

HIGHLAND AND ISLANDS FIRE BOARD
Revenue Monitoring Report
1st April 2006 to 30th September 2006
Report by Chief Fire Officer

| | |
|-------------|--|
| Agenda Item | |
| Report No | |

Background

This report sets out the current position of the revenue monitoring statement and the predicted year end position.

Current Position

Net expenditure to date is £8.5m compared to a budget of £9.1m i.e. a current under-spend of £0.6m arising primarily from budget profiling, staff management and current activity levels.

Year-end Projection

The estimated year-end projection, excluding pensions, is an under-spend of £504k. This can be attributed to efficiency savings (primarily staff management and reduced activity levels) and rural rates relief.

It should be noted that the budget for 2006/07 was partly funded by a transfer of £571k from revenue reserves (2.5% of revenue budget). At that time it was recognised that depletion of reserves was not a sustainable option for revenue funding and the Service undertook to identify and implement efficiency savings to offset the transfer. As part of the modernisation process the identification of efficiency savings has been vigorously pursued.

The year-end pension projection is a potential under-spend of £316k. This is as a result of an unbudgeted pension transfer to HIFRS.

Future Challenges requiring consideration

The Board faces challenging future commitments, with potentially significant pressures being placed on both the revenue reserve and on capital. These include:

- Impact of the national Fire Link project on each individual authority. The Scottish Executive has advised that Scotland wide costs are estimated to be £100M (approximately £20M capital and £80M revenue) and that Local Authorities would have to contribute to the cost but as yet the level of this contribution is unclear.

A potential additional interim burden of £250K p.a. may also impact on the Service resulting from the maintenance and decommissioning of the communication sites previously shared with Police.

- Impact of CPD (Continuous Professional Development). As part of the "Heads of Agreement" settlement reached in 2003 it was agreed nationally that CPD would be introduced and be funded from the savings made following the cessation of the Long Service Award Scheme (LSAS).

Currently only 34 HIFRS employees receive LSAS payments of £990 each (£34k in total). HIFRS has approximately 1500 employees who are potentially entitled to receiving a CPD allowance. Assuming a £400 CPD payment per employee this equates to a cost of £600k, a potential shortfall, after LSAS savings, of £565k.

- The Service has been advised that in 2007/08 capital top slice funding will not be available to individual Fire Authorities as the Scottish Executive intends to utilise it to help fund Fire Link. This will have an immediate impact on the Board's programme to redevelop its premises and its wider capital programme. The significance of the cessation of top slice funding, to this Service, is apparent when reviewing its level in the current and previous years –

| 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|----------------|----------------|----------------|----------------|
| £1m | £1.15m | £0.75m | £1.7m |

- There maybe a requirement to absorb transitional funding.

The Board faces these challenges at a time when the funding mechanism for distributing GAE to Authorities (with the primary indicator based on uniform establishment) is under review, thus increasing the uncertainty and the need to maintain adequate contingency reserves.

The Way Forward

Board policy is that unavoidable pension over, or under, spends have not been regarded as being part of the operational budget. The Board have, in the past, found additional funds for unavoidable pension over-spends and as a corollary the pension under-spend this year will be transferred back to the Constituent Authorities.

The efficiency savings made will enable the Board to transfer £250k to capital and bring forward planned capital expenditure on vehicles scheduled for 2007/08 to 2006/07. This will permit a corresponding reduction in the vehicle programme in 2007/08 releasing capital funds in that year for the development of buildings. Without this the Board will not be able to fund any new builds in 2007/08.

In line with the proposed Revenue Reserve Strategy provision should be made for contingencies and future identified requirements.

Recommendation

- 1) Transfer at year end any remaining pension underspend back to Constituent Authorities.
- 2) Authorise £250k transfer from Revenue to Capital and bring forward planned expenditure in 2007/08 on vehicles into 2006/07. This will allow a reduction in 2007/08 vehicle spend which will be reallocated to assist the building programme.
- 3) To address the future identified challenges any remaining efficiency savings (up to the maximum permitted) to be transferred to Revenue Reserve.

**BRIAN A MURRAY
CHIEF FIRE OFFICER**

Date: 2 November 06

HIGHLAND & ISLANDS FIRE BOARD

REVENUE MONITORING STATEMENT

30th September 2006

| EXPENDITURE | Period to Date | | Annual | | Estimated Year End Variance £'000 |
|--|-----------------|-----------------|-----------------|------------------------|--|
| | Budget £'000 | Actual £'000 | Budget £'000 | Est. Out-turn £'000 | |
| WHOLETIME STATIONS (INC FIRE CONTROL) | 3,191 | 2,966 | 6,626 | 6,376 | (250) |
| COMMUNITY RESPONSE UNITS | 396 | 231 | 809 | 670 | (139) |
| RETAINED SERVICES | 3,583 | 3,192 | 7,650 | 7,274 | (376) |
| COMMUNICATIONS | 171 | 334 | 537 | 551 | 14 |
| SUPPORT SERVICES | 1,265 | 1,280 | 2,189 | 2,324 | 135 |
| FIRE FIGHTING AT SEA | 46 | 49 | 92 | 92 | 0 |
| MEMBERS | 13 | 8 | 26 | 26 | 0 |
| ADMINISTRATION | 466 | 454 | 940 | 975 | 36 |
| GROSS OPERATIONAL EXPENDITURE | 9,131 | 8,514 | 18,869 | 18,288 | (581) |
| CAPITAL CHARGES | - | - | 2,525 | 2,602 | 77 |
| GROSS EXPENDITURE | 9,131 | 8,514 | 21,394 | 20,890 | (504) |
| INCOME | (14) | (10) | (28) | (28) | 0 |
| NET EXPENDITURE (EXCL. PENSIONS) | 9,117 | 8,504 | 21,366 | 20,862 | (504) |
| NET PENSIONS | 615 | 119 | 1,231 | 915 | (316) |
| TOTAL BOARD EXPENDITURE | 9,733 | 8,623 | 22,597 | 21,776 | (820) |