

# HIGHLAND AND ISLANDS FIRE BOARD

22<sup>nd</sup> NOVEMBER 2006

Agenda Item	
Report No	FIRE

## Requisitions from Constituent Authorities 2006-07

### Report by Treasurer

#### Summary

The Scottish Executive has agreed to apply new percentages for the distribution of Grant Aided Expenditure (GAE) between the constituent authorities to reflect the changing expenditure profile caused by the upgrading of fire-fighters in the Board area from volunteer to retained.

Revised GAE distributions will take effect from 2007-08.

The requisitions from constituent authorities agreed in January were on the basis that the new percentages would apply from 2006-07. This is not now the case and this report recommends an approach for dealing with the disparity between GAE distributions and requisitions in the current financial year.

#### **1. Background**

- 1.1 The expenditure of the Board is met by requisitioning amounts from constituent authorities calculated by application of the "Montgomery formula" The formula aims to match the cost of provision of the services to the area in which it is incurred.
- 1.2 The profile of expenditure has changed in recent years following the implementation of the national agreement on fire service pay and conditions. This change increased the proportion of the expenditure of the Board attributable to Comhairle Nan Eilean Siar (CNES), Orkney Islands Council (OIC) and Shetland Islands Council (SIC) with a resulting decrease in the proportion attributable to Highland Council (HC).

#### **2. Financial impact of the change in expenditure profiles**

- 2.1 Included in the Local Government settlement there is a GAE assessment for expenditure on Fire Services. This assessment normally reflects the likely contribution to be made by an authority to their Joint Board. However in 2006/07 for the Highland and Islands Fire Board this is not the case.
- 2.2 As a result of the changing expenditure profile a misalignment with individual authorities GAE shares has occurred. The impact is a significant detrimental effect on the finances of Island Authorities who will have to contribute well in excess of the GAE available to them. HC, on the other hand, will contribute less than available GAE and will generate a surplus. See Appendix 1.

2.3 Overall there is no impact on the Board.

2.4 However to maintain the integrity of the financial records it is important that the amounts requisitioned from the Constituent Authorities reflect their appropriate share of expenditure; and that an adjustment is made between the constituent authorities to match the resources available through the GAE and the requisitions.

### **3. Conclusion**

In order to match requisitions for 2006-07 with the GAE distribution, the surplus of £1,025,958 available to HC should be redistributed to CNES, OIC, and SIC in support of their shortfall in GAE for the year as noted in Appendix 1. This will ensure that no constituent authority is adversely affected by the delay in implementing revised GAE distributions.

#### **Recommendation**

The Board is recommended to request a one-off payment from Highland Council of £1,025,958 to the other constituent authorities of the Board. The payment would be distributed as follows:

Comhairle Nan Eilean Siar	£289,257
Orkney Islands Council	£277,180
Shetland Islands Council	£459,521

Signature:

Designation: Director of Finance

Author: Head of Accounting, Highland Council

Date: 2<sup>nd</sup> November 2006

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## APPENDIX 1

### Comparison of 2006-07 requisitions and GAE

	Net requisitions funded by GAE	Distribution of GAE 2006-07	Surplus/(shortfall) of GAE
	£	£	£
Highland Council	13,131,042	14,157,000	1,025,958
Comhairle Nan Eilean Siar	2,244,257	1,955,000	(289,257)
Orkney Islands Council	1,462,180	1,185,000	(277,180)
Shetland Islands Council	1,906,521	1,447,000	(459,521)
	<u>18,744,000</u>	<u>18,744,000</u>	<u>0</u>

Note: The net requisitions funded by GAE excludes the additional amounts requisitioned above GAE as agreed by the Board.