-Financial-Statements-2013-14.pdf</p>
APPENDICES	None.
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	<p>Graham Young – Management Accountant</p> <p>gyoung@bucksfire.gov.uk</p> <p>01296 744429</p>

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