

HIGHLAND AND ISLANDS FIRE BOARD Policy & Finance Working Group	Agenda Item	4
REPORT ON REVENUE BUDGET 2009/10	Report No	PFWG 10/08

BACKGROUND

This report sets out a Draft Revenue Budget for 2009/10 and future years. It should be noted that, as in previous years, the budget is one that only reflects the needs of the Service to deliver its statutory duties, and the Board's policy requirements. Members should also note that the budget is in line with the parameters recommended by the Convenors of the Board's Constituent Authorities. The budget for approval, including loan charges and additional government funding for pensions, shows an increase of 2.4% on 2008/09 – (see table below).

Fire Board Budget (with Loan Charges)	2008/09	2009/10	Change	%
Budget excluding Loan Charges	21,579	22,767	1,188	5.5%
Loan Charges	2,007	1,867	(140)	7.0%
Budget including Loan Charges & Pensions	23,587	24,634	1,047	4.4%
Pension additional funding from Central Government		(490)	(490)	
Total	23,587	24,144	557	2.4%

BUDGET EXCLUDING LOAN CHARGES

The budget, excluding loan charges, for 2009/10 of £22,767,000 includes two unavoidable pressures - Pensions and Firelink totalling £815,000. Overall, the increase in budget excluding unavoidable pressures has been contained at 1.7% (Appendix 1 - Table 1)

BUDGET FUNDING 2009/10

The Board is obliged to requisition its Constituent Authorities for the resources to fund the Revenue Budget necessary to deliver its statutory duties, and the Board's policy requirements. Therefore the budget presented for approval seeks to provide sufficient finance to meet the above obligation. Members will note that this is achieved with a below inflation increase excluding the two unavoidable pressures –

- The pension budget for 2009/10 shows an increase of £515,000. The scale of the challenge of funding pensions for Fire (and Police) is such the Government are currently reviewing the mechanism for its provision and there is a possibility that from 2010/11 Fire and Police pensions may be managed centrally. The Government have also indicated that new money will be made

available to Local Authorities in 2009/10 to address this issue and it is anticipated that additional funding in the region of £490,000 will be made available to the Board's Constituent Authorities.

- Firelink, the National Communication Strategy contracted for by the Government, is estimated to require £300,000 to fund the set-up costs of training and vehicle conversion. In line with the Board's Revenue Reserve Strategy a sum of £300,000 is proposed to be earmarked from reserves to fund the estimated "one-off" set up costs associated with the Firelink project. Members should note that this sum was previously earmarked in the 2008/09 budget but due to national delays in delivering the project the funding was not required and consequently will be returned to the Revenue Reserve and thus will be available for use in 2009/10. Members will also note that the estimated closing reserve balance at 31/03/10 of £837,000 is in line with the current reserve strategy of 3% of budget approved by the Board in November 2006. Details of the budget requisition and its implications for revenue reserves are shown in Appendix 2 -Tables 2 and 3.

BUDGET HIGHLIGHTS 2009/10

The budget summary for 2009/10 is shown in Appendix 3 – Table 4. Significant variances, worthy of note within the 2009/10 budget include:

Item	Variance	Reason
Property - 31.4%	£373,000	Electricity & gas - £245k Building maintenance - £100k
Transport - 13.1%	£67,000	Derv and petrol - £50k
Supplies & Services – 25.4%	£171,000	Community fire safety initiatives - £152k Staff welfare - £36k
Admin – (27%)	(£181,000)	Insurance premium saving
Pensions – 30.4%	£515,000	£490k to be met by new funding from the Government

REQUISITION TABLES

The draft requisition table is shown in appendix 2 Table 2a. In calculating the total amount due by the constituent authorities to the Board, loan charges must be added to the revenue budget total. This increases overall expenditure for requisition purposes, excluding pensions, to £22.125m and represents a 2.8% increase on the previous year (Table 2b). Including pensions the corresponding figures are £24.634m and 4.4% (Table 2c).

REVENUE BUDGETS - FUTURE YEARS 2010/11 & 2011/2012

The budget implications for years 2010/2011 and 2011/12 are shown in Appendix 3 – Table 5. This highlights that, excluding unavoidable pressures and pensions, the budgets for 2010/11 and 2011/12 indicates below inflationary increases of 1.8% and 1.9% respectively.

Members should note however that the Service faces significant challenges in the funding of pensions and Firelink. The consequence of these challenges, which are out-with the control of the Service, is an overall increase in the 2010/11 budget, compared to the previous year, of 5.5% and reduction the following year of 0.8%. Members are reminded however that it is expected that in future years the funding of Fire and Police pensions could be managed centrally and consequently the impact on individual Boards could be ameliorated.

Recommendations

1. That the Policy & Finance Working Group recommends the approval by the Board of the revenue needs based budget for 2009/010 as shown in the attached papers.

ALEX MACALLISTER
HEAD OF CORPORATE SERVICES
DATE: 30th October 2008

Table 1 - Budget pressures & savings

	£000's	% Increase
2008/09 Budget	21,579	
Savings		
Firelink carried forward	(300)	-1.4%
Efficiencies	(544)	-2.5%
Increases		
Building Programme	100	0.5%
Community Fire Safety Initiatives	152	0.7%
Staff Welfare	36	0.2%
Total excluding inflation & unavoidable pressures	21,024	-2.6%
Inflation	928	4.3%
Total excluding unavoidable pressures	21,952	1.7%
Fire Link	300	1.4%
Pensions	515	2.4%
Unavoidable pressures	815	3.8%
Budget 2009/10 excluding Loan Charges	22,767	5.5%

Efficiency savings	£000's
Insurance	214
Staff management	156
Temporary Staff	45
Overtime	52
Admin (printing, telephones etc)	52
Other	25
Total	544

Table 2a - Draft Requisitions	2008/09 £000's	2009/10 £000's	Increase £000's	Increase %
Budget (Excluding Firefighting at Sea)	19,789	20,459	670	3.4
Firefighting at Sea	96	99	3	3.0
Total Fire Budget (Ex Loan Charges & Pensions)	19,885	20,557	673	3.4
Amounts to be Funded from Reserves	370	300	(70)	(18.9)
Total Expenditure	19,515	20,257	743	3.8
Loan Charges	2,007	1,867	(140)	(7.0)
Total to be met by Authorities ex Pensions	21,522	22,125	602	2.8
Pensions	1,695	2,210	515	30.4
Total to be Met by Constituent Authorities	23,217	24,334	1,117	4.8
Total Fire Budget (including Loan Charges)	23,587	24,634	1,047	4.4

Table 2b - Requisitions excluding pensions	2008/09 £000's	2009/10 £000's	Increase £000's	Increase %
Highland Council	15,571	16,121	550	3.5
Comhairle Nan Eilean Siar	2,264	2,263	(0)	0.0
Orkney Islands Council	1,634	1,658	24	1.5
Shetland Island Council	2,054	2,083	29	1.4
Total	21,522	22,125	602	2.8

Table 2c - Requisitions including pensions	2008/09 £000's	2009/10 £000's	Increase £000's	Increase %
Highland Council	16,797	17,731	934	5.6
Comhairle Nan Eilean Siar	2,442	2,489	47	1.9
Orkney Islands Council	1,763	1,823	61	3.4
Shetland Island Council	2,216	2,292	76	3.4
Total	23,217	23,217	23,217	4.8

Table 3 - Movement in reserves	£000's
Opening Reserves	1137
Utilised during 2009/10	(300)
Closing Balance	837

The Government have indicated that new money will be made available to Local Authorities in 2009/10 to address the pension issue and it is anticipated that additional funding in the region of £490,000 will be made available to the Board's Constituent Authorities.

Table 4 - Budget 2009/10

Appendix 3

Summary Budget	2008/09	2009/10	Change	% Change
Staff	16,206	16,460	254	1.6%
Property	1,189	1,561	373	31.4%
Transport	510	576	67	13.1%
Supplies & services	672	843	171	25.4%
Admin	672	491	(181)	-27.0%
Central Administration	185	191	6	3.0%
Income	(13)	(13)	(0)	3.0%
Firefighting @ Sea	96	99	3	3.0%
Members	68	49	(19)	-27.8%
Pensions	1,695	2,210	515	30.4%
Firelink	300	300	-	0.0%
	21,579	22,767	1,188	5.5%

Table 5 -Budgets for Future Years

	2010/11	2011/12
Prior Year Budget	22,767	24,014
Firelink	(300)	(200)
Pension lump Sums	(874)	(1,547)
	21,593	22,267
Add		
Inflation	648	668
Efficiency Savings	(250)	(250)
	21,991	22,685
Increase excluding unavoidable pressures	1.8%	1.9%
Unavoidable Pressures		
Firelink (estimated)	200	150
Pensions	1,822	976
Budget	24,014	23,811
	5.5%	-0.8%