

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

12TH FEBRUARY 2007

1. BUDGET AND PRECEPT 2007/2008

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 2007/2008 of £112.150m as set out in Appendix C.
- 1.1.2 The Authority's capital programme for 2007/2008, 2008/2009 and 2009/2010 as set out in Appendix E.
- 1.1.3 The Authority's Prudential Indicators as set out in Appendix F.
- 1.1.4 The Authority's Forward Looking 2007/2008 Efficiency Statement, the basis of which is set out in Appendix H, and that the Chief Fire Officer in conjunction with the Treasurer be given the delegated authority to submit the on-line statement.

1.2 THAT it be noted that the constituent District Councils have formally set their Council Tax bases for the year 2007/2008 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:

	Tax Base
	£
Birmingham	288,885.00
Coventry	87,386.80
Dudley	97,049.71
Sandwell	84,359.60
Solihull	78,018.00
Walsall	76,388.00
Wolverhampton	<u>70,426.00</u>
	782,513.11
	=====

1.3 THAT the following amounts be now calculated by the Authority for the year 2007/2008 in accordance with Sections 43 to 48 of the Local Government Finance Act 1992:

1.3.1 £115,132,000 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 £2,982,000 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 £112,150,000 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 £77,383,000 being the aggregate of the sums which the Authority estimates will be payable for the year into its general fund in respect of formula grant by the aggregate of the sums which the Authority estimates will be received in the year from the constituent District Councils in respect of amounts they have estimated as the deficit on their collection funds for 2006/2007.

1.3.5 £44.429926 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 Bands</u>	£ (to 6 decimals)	£ (rounded to 2 decimals)
	A	29.619995	29.62
	B	34.556610	34.56
	C	39.493268	39.49
	D	44.429926	44.43
	E	54.303244	54.30
	F	64.176561	64.18
	G	74.049878	74.05
	H	88.859853	88.86

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	12,835,139
Coventry City Council	3,882,589
Dudley Metropolitan Borough Council	4,311,912
Sandwell Metropolitan Borough Council	3,748,091
Solihull Metropolitan Borough Council	3,466,334
Walsall Metropolitan Borough Council	3,393,913
Wolverhampton City Council	3,129,022
Total	34,767,000
	=====

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 2007/2008, 2008/2009 and 2009/2010, the prudential indicators relating to the Authority's capital financing requirements, the Revenue Budget and Forward Looking Efficiency Statement for 2007/2008 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 2006/2007 was approved by the Authority on 13th February 2006, it was recognised that there were likely to be budgetary pressures for 2007/2008 and 2008/2009.
- 3.2 On 5th December 2005, the Minister of State for Local Government announced the proposed local government finance settlement for 2006/2007 and provisional grant information for 2007/2008. On 18th January 2007, the Department for Communities and Local Government (DCLG) confirmed there were no adjustments to this Authority's 2007/2008 grant figure. The Government intends to provide grant details on a 3 year basis for 2008/2009 onwards.
- 3.3 The updated Fire Service budget position was presented to the West Midlands District Leaders on 15th December 2006. Leaders paid tribute to the provision of the service provided by the Authority. They also asked if consideration could be given to setting a lower precept increase than the 3.1% proposed.
- 3.4 At its meeting on 29th January 2007, the Policy Planning Forum considered the draft revenue budget for 2007/2008, which indicated a projected expenditure requirement of £112.150m after the District Councils had indicated their tax bases and collection fund deficit. The budget had been determined following a number

of adjustments from last year's budget projection (Appendix A). The figures include the capacity to meet the actions arising out of the Authority's Corporate Strategy and in particular a commitment to fund ten Advocate posts, a number of which had previously been paid for by external funding, and costs associated with the Engineering and Workshops Section providing a more flexible operational support service (Appendices B1 and B2). The net effect of these changes resulted in a budget shortfall of £1.230m to be accommodated by additional precept income in 2007/2008 (a Council Tax increase of 2.9%).

- 3.5 The projected budget includes a number of efficiency measures and provides the capacity to undertake actions arising out of the Authority's Corporate Risk Register. The Corporate Risk Register has identified 5 major risks (including a specific risk of a funding shortfall) that would seriously affect the Authority's ability to carry out its functions. The very nature of the risks have made it extremely difficult to quantify any funding impact that would arise were the risk to materialise and in the short term would result in a demand on the Authority's General Balances, which are identified in Section 6 of this report.
- 3.6 The strategy, set out in 3.4 above would resolve any identified budget difficulties in 2007/2008 and give the capacity to deliver the Government's modernisation agenda. Details of the draft base budget are set out in Appendix C, together with revisions to the current year's budget (the 2007/2008 budget is replicated for information in the Best Value Accounting Code of Practice format in Appendix D).

4. **PRECEPT 2007/2008**

- 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 Authority accordingly. The total relevant Council Tax base for the Authority is 782,513.11.
- 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 2007/2008 is £44.43, an increase of £1.25 (2.9%) over 2006/2007.

5. **FUNDING OF EXPENDITURE 2007/2008**

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

	£'000
Formula Grant	77,397
Share of Collection Fund Deficit	(14)
Council Tax (met by Districts)	<u>34,767</u>
	112,150
	=====

6. **GENERAL BALANCES POSITION**

- 6.1 Based on the current forecast of net expenditure in 2006/2007, the Authority's estimated available General Balances at 1st April 2007 are £3.544 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 1st April 2007 will not be determined until the completion of the Authority's 2006/2007 closedown of accounts process.

7. **CAPITAL PROGRAMME**

- 7.1 At the Authority meeting on 13th February 2006, consideration and approval was given to the current three year Capital Programme. That programme was revised at the Authority Committee on 26th June 2006 to accommodate 'slippage' on a number of 2005/2006 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 make up the current year's capital programme, is as follows:

	£m
2007/2008	14.239
2008/2009	6.121

Ref: AU/CH1501073

2009/2010

2.380

The full list of projects is shown on Appendix E.

- 7.3 This Authority was notified by the Office of the Deputy Prime Minister (ODPM) on 13th December 2005 that its Supported Capital Expenditure Allocation for 2007/2008 would be £3.732m. This figure has not changed.
- 7.4 A forecast of resources covering the period 2007/2008 to 2009/2010 is shown below:

	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>
	£m	£m	£m
Supported Cap Expend	3.732	3.732	3.732
Prudential Borrowing	7.000	-	-
Grants	0.620	-	-
Capital Receipts	0.750	0.780	5.900
Revenue Funding	2.024	0.038	0.038
	<hr/>	<hr/>	<hr/>
	14.126	4.550	9.670
	<hr/>	<hr/>	<hr/>

- 7.5 At the Executive Committee meeting on 27th November 2006 the relocation of the current Headquarters was approved, together with the relocation of the Control Room. It was recognised that in order to proceed with the Headquarters relocation there would be a need to undertake prudential borrowing. It was also highlighted that the timing of expenditure on the new site and the sale receipts obtained from a number of existing sites (which formed part of the funding package for the project) would create the need to undertake temporary borrowing.

- 7.6 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>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>
	£m	£m	£m
Projected Resources	14.126	4.550	9.670
<u>Less: Commitments</u>	14.239	6.121	2.380
	_____	_____	_____
Funding Surplus/(Deficit)	(0.113)	(1.571)	7.290
	_____	_____	_____

- 7.7 The funding package for the Headquarters Relocation Scheme was contained in the report referred to in paragraph 7.5 above. However, because of the scale of the scheme, its impact on the Authority's overall capital programme will be considerable.
- 7.8 Consequently, although the refurbishment of Bickenhill Fire Station was due to commence during 2007/2008, it is considered appropriate for the scheme to be delayed until 2008/2009 to reduce any potential resource deficit in year's one and two of the capital programme. Furthermore, although the table in paragraph 7.6 identifies a significant resource excess in 2009/2010, no potential new start schemes (apart from Bickenhill Fire Station) have been identified in the capital programme at this stage. This is due to the uncertainties related to a number of the elements within the HQ Relocation Scheme (most notably, the scale and timing of the current HQ capital receipt). In addition, a significant proportion of the resource excess will be used to repay temporary borrowing undertaken in support of the HQ Relocation Scheme.
- 7.9 The one exception to the restriction on schemes commencing in 2007/2008 relates to the Urban Search and Rescue (USAR) facility which was approved at the Executive Committee meeting on 13th November 2006. That report identified that the scheme costs would be met from Government grant received specifically in relation to New Dimension activity. As such, the scheme would not impact on the Authority's overall capital surplus/deficit position.

- 7.10 The expenditure phasing of those schemes identified as commitments on Appendix E 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 1st 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 2008/2009 AND 2009/2010 BUDGET

- 9.1 In preparing the draft revenue budget for 2007/2008, an expenditure forecast for 2008/2009 and 2009/2010 has also been undertaken by 'rolling forward' the 2007/2008 draft budget; updating for anticipated inflation and pay awards, and adding in commitments and firefighters' pensions.

- 9.2 The forecast does not include any new efficiencies which may be achieved through the Modernisation Agenda nor allow for any essential developments and any other new requirements the Authority may need to respond to. In addition, during 2007/2008 and throughout the remainder of the medium term Financial Plan, key national projects such as Regional Control Centres and Firelink

will accelerate in pace. Provisional transitional costs associated with Regional Control Centres have been identified and are expected to be met by 'New Burden' Government funding. However, the implications for the Authority arising from these projects, together with other national issues such as the ongoing arrangements for new Dimensions assets and staff costs, will need to be continually assessed to ensure appropriate funding is identified to meet any emerging costs.

A forecast of the likely level of resources using known external funding to date indicates the following position in 2008/2009 and 2009/2010:

	2008/2009	2009/2010
	£m	£m
Budget requirement	116.239	119.730
Resources		
- Grant	78.900	80.500
- Precept – 2007/08 Level	<u>34.767</u>	<u>34.767</u>
Supportable expenditure (excluding precept increase)	<u>113.667</u>	<u>115.267</u>
Potential impact on precept levels (year on year)	7%	6%

9.3 The estimated grant funding in the table above reflects a 2% year on year increase on the 2007/2008 Grant for 2008/2009 and 2009/2010. The grant figures will predominantly be affected by the outcome of the Government's Comprehensive Spending Review due to be completed during 2007/2008.

9.4 Further details of the medium term budgets are shown on Appendix G.

10. **FORWARD LOOKING 2007/2008 EFFICIENCY STATEMENT**

10.1 A report was presented to the Executive Committee on the 24th April 2006 setting out the requirements regarding the submission of Annual Efficiency Statements. The report identified that a Forward Looking 2007/2008 Efficiency Statement would need to be submitted to the Communities and Local Government (CLG) by 12th April 2007.

Ref: AU/CH1501073

10.2 The CLG issued Fire and Rescue Service Circular FRSC 3/2007 on the 19th January 2007 setting out intended new arrangements for on-line reporting of future Annual Efficiency Statements (AES). That system is currently being tested and has not yet been finalised. However, in principle, the content will remain much the same as previous Efficiency Statements as reflected on Appendix H. Furthermore, as part of the detail contained in FRSC 3/2007, it identifies that as a result of the intended move to on-line submissions, a signed hard copy of the AES would no longer be required. The CLG consider the person submitting the on-line statement will have delegated authority for ensuring that the AES is correct.

11. **ROBUSTNESS OF BUDGET PREPARATION**

11.1 The Local Government Act 2003 places a duty on the Treasurer to comment on the robustness of the budget preparation within the Authority's budget report.

11.2 The budgets presented to the Authority have been prepared using reasonable and appropriate estimation techniques for both expenditure and income. The budget process is such that all financial pressures faced by the Authority have been considered and resources allocated as appropriate to fulfil the priorities of the Authority. Where resources have not been allocated to identified pressures either; the pressure has been absorbed into the existing budget or the risk associated with not meeting the pressure has been evaluated and appropriate action taken. The robustness of the budget preparation undertaken by the Authority is therefore considered satisfactory.

12. **EQUALITY AND DIVERSITY IMPLICATIONS**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report will not lead to and/or do not relate to a policy change.

13. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise

Ref: AU/CH1501073

issues which should be drawn to the attention of the Authority's Monitoring Officer.

BACKGROUND PAPERS

DCLG Communications
Policy Planning Forum 18th December 2006
Policy Planning Forum 29th January 2007

F. J. E. SHEEHAN
CHIEF FIRE OFFICER

L. BATEMAN
TREASURER

REVISED EXPENDITURE PROJECTION 2007/2008

	£m
Authority Meeting (13 th February 2006)	113.464
<u>Budget Increases</u>	
Insurance Contributions	0.500
Service Developments	0.300
CPD Payments	0.230
Energy Costs	0.140
Aerial Income	0.128
Other	0.038
<u>Budget Reductions</u>	
Pensions	1.450
Salaries	0.600
Capital Financing	0.600
	<hr/>
TOTAL	112.150
	<hr/>

COMMUNITY ADVOCATES**Proposed Service Improvement**

One of the Authority's key targets relates to Home Fire Safety Checks and, in particular, trying to reach vulnerable or at risk groups. To assist this work during 2006/2007, specific grant funding was used, to appoint on a temporary basis, community advocates who targeted efforts at vulnerable groups within the community. Grant funding is due to expire in 2007/2008 and so to maintain the existing arrangements and expand the number of community advocates in order to reach additional specific groups, eg more elderly people, the hard of hearing, etc, Authority funding is required.

	2007/2008 £'000	2008/2009 £'000	2009/2010 £'000	Ongoing £'000
Employee Costs	150	201	201	201
Transport/Misc costs	26	30	30	30
	<hr/>	<hr/>	<hr/>	<hr/>
	176	231	231	231
	<hr/>	<hr/>	<hr/>	<hr/>

There would be an increase in the staffing establishment of ten full time posts in support of this proposal.

CHANGE TO WORKING ARRANGEMENTS**TRANSPORT ENGINEERING WORKSHOP****Proposed Service Improvement**

To increase the operating hours of the Transport Engineering Workshop to better support the maintenance arrangements for the operational vehicles and consequently improve fire engine availability. The introduction of flexible servicing and maintenance of the Brigade's fleet would support full availability of front line appliances. This would involve changes to the working arrangements for vehicle technicians and supervisory management. The prime aim of the proposal would be a reduction in lost time for operational crews.

There would be some offsetting savings arising from a reduction in the number of vehicles held by the Brigade together with related maintenance costs as a result of providing a more responsive and effective engineering workshop function.

	2007/2008 £'000	2008/2009 £'000	2009/2010 £'000	Ongoing £'000
Employee Costs	117	117	117	117
Premise costs	7	7	7	7
Income		(44)	(44)	(44)
	<hr/>	<hr/>	<hr/>	<hr/>
	124	80	80	80
	<hr/>	<hr/>	<hr/>	<hr/>

There would be an increase in the staffing establishment of one full time post in support of this proposal.

APPENDIX C**SUMMARY OF 2006/2007 REVISED BUDGET AND 2007/2008 BUDGET**

	Original Budget 2006/07	Revised Budget 2006/07	Original Budget 2007/08
Subjective Heading	£000s	£000s	£000s
Employees	77,582	76,542	80,968
Premises	4,484	4,551	4,679
Transport	1,885	2,027	1,991
Supplies & Services	7,731	8,325	8,019
Capital Financing	4,981	6,794	5,263
GROSS EXPENDITURE	96,663	98,239	100,920
Income	(2,171)	(2,681)	(2,574)
NET EXPENDITURE	94,492	95,558	98,346
Net Pensions Expenditure	14,780	13,493	13,712
TOTAL F&R EXPENDITURE BEFORE APPROPRIATIONS	109,272	109,051	112,058
APPROPRIATIONS TO/(FROM) RESERVES	(395)	(174)	92
TOTAL BUDGET REQUIREMENT	108,877	108,877	112,150

SUMMARY OF 2007/08 BUDGET IN BEST VALUE FORMAT

	Original Budget 2007/08
	£000s
Firefighting & Rescue Operations	121,465
Community Fire Safety	15,775
Corporate Management	751
Democratic Representation & Management	509
Emergency Planning & Civil Defence	256
NET COST OF SERVICES	138,756
Asset Management Revenue Account	(559)
Pensions Interest Cost	57,178
Interest & Investment Income	(1,060)
NET OPERATING EXPENDITURE	194,315
Contribution from Reserves	(82,165)
TOTAL BUDGET REQUIREMENT	112,150

APPENDIX E**CAPITAL PROGRAMME 2007/08 TO 2009/10**

Scheme	Project Year In 2007/08	Revised Total 0708 £000's	Revised Total 0809 £000's	Revised Total 0910 £000's
COMMITTED SCHEMES				
HQ Relocation	2 of 3	10,100	3,736	
Stourbridge Refurbishment	3 of 3	40		
Deep Lift Well Alterations	3 of 5	110	110	110
Integrated Computer System	4 of 4	1,216		
Home Fire Safety Checks	4 of 4	620		
Rescue Equipment	2 of 2	230		
Vehicle Replacement Programme	On-going	1,881	2,275	2,270
Retentions (Completed Schemes)	On-going	42		
Total Commitments		14,239	6,121	2,380
NEW STARTS				
USAR Facility	1 of 2	900	50	
Bickenhill Refurbishment			139	1,421
GRAND TOTAL		15,139	6,310	3,801
RESOURCES AVAILABLE				
<i>Supported Capital Expenditure</i>		3,732	3,732	3,732
<i>Prudential Borrowing</i>		7,000		
<i>Capital Grants/Contributions</i>		1,520	50	
<i>Capital Receipts</i>		750	780	5,900
<i>Earmarked Reserves/DRF</i>		2,024	38	38
		15,026	4,600	9,670
SURPLUS (+)/DEFICIT(-)		-113	-1,710	5,869

PRUDENTIAL INDICATORS

1. The actual capital expenditure that was incurred in 2005/06 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

Capital Expenditure				
2005/06	2006/07	2007/08	2008/09	2009/10
£000	£000	£000	£000	£000
Actual	Estimate	Estimate	Estimate	Estimate
4,097	8,711	15,139	6,310	3,801

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2005/06 are:

Ratio of financing costs to net revenue stream				
2005/06	2006/07	2007/08	2008/09	2009/10
%	%	%	%	%
Actual	Estimate	Estimate	Estimate	Estimate
3.15	3.33	3.69	4.22	4.26

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 2006 are:

Capital financing requirement				
31/03/06	31/03/07	31/03/08	31/03/09	31/03/10
£000	£000	£000	£000	£000
Actual	Estimate	Estimate	Estimate	Estimate
43,055	46,000	55,000	56,000	58,000

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 & Rescue 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 2005/06, 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.

Authorised limit for external debt			
2006/07	2007/08	2008/09	2009/10
£000	£000	£000	£000
65,000	66,000	68,000	70,000

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				
	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000
	57,500	61,000	62,000	64,000

10. The Authority's actual long term borrowing at 31st March 2006 was £42.8 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 2007/08 (see paragraph 7 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

APPENDIX G1**BUDGET FORECAST 2008/9 TO 2009/10**

	2008/9	2009/10
	£000s	£000s
TOTAL BUDGET 2006/7	112,150	112,150
NON RECURRING		
(a) Staff Turnover	-675	-1,155
(b) Other – Appendix G3	-400	-200
TOTAL NON RECURRING	-1,075	-1,355
TOTAL BASE BUDGET LESS NON RECURRING	111,075	110,795
COMMITTED GROWTH ITEMS		
(a) Firefighters' Pensions Operating A/c	693	958
(b) Revenue effect of Capital Programme	1,014	1,105
(c) Other – Appendix G3	450	670
TOTAL COMMITTED GROWTH	2,157	2,733
TOTAL BASE BUDGET EXCLUDING INFLATION	113,232	113,528
INFLATION PROVISION		
(a) Pay Awards	2,578	5,323
(b) Price Changes	429	879
TOTAL INFLATION PROVISION	3,007	6,202
TOTAL BASE BUDGET INCLUDING INFLATION	116,239	119,730

INFLATION ASSUMPTIONS

Pay Awards:-

%

- Uniformed Staff

July 07	3.0
July 08	3.5
July 09	3.5
July 10	3.5

- Non Uniformed Staff

April 07	2.5
April 08	3.0
April 09	3.0
April 10	3.0

General Prices:-

April 07	2.5
April 08	2.5
April 09	2.5
April 10	2.5

Pensions Increase Order:-

April 07	3.6
April 08	3.0
April 09	3.0
April 10	3.0

APPENDIX G3**BUDGET FORECAST 2008/09 TO 2009/10**

	08/09 £'000	09/10 £'000
<u>Non – Recurring - Other</u>		
Public Holiday (2 Easter days)	-400	-200
Total Non-recurring - Other	<u>-400</u>	<u>-200</u>
 <u>Committed Growth – Other</u>		
Home Fire Risk Assessment	450	450
HQ running expenses	0	220
Total Committed Growth – Other	<u>450</u>	<u>670</u>

SENSITIVITY ANALYSIS

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

Expenditure

Uniformed pay awards	£650k	(£500k part year)
Non-uniformed pay award	£115k	
General inflation	£110k	

Income

Government Grant	£775k
Council Tax	£350k

APPENDIX H

WEST MIDLANDS FIRE & RESCUE AUTHORITY **Efficiency Savings planned in 2007-08**

Category	Quality cross-check (QCC) met (see note 1)	One off or recurring?	Capital	All figures £'000				
				Revenue	Annual Cashable Efficiency Gain (see note 2)	Cumulative Cashable Efficiency Gain (including recurring gains from 2004-05 and 2005-06) (see note 3)	Annual Non-Cashable Efficiency Gain	Cumulative Non-Cashable Efficiency Gain
Revised shift systems/crewing arrangements (IRMP)		Recurring		✓	143	4,928		
Other IRMP savings		Recurring		✓	39	1,322		
Reduced Ill Health Retirements		Recurring		✓	425	425		
Other HR savings		Recurring		✓	3	99		
Better procurement		Recurring		✓	16	45		
Corporate services		Recurring		✓	6	196		
TOTAL				✓	632	7,015	-	-

To be signed by:

Chair of the Authority	Chief Fire Officer	Chief Financial Officer
Date:	Date:	Date: