

**WEST MIDLANDS FIRE AND CIVIL DEFENCE AUTHORITY**

**14<sup>TH</sup> FEBRUARY 2005**

**1. BUDGET AND PRECEPT 2005/2006**

Joint Report of the Treasurer and Chief Fire Officer.

**RECOMMENDED**

**1.1 THAT the following be approved:-**

1.1.1 The Authority's Revenue Budget for 2005/2006 of £113.582m as set out in Appendix C.

1.1.2 The Authority's capital budget for 2005/2006, 2006/2007 and 2007/2008 as set out in Appendix E.

1.1.3 The Authority's Prudential Indicators as set out in Appendix F.

**1.2 THAT it be noted that the constituent District Councils have formally set their Council Tax bases for the year 2005/2006 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992 as follows:**

	<b>Tax Base</b>
Birmingham	284,101.00
Coventry	86,030.90
Dudley	96,387.02
Sandwell	82,595.60
Solihull	76,751.00
Walsall	76,002.00
Wolverhampton	<u>69,760.00</u>
	771,627.52
	=====

**1.3 THAT the following amounts be now calculated by the Authority for the year 2005/2006 in accordance with Sections 43 to 48 of the Local Government Finance Act 1992:**

- 1.3.1    £122,424,586    being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(2)(a) to (d) of the Act.
- 1.3.2    £8,842,470    being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(3)(a) to (b) of the Act.
- 1.3.3    £113,582,116    being the amount by which the aggregate at 1.3.1 above exceeds the aggregate at 1.3.2 above calculated by the Authority in accordance with Section 43(4) of the Act as its budget requirement for the year.
- 1.3.4    £81,785,851    being the aggregate of the sums which the Authority estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates and revenue support grant decreased by the aggregate of the sums which the Authority estimates will be paid out in the year to the constituent District Councils in respect of amounts they have estimated as the deficit on their collection funds for 2004/2005.
- 1.3.5    £41.206754    being the amount at 1.3.3 above less the amount at 1.3.4 above all divided by the total amount at 1.2 above, calculated by the Authority in accordance with Section 44(1) of the Act as the basic amount of its Council Tax for the year.

1.3.6 <u>Valuation</u>	£	£
<u>Bands</u>	(to 6 decimals)	(rounded to 2 decimals)
A	27.471170	27.47
B	32.049698	32.05
C	36.628226	36.63
D	41.206754	41.21
E	50.363811	50.36
F	59.520867	59.52
G	68.677924	68.68
H	82.413509	82.41

being the amounts given by multiplying the amount at 1.3.5 above by the number which in the proportion set out in Section 5(1) of the Act is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Authority in accordance with Section 47(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

1.3.7 Resultant precepts:

	£
Birmingham City Council	11,706,880
Coventry City Council	3,545,054
Dudley Metropolitan Borough Council	3,971,796
Sandwell Metropolitan Borough Council	3,403,496
Solihull Metropolitan Borough Council	3,162,660
Walsall Metropolitan Borough Council	3,131,796
Wolverhampton City Council	2,874,583
<b>Total</b>	<u>31,796,265</u> =====

being the amounts given by multiplying the amount at 1.3.5 above by the appropriate tax base at 1.2 above in accordance with section 48(2) of the Act, as the amount of precept payable by each constituent District Council.

- 1.4 THAT the precept for each District Council as calculated at 1.3.7 above be issued in accordance with Section 40 of the Local Government Finance Act 1992.

2. **PURPOSE OF REPORT**

The Authority is requested to consider the Capital Programme for 2005/2006, 2006/2007 and 2007/2008, the prudential indicators relating to the Authority's capital financing requirements, the Revenue Budget for 2005/2006 and to approve the consequent precept level and resultant amount for each constituent District Council.

### 3. **BACKGROUND**

- 3.1 When the budget and precept for 2004/2005 was approved by the Authority on 16<sup>th</sup> February 2004, it was recognised that there were likely to be significant budgetary pressures for 2005/2006 and 2006/2007.
- 3.2 On 22<sup>nd</sup> December 2003, the Office of the Deputy Prime Minister (ODPM) had notified the Authority that subject to assurances of progress on modernisation and associated savings, Fire and Rescue Authorities in England and Wales would share up to £30m transitional funding for the fire service pay deal. The indicative figure for this Authority was £1.65m. However, the Government proposed that the funding would need to be paid back by 31<sup>st</sup> March 2006, through the local government finance settlement for 2005/2006.
- 3.3 Because nationally it took longer than was originally envisaged to put some key building blocks in place, including the final pay and conditions deal, this Authority did not receive the anticipated £1.65m transitional funding until 29<sup>th</sup> October 2004. The ODPM recognised the delay and that if the transitional funding was recouped in 2005/2006 it would be less than a year after it had been distributed.
- 3.4 In recognition of this and on the understanding that progress could be made on the modernisation of the Fire Service whilst avoiding unreasonable costs to the Council Tax payer, the ODPM agreed to defer repayment of transitional funding in 2005/2006. However, the ODPM has advised that transitional funding will be recouped in 2006/2007 which represents a significant issue for the Authority within its medium term financial plan.
- 3.5 On 2<sup>nd</sup> December 2004, the Minister of State for Local Government announced the proposed local government finance settlement for 2005/2006. The provisional Formula Spending Share was £114.7m for this Authority, with external funding amounting to £81.964m.
- 3.6 The provisional finance settlement figure for 2005/2006 represented an increase of 6.3% compared to the current year. The increase was an improvement compared to the forecast reported to the Authority on 16th February 2004 primarily due to the Government removing ceilings on formula grant increases, which had restricted the level of funding received by this Authority in previous years.

- 3.7 The Fire Service budget position was presented to the West Midlands District Leaders on 17<sup>th</sup> December 2004. Leaders gave recognition to the Authority for working well during a difficult time of major change. They also asked if consideration could be given to setting a lower precept increase than the 4.9% proposed.
- 3.8 Final settlement figures were announced on 27<sup>th</sup> January 2005. In addition, the District Councils have confirmed their tax bases and collection fund surpluses.
- 3.9 At its meeting on 31<sup>st</sup> January 2005, the Policy Planning Forum considered the draft revenue budget for 2005/2006, including development proposals arising out of the Business Planning Process (Appendix A), which indicated a projected expenditure requirement of £113,518,260 after a number of budget adjustments from last year's budget projection (Appendix B). The projected expenditure includes a number of efficiency measures and provides the capacity to undertake actions arising out of the Authority's Corporate Risk Register, which is the subject of a separate report on today's agenda. The net effect of these changes resulted in a budget shortfall of £1.445m to be accommodated by additional precept income in 2005/2006 (an increase of 4.80%).
- 3.10 The Authority, through the Executive Committee, consulted with commercial and industrial rate payers on the provisional budget and precept level. A meeting took place on 31<sup>st</sup> January 2005 to which organisations were specifically invited and a statutory notice was published in the local press. A presentation was made on the Authority's financial situation for 2005/2006 and the two subsequent financial years.
- 3.11 The strategy, set out in (3.9) above would resolve the budget difficulties in 2005/2006 and give the capacity to deliver the Governments modernisation agenda. Details of the changes to the draft base budget are set out in Appendix C, together with revisions to the current year's budget (the 2005/2006 budget is replicated for information in the Best Value Accounting Code of Practice format in Appendix D).

#### 4. **PRECEPT 2005/2006**

- 4.1 Under the Council Tax arrangements, the allocation of the total sum required by the Authority between constituent District Councils is based on the relevant tax base for each District.

- 4.2 All District Councils have now formally set their Council Tax base and have notified the Treasurer accordingly. The total relevant Council Tax base for the Authority is 771,627.52.
- 4.3 The appropriate precept has now been calculated for each District and is set out in paragraph 1.3.7 for the Authority's approval.
- 4.4 The Council Tax at Band D for 2005/2006 is £41.21, an increase of £1.89 (4.8%) over 2004/2005.

5. **FUNDING OF EXPENDITURE 2005/2006**

The final figures from external funding sources have now been notified and are included in the table below:-

	£
Revenue Support Grant	52,044,777
Non-Domestic Rate Income	29,788,965
Share of Collection Fund Deficit	(47,891)
Council Tax (met by Districts)	<u>31,796,265</u>
	113,582,116
	=====

6. **GENERAL BALANCES POSITION**

- 6.1 Based on the current forecast of net expenditure in 2004/2005, the Authority's estimated available general balances at 1st April 2005 are £3.4 million. At this level, the amount of General balances would equate to approximately 3% of the Authority's budget.
- 6.2 The actual level of general balances at 1<sup>st</sup> April 2005 will not be determined until the completion of the Authority's 2004/2005 closedown of accounts process.

7. **CAPITAL PROGRAMME**

- 7.1 At the Authority meeting on 16th February 2004, consideration and approval was given to the current three year Capital Programme. That programme was revised at the Authority Committee on 26<sup>th</sup> July 2004 to accommodate 'slippage' on a number of 2003/2004 Capital Schemes. The Programme has been monitored during the year by a combination of Authority and Executive Committee meetings.

- 7.2 It is estimated that the commitments in respect of those projects which have started or are programmed works, is as follows:

	£m
2005/2006	3.204
2006/2007	2.670
2007/2008	2.951

The full list of projects is shown on Appendix E.

- 7.3 This Authority was notified by the ODPM on 2<sup>nd</sup> December 2004 that it's Supported Capital Expenditure Allocation for 2005/2006 is £3.661m

- 7.4 A forecast of resources covering the period 2005/2006 to 2007/2008 is shown below:

	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
	£m	£m	£m
Supported Cap Expend	3.661	3.500	3.500
Grants	0.310	0.310	0.620
Revenue Funding	0.270		
	<hr/>	<hr/>	<hr/>
	4.241	3.810	4.120
	<hr/>	<hr/>	<hr/>

- 7.5 The table below compares the expenditure on those projects within the capital programme which are committed and the projected resources outlined in paragraph 7.4:

	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
	£m	£m	£m
Projected Resources	4.241	3.810	4.120
<u>Less:</u> Commitments	3.204	2.670	2.951
	_____	_____	_____
Available Resources	1.037	1.140	1.169
	_____	_____	_____

- 7.6 As part of the Authority's current three year Capital Programme approved on 16<sup>th</sup> February 2004, it was proposed to commence two new schemes in 2005/2006. Because of the need to maintain some funding flexibility within the three year Capital Programme, particularly given the likely significant impact of the proposed Headquarters relocation, no further schemes have been incorporated into the proposed Capital Programme. The proposed start of the Bickenhill Fire Station refurbishment has been delayed one year to 2007/2008.
- 7.7 It is considered that those schemes identified on Appendix E should be incorporated into the 2005/2006 to 2007/2008 Capital Programme (a scheme summary is separately shown for proposed 2005/2006 'new starts'). The expenditure phasing of those schemes identified as commitments and those schemes approved to start in 2005/2006 may be adjusted providing there is no overall budget increase.

## 8. THE PRUDENTIAL CODE

- 8.1 Under the Local Government Act 2003, credit approvals were abolished and a new prudential capital finance system was introduced from 1<sup>st</sup> April 2004. CIPFA has prepared a Prudential Code which underpins the system of capital finance. Local authorities are required by Regulation to have regard to the Prudential Code under Part 1 of the Local Government act 2003.
- 8.2 The key objectives of the Prudential Code are to ensure that the capital investment plans of the Authority are affordable, prudent and sustainable. A further key objective is to ensure that treasury



management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.

- 8.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The indicators are designed to support and record local decision making.
- 8.4 The Prudential Indicators that have been calculated for this Authority are detailed on Appendix F.

9. **PLANNING FOR THE 2006/2007 AND 2007/2008 BUDGET**

- 9.1 In preparing the draft revenue budget for 2005/2006, an expenditure forecast for 2006/2007 and 2007/2008 has also been undertaken by 'rolling forward' the 2005/2006 draft budget; updating for anticipated inflation and pay awards, and adding in commitments and firefighters' pensions. The forecast does not allow for any essential developments and any other new requirements the Authority may need to respond to. Nor do the figures include any efficiencies which may be achieved through the Modernisation Agenda. A forecast of the likely level of resources using known external funding to date indicates the following position in 2006/2007 and 2007/2008:

	<b>2006/2007</b>	<b>2007/2008</b>
	£m	£m
Budget requirement	118.814	124.661
Resources		
- RSG/NNDR	84.500	87.300
- Transitional Repayment	(1.650)	
- Precept – 2005/06 Level	<u>31.800</u>	<u>31.800</u>
Supportable expenditure (excluding precept increase)	<u>114.650</u>	<u>119.100</u>
Potential impact on precept levels (cumulative)	<u>13%</u>	<u>17%</u>

- 9.2 The estimated external resources reflected in the table above assume a year-on-year increase of 3.3% which was the increase in National Fire Service Funding in 2006/2007 identified in the 2004 spending review. Further details of the medium term budgets are shown on Appendix G.

10. **EQUALITY AND DIVERSITY IMPLICATIONS**

There are no equality and diversity implications arising from this report.

11. **CORPORATE AIM SUPPORTED**

The principal corporate aim supported by the information in this report is as follows:-

2. To create a financial plan which operates within the budget to ensure the most effective use of resources.

12. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

**BACKGROUND PAPERS**

ODPM Communications

Policy Planning Forum 31<sup>st</sup> January 2005

Consultation with non domestic rate payers 31<sup>st</sup> January 2005

F. J. E. SHEEHAN  
CHIEF FIRE OFFICER

L. BATEMAN  
TREASURER

**APPENDIX A****ESSENTIAL DEVELOPMENTS 2005/2006**

<b><u>Project Title</u></b>	<b>05/06</b>	<b>06/07</b>	<b>Ongoing</b>
	£k	£k	£k
Equality and Diversity Team	94	86	89
Programme Support Office	55	73	79
Integrated Risk Management	70	70	70
Health and Safety (Building Surveyor)	41	39	40
	_____	_____	_____
	260	268	278
	_____	_____	_____

**Revenue Development 2005/2006**

**Project Title:** Equality and Diversity Team

**Project Description:**

The establishment of an Equality and Diversity Training and Development Team would have as one of its objectives the task of affecting required changes in the 'culture' of the organisation. It would also enable the Authority to meet its statutory requirements under the Race Equality Scheme.

<u>Costings £000's</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
	94	86	89

**Staffing Implications:**

There would be a requirement to establish three full time equivalent non-uniformed posts.

**Corporate Aims Supported:**

The principal corporate aims supported by the information in this report are as follows:

1. To meet the Fire Authority's statutory duties, standards and expectations.
7. To operate within a culture of equality that values diversity.
10. To enable all our people are competent and enabled to achieve their full potential.

**Revenue Development 2005/2006**

**Project Title:** Programme Support Office

**Project Description:**

To provide a Programme Support Office in support of PRINCE2 projects within the WMFS and the wider West Midlands region. This addresses issues previously raised by external auditors in terms of project management.

<u>Costings £000's</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
	55	73	79

**Staffing Implications:**

Using a mixture of temporary and existing non-uniformed posts, supplemented by a temporary uniformed post which will ultimately be made non-uniformed, the Programme Support Office would have three established posts.

**Corporate Aim Supported:**

The principal corporate aim supported by the information in this report is as follows:

11. To continuously modernise and improve quality of service.

**Revenue Development 2005/2006**

**Project Title:** Integrated Risk Management

**Project Description:**

To provide appropriate resources for the production of the Authority's Integrated Risk Management Plan (IRMP) and input into the West Midlands Regional IRMP project work. Providing this facility will enable continual improvements in service delivery and reduction in risk to the community in line with Best Value objectives.

<u>Costings £000's</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
	70	70	70

**Staffing Implications:**

The current IRMP Team consists of 5 members of staff, which was initially funded by a Revenue Development Bid as part of the Authority's 2003/2004 budget setting process. At this stage, it was assumed the team would reduce after the first 12 months. However, the demands on the staff requires the strength of the team to be maintained at its current level.

**Corporate Aims Supported:**

The principal corporate aims supported by the information in this report are as follows:

1. To meet the Fire Authority's statutory duties, standards and expectations.
3. To reduce risk in the community.
11. To continually modernise and improve the quality of service.

**Revenue Development 2005/2006**

**Project Title:** Health and Safety

**Project Description:**

The provision of this additional post would enable the Authority to address the recent changes in legislation related to building work, particularly the Working at Height Regulations. These legislative changes require an agreed written Method Statement and Risk Assessment to be provided by contractors for all building related projects before the contractor can be allowed to start work on site. Failure to ensure these requirements are in place has the potential to expose the Fire Authority to litigation.

<u>Costings £000's</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
	41	39	40

**Staffing Implications:**

There would be a requirement to establish one full time equivalent non-uniformed post.

**Corporate Aims Supported:**

The principal corporate aims supported by the information in this report are as follows:

1. To meet the Fire Authority's statutory duties, standards and expectations.
6. To care for the health, safety and welfare of all our people.

## **APPENDIX B**

### **REVISED EXPENDITURE PROJECTION 2005/2006**

	£m
Policy Planning Forum (29 January 2004)	115.628
<u>Budget Increases</u>	
Fuel/Gas	0.130
Superannuation	0.090
<u>Budget Reductions</u>	
* IRMP changes	- 1.000
Cash Limiting Budgets	- 0.250
Pay	- 0.480
Interest	- 0.260
Pensions	- 0.500
Nursery Closure	- 0.080
Other	<u>- 0.020</u>
	113.258
Essential Developments	0.260
	<hr/>
TOTAL	113.518
	<hr/>

\* Subject to Authority approval of the IRMP and subsequent shift pattern changes.



**APPENDIX C****WEST MIDLANDS FIRE AND CIVIL DEFENCE AUTHORITY****SUMMARY OF 2004/2005 REVISED BUDGET AND 2005/2006 BUDGET**

	<b>Original Budget 2004/05</b>	<b>Revised Budget 2004/05</b>	<b>Original Budget 2005/06</b>
Subjective Heading	£000's	£000's	£000's
Employees	72,553	73,136	75,260
Premises	4,048	4,237	4,196
Transport	1,564	1,655	1,645
Supplies & Services	7,969	8,441	7,789
Capital Financing	4,300	4,336	4,617
<b>GROSS EXPENDITURE</b>	<b>90,434</b>	<b>91,805</b>	<b>93,507</b>
Income	(1,967)	(2,412)	(2,253)
<b>NET EXPENDITURE</b>	<b>88,467</b>	<b>89,393</b>	<b>91,254</b>
Net Pensions Expenditure	19,608	19,873	21,943
<b>TOTAL F&amp;CDA EXPENDITURE BEFORE APPROPRIATIONS</b>	<b>108,075</b>	<b>109,266</b>	<b>113,197</b>
Appropriations to Reserves	110	569	125
<b>TOTAL F&amp;CDA EXPENDITURE AFTER APPROPRIATIONS</b>	<b>108,185</b>	<b>109,835</b>	<b>113,322</b>
Essential Developments	1,419	-	260
<b>TOTAL F&amp;CDA EXPENDITURE INCLUDING DEVELOPMENTS</b>	<b>109,604</b>	<b>109,835</b>	<b>113,582</b>
Use of Balances	(1,000)	(1,000)	-
Transitional Funding	(1,419)	(1,650)	-
<b>TOTAL BUDGET REQUIREMENT</b>	<b>107,185</b>	<b>107,185</b>	<b>113,582</b>

## **APPENDIX D**

### **SUMMARY OF 2005/06 BUDGET IN BEST VALUE FORMAT**

	<b>Original Budget 2005/06</b>
	£000's
Firefighting & Rescue Operations	92,991
Community Fire Safety	9,953
Corporate Management	704
Democratic Representation & Management	450
Emergency Planning & Civil Defence	158
Non Distributed Costs	30
<b>NET COST OF SERVICES</b>	<b>104,286</b>
Asset Management Revenue Account	174
Pensions Interest Cost	32,404
Interest & Investment Income	(940)
<b>NET OPERATING EXPENDITURE</b>	<b>135,924</b>
Appropriations from Reserves	(22,602)
Essential Developments	260
<b>TOTAL BUDGET REQUIREMENT</b>	<b>113,582</b>

## APPENDIX E

### CAPITAL PROGRAMME

		Project Year			
		In 2005/2006	2005/2006	2006/2007	2007/2008
Commitments	Year	£'000's	£'000's	£'000's	
BA Servicing Rooms-Upgrade	2 of 3	35	35		
Security Measures	2 of 2	50			
Equality & Diversity Works	2 of 3	100	120		
Deep Lift Well Alterations	1 of 5	72	72		72
Drill Tower Upgrades	2 of 4	50	50		20
Bournbrook Refurbishment	3 of 3	88			
Fallings Park Refurbishment	3 of 3	177			
Asbestos Removal	5 of 5	270			
HCFS Fire Experience Facility	4 of 1	19			
Wolverhampton Refurbishment	4 of 2	15			
Northfield Refurbishment	5 of 3	25			
Integrated Computer System	2 of 4	750	600		358
MDT Hardware	3 of 2	25			
Wide Area Network	3 of 2	65			
Home Fire Risk	2 of 4	310	310		620
Vehicle Replacement Programme	On-going	1,153	1,483		1,881
<b>TOTAL COMMITMENTS</b>		<b>3,204</b>	<b>2,670</b>	<b>2,951</b>	
<b>New Starts</b>					
HQ Relocation	1 of 1	100			
Stourbridge Refurbishment	1 of 3	616	918		30
Bickenhill Refurbishment	0 of 3				139
<b>TOTAL NEW STARTS</b>		<b>716</b>	<b>918</b>	<b>169</b>	
<b>GRAND TOTAL</b>		<b>3,920</b>	<b>3,588</b>	<b>3,120</b>	
SUPPORTED CAPITAL EXPENDITURE		3,661	3,500	3,500	
REVENUE FUNDINIG		270	0	0	
GRANTS		310	310	620	
		<b>4,241</b>	<b>3,810</b>	<b>4,120</b>	
<b>SURPLUS</b>		<b>321</b>	<b>222</b>	<b>1,000</b>	

## **CAPITAL PROGRAMME 2005/2006**

**Project Title:** HQ Relocation

### Project Description:

The funding would provide the capacity to meet external professional assistance required to progress the relocation of Fire Service Headquarters. This would enable a full business case for any proposed relocation to be produced, which would include future funding issues.

Costings £000's	2005/2006
-----------------	-----------

100

**Corporate Aims Supported:**

The principal corporate aims supported by the information in this report are as follows:

2. To create a financial plan which operates within the budget, to ensure the most efficient use of resources.
11. To continuously modernise and improve the quality of service.

**CAPITAL PROGRAMME 2005/2006**

**Project Title:** **Stourbridge Refurbishment**

**Project Description:** Stourbridge Community Fire Station has been identified as a high priority for refurbishment as identified in the condition surveys. There are numerous Health and Safety issues, kit stowage deficiencies and building elements which have reached the end of their life.

The refurbishment of the station will follow and include the provision of improved BA servicing, PPE care and storage facilities, technical training facilities and a more suitable and fit for purpose working environment for all personnel.

The scheme will also include the provision of a Community Fire Education building to complement the already successful fire scenario facility.

<u>Costings £000's</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
	616	918	30

**Corporate Aims Supported:**

The principal corporate aims supported by the information in this report are as follows:

1. To meet the Authority's statutory duties, standards and expectations.
2. To create a financial plan which operates within the budget, to ensure the most efficient use of resources.

**PRUDENTIAL INDICATORS**

1. The actual capital expenditure that was incurred in 2003/04 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

<b>Capital Expenditure</b>				
<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
3,565	5,144	4,241	3,810	4,120

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2003/04

<b>Ratio of financing costs to net revenue stream</b>				
<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
3.27	3.20	3.24	3.31	3.34

The estimates of financing costs include current commitments and the proposals in this budget report.

3. All borrowing forecasts contained within this report relate only to supported capital expenditure, which receives Government grant support. Consequently, the incremental impact of any borrowing arising from new capital investment decisions has been reflected within the overall budget projections, although the impact specifically on the level of precept cannot be quantified.
4. Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual financing requirements at 31 March 2004 are:

<b>Capital financing requirement</b>				
<b>31/03/04</b>	<b>31/03/05</b>	<b>31/03/06</b>	<b>31/03/07</b>	<b>31/03/08</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
38,492	40,650	42,800	44,700	46,500

5. The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, West Midlands Fire & Civil Defence Authority does not associate borrowing with particular items or types of expenditure. The authority relies upon Sandwell Metropolitan Borough Council to undertake its treasury management function, which has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Service. West Midlands Fire Service has, at any point in time, a number of cashflows both positive and negative, and Sandwell Metropolitan Borough Council manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital

cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

6. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Treasurer reports that the authority had no difficulty meeting this requirement in 2003/04, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

7. In respect of its external debt, it is recommended that the authority approves the following authorised limits for its total external debt gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary.

<b>Authorised limit for external debt</b>				
<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
50,000	53,500	55,900	58,200	

8. The Treasurer reports that these authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with Sandwell Metropolitan Borough Council's approved treasury management policy statement and practices. The Treasurer confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.
9. The Authority is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the Treasurers estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movement, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Treasurer.

Operational boundary for external debt				
	2004/05	2005/06	2006/07	2007/08
	£000	£000	£000	£000
	45,000	47,000	49,200	51,200

10. The Authority's actual long term liabilities at 31<sup>st</sup> March 2004 were £38.5 million.  
It should be noted that actual long term liabilities is not directly comparable to the authorised limit and operational boundary, since the actual long term liabilities reflects the position at one point in time.
11. In taking its decisions on this budget report, the Authority is asked to note that the authorised limit determined for 2005/06 (see paragraph 7 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.



**APPENDIX G1**

**WEST MIDLANDS FIRE AND CIVIL DEFENCE AUTHORITY**  
**DRAFT BUDGET FORECAST 2006/7 TO 2007/8**

	<b>2006/07</b>	<b>2007/08</b>
	<b>£000's</b>	<b>£000's</b>
<b>TOTAL DRAFT BUDGET 2005/6</b>	<b>113,582</b>	<b>113,582</b>
<b>NON RECURRING</b>		
(a) Staff Turnover	-591	-1,151
(b) Other – Appendix G2	-580	-580
<b>TOTAL NON RECURRING</b>	<b>-1,171</b>	<b>-1,731</b>
<b>TOTAL BASE BUDGET LESS NON RECURRING</b>	<b>112,411</b>	<b>111,851</b>
<b>COMMITTED GROWTH ITEMS</b>		
(a) Increments	300	600
(b) Firefighters' Pensions	1,686	3,192
(c) Revenue effect of Capital Programme	258	505
(d) Other – Appendix G3	208	418
<b>TOTAL COMMITTED GROWTH</b>	<b>2,452</b>	<b>4,715</b>
<b>TOTAL BASE BUDGET EXCLUDING INFLATION</b>	<b>114,863</b>	<b>116,566</b>
<b>INFLATION PROVISION</b>		
(a) Pay Awards	3,185	6,507
(b) Price Changes	351	717
(c) Pensions increases	621	1,300
(d) Pensions – Members' contributions	-236	-489
(e) Other – specific price changes – Appendix G3	30	60
<b>TOTAL INFLATION PROVISION</b>	<b>3,951</b>	<b>8,095</b>
<b>TOTAL BASE BUDGET INCLUDING INFLATION</b>	<b>118,814</b>	<b>124,661</b>

**INFLATION ASSUMPTIONS**

**Pay Awards:-**

%

- Uniformed Staff

July 05	3.5
July 06	4.0
July 07	4.0

- Non Uniformed Staff

April 05	2.95
April 06	2.95
April 07	3.0

**General Prices:-**

April 05	0.0
April 06	2.5
April 07	2.5

**Pensions Increase Order:-**

April 05	3.1
April 06	3.0
April 07	3.0

## **APPENDIX G3**

### **COMMITTED BUDGET REDUCTIONS/INCREASES**

	06/07 £'000	07/08 £'000
<u>Non Recurring – Other</u>		
2004/05 Developments		
Assessment Development Centres	-80	-80
Duty Systems Reduction	-500	-500
Total Non Recurring - Other	<u>-580</u>	<u>-580</u>
<u>Committed Growth – Other</u>		
Public Holiday (2 Easter days)	200	400
2005/2006 Developments	8	18
Total Committed Growth - Other	<u>208</u>	<u>418</u>
<u>Other – Specific Price Changes</u>		
Superannuation – LGPS	30	60
Total Other – Specific Price Changes	<u>30</u>	<u>60</u>

**SENSITIVITY ANALYSIS**

The approximate impact of a 1% variation in some of the key assumptions underpinning the budget projections is shown below:

**Expenditure**

Uniformed pay awards	£650k (£450k – part year)
Non-uniformed pay award	£100k
*Pensions increase	£200k
General inflation	£100k

**Income**

Government Grant	£800k
Council Tax	£300k

* impact of each retirement	£80k
-----------------------------	------