

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

9TH FEBRUARY 2009

1. BUDGET AND PRECEPT 2009/2010

Joint Report of the Treasurer and A/Chief Fire Officer.

RECOMMENDED

1.1 THAT the following be approved:-

- 1.1.1 The Authority's Revenue Budget for 2009/2010 of £116.985m as set out in Appendix B.
- 1.1.2 The Authority's capital programme for 2009/2010, 2010/2011 and 2011/2012 as set out in Appendix D.
- 1.1.3 The Authority's Prudential Indicators as set out in Appendix F.
- 1.1.4 The Authority's Forward Looking 2009/2010 Efficiency Statement, the basis of which is set out in Appendix H.

1.2 THAT it be noted that the constituent District Councils have formally set their Council Tax bases for the year 2009/2010 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	296,341.00
Coventry	88,623.80
Dudley	97,580.03
Sandwell	84,708.60
Solihull	79,203.00
Walsall	77,943.24
Wolverhampton	<u>70,696.00</u>
	<u>795,095.67</u>

1.3 THAT the following amounts be now calculated by the Authority for the year 2009/2010 in accordance with Sections 43 to 48 of the Local Government Finance Act 1992:

1.3.1 £120,458,000 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 £3,473,000 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 £116,985,000 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 £79,695,000 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 2008/2009.

1.3.5 £46.90 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	31.266643	31.27
	B	36.477751	36.48
	C	41.688858	41.69
	D	46.899965	46.90
	E	57.322179	57.32
	F	67.744394	67.74
	G	78.166608	78.17
	H	93.799930	93.80

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	13,898,393
Coventry City Council	4,156,456
Dudley Metropolitan Borough Council	4,576,504
Sandwell Metropolitan Borough Council	3,972,833
Solihull Metropolitan Borough Council	3,714,621
Walsall Metropolitan Borough Council	3,655,538
Wolverhampton City Council	<u>3,315,642</u>
Total	<u>37,289,987</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 2009/2010, 2010/2011 and 2011/2012, the prudential indicators relating to the Authority's capital financing requirements, the Revenue Budget and Forward Looking Efficiency Statement for 2009/2010 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 2008/2009 was approved by the Authority on 11th February 2008, it was recognised that there were likely to be budgetary pressures for 2009/2010 and 2010/2011.
- 3.2 On 26th November 2008, the Minister of State for Local Government confirmed the second of a three year settlement for Local Government covering 2008/09, 2009/10 and 2010/11 which had been announced on 6th December 2007. On 21st January 2009, Communities and Local Government (CLG) confirmed the Authority's 2009/2010 grant figure.
- 3.3 The updated Fire Service budget position was presented to the West Midlands District Leaders on 17th December 2008. 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 2.5% proposed.
- 3.4 At its meeting on 26th January 2009, the Policy Planning Forum considered the draft revenue budget for 2009/2010, which indicated a projected expenditure requirement of £116,985m after the District Councils had indicated their tax bases and combined collection fund deficit. Appendix A summarises how the budget has been determined following a number of adjustments from last year's budget projection. The proposed budget includes the capacity to meet the actions arising out of the Authority's Corporate Strategy.
- 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 a number of major risks 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 2009/2010 and give the capacity to deliver the Government's modernisation agenda. Details of the draft base budget are set out in Appendix B, together with revisions to the current year's budget (the 2009/2010 budget is replicated for information in the Best Value Accounting Code of Practice format in Appendix C).

4. **PRECEPT 2009/2010**

- 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 795,095.67.
- 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 2009/2010 is £46.90, an increase of £1.16 (2.5%) over 2008/2009.

5. **FUNDING OF EXPENDITURE 2009/2010**

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

	£'000
Formula Grant	79,900
Share of Collection Fund Deficit	(205)
Council Tax (met by Districts)	<u>37,290</u>
	<u>116,985</u>

6. **GENERAL BALANCES POSITION**

- 6.1 Based on the current forecast of net expenditure in 2008/2009, the Authority's estimated available General Balances at 1st April 2009 are £4.1 million. At this level, the amount of General Balances would equate to approximately 3.5% of the Authority's budget.
- 6.2 The actual level of General Balances at 1st April 2009 will not be determined until the completion of the Authority's 2008/2009 closedown of accounts process.

7. **CAPITAL PROGRAMME**

- 7.1 At the Authority meeting on 11th February 2008, consideration and approval was given to the current three year Capital Programme. The Programme has been monitored during the year by a combination of Authority and Executive Committee meetings.
- 7.2 It is estimated that commitments and new starts in respect of those projects which make up the proposed capital programme, is as follows:

	£m
2009/2010	4.852
2010/2011	4.512
2011/2012	3.369

The full list of projects is shown on Appendix D.

- 7.3 This Authority was notified by the CLG on 7th December 2007 that its Supported Capital Expenditure Allocations would be £4.431m for 2009/10, £4.559m for 2010/11 and an estimated £4.559m for 2011/12. These figures have not changed.
- 7.4 As part of the 2008/2009 settlement, Ministers agreed to provide Fire and Rescue Authorities (FRAs) with capital grant totalling £34m and £44m in years 2009/10 and 2010/11. This is to assist FRAs with their capital asset needs. On 15th December 2008 CLG announced details of individual Authority allocations of FRS Capital Grant. The allocation for this Authority is £1.086m in 2009/2010 and £1.599m in 2010/2011.

- 7.5 A forecast of resources covering the period 2009/2010 to 2011/2012 is shown below:

	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
	£m	£m	£m
Supported Cap Expend	4.431	4.559	4.559
Capital Grants	1.086	1.599	-
Revenue Funding	794	-	-
	<hr/>	<hr/>	<hr/>
	6.311	6.158	4.559
	<hr/>	<hr/>	<hr/>

- 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 7.5:

	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
	£m	£m	£m
Projected Resources	6.311	6.158	4.559
<u>Less:</u> Commitments	2.962	2.152	-
	<hr/>	<hr/>	<hr/>
Funding Surplus	3.349	4.006	4.559
	<hr/>	<hr/>	<hr/>

The current surplus is required to enable a number of new schemes to start and provide flexibility to deal with issues arising from the Annual Service Plan.

- 7.7 Work has taken place throughout the year to identify potential new capital schemes for consideration. It is considered that those new schemes identified on Appendix D should be incorporated into the 2009/2010 to 2011/2012 capital programme (an individual scheme summary is separately shown for proposed 2009/2010 'new starts' at Appendices E1, E2, E3, E4 and E5). The expenditure phasing

of those schemes identified as commitments and those schemes approved to start in 2009/2010 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 2010/2011 AND 2011/2012 BUDGET

- 9.1 In preparing the draft revenue budget for 2009/2010, an expenditure forecast for 2010/2011 and 2011/2012 has also been undertaken by 'rolling forward' the 2009/2010 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 2009/2010 and throughout the remainder of the medium term Financial Plan, key national issues 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 2010/2011 and 2011/2012:

	2010/2011	2011/2012
	£m	£m
Budget requirement	119.300	121.800
Resources		
- Grant	80.813	81.621
- Precept	<u>38.487</u>	<u>40.179</u>
Supportable expenditure	<u>119.300</u>	<u>121.800</u>
Precept Increase	3.2%	4.4%
Band D Increase (per annum)	£1.50	£2.13

- 9.3 The grant funding figure for 2010/2011 in the table above is based on the details contained in the three year Local Government finance settlement announced on 6th December 2007 and confirmed on 21st January 2009.

The grant funding figure for 2011/2012 is estimated.

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

10. **FORWARD LOOKING 2009/2010 EFFICIENCY STATEMENT**

An efficiency target of £110m (equivalent to 1.6% per annum) over the three years of the 2007 Comprehensive Spending Review has been set for the Fire and Rescue Service. Communities and Local Government are due to advise Fire Authorities on the details of reporting arrangements and so the 2009/2010 data has been produced on the current reporting basis and is shown on Appendix H.

11. **ROBUSTNESS OF THE BUDGET PREPARATION AND ADEQUACY OF RESERVES**

- 11.1 In accordance with the Local Government Act 2003 (S25-S27) and to comply with CIPFA guidance on local authority reserves and balances, the Treasurer is required to formally report to members on the robustness of the budget and the adequacy of reserves.
- 11.2 The budget presented to the Authority has 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.
- 11.3 The Treasurer assesses and determines the appropriate level of reserves and provisions using a variety of mechanisms, including:-
- Being significantly involved in the budget setting process, the annual financial cycle and engaged in the strategic leadership of the organisation as a statutory officer.
 - Liaising closely with the Head of Finance and Procurement on the annual refresh of the Medium Term Financial Strategy (MTFS).
 - Challenging the budget at various stages of construction including the reasonableness of the key budget assumptions such as estimates of inflationary and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for.
 - Review of the movements, trends and availability of contingencies, provisions and earmarked reserves to meet anticipated and unforeseen cost pressures in the context of future pressures and issues.
 - The use of professional experience and best professional judgement.

- The use of appropriate professional, technical guidance and local frameworks.
- Knowledge of the colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications.
- Review of the strength of financial management and reporting arrangements including internal control and governance arrangements.

11.4 The Authority's aim is to have a prudent level of general reserves informed by an assessment of potential risks to the organisation. The Authority should establish general reserves of between 3% and 5% of the total net revenue budget, the precise level within this range to be determined by risk assessment and availability of resources. The level of reserves at the end of the financial year 2008/09 is forecast to be £4.1m and this is approximately 3.5% of the net budget requirement.

11.5 It was deemed that a prudent level of earmarked reserves were established during the Authority's 2007/2008 closedown exercise. A review of these reserves will be undertaken as part of the Authority's 2008/2009 closedown of accounts process.

Based on known circumstances and financial risk assessment, it is felt that adequate earmarked reserves and provisions have been created to meet legal and expected liabilities. A list of the reserves as at 31st March 2008 is included in Appendix I.

11.6 In recommending an adequate level of reserves, the Treasurer considers and monitors the opportunity costs of maintaining particular levels of reserves and balances and compares these to the benefits accrued from having such reserves. The opportunity cost of maintaining a specific level of reserves is the 'lost' opportunity, for example, of investing elsewhere to generate additional investment income or using the funds to invest in service improvements. In assessing this, it is important to consider that reserves can only be used once and are therefore potentially only 'one off' sources of funding. Therefore any use of general reserves above the lower minimum threshold is only ever used on one-off items of expenditure. The level of reserves is also determined by use of a comprehensive risk assessment to ensure

they represent an appropriately robust 'safety net' which adequately protects against potential unbudgeted costs.

11.7 The current level of reserves is considered to be sufficient in all but the most unusual and serious combination of possible events. In this context it is considered that the current level of reserves presents an optimum balance between risk management and opportunity cost. This maintains a suitable and sustainable level of reserves, which include ensuring sound governance and financial stability in the short and longer term.

11.8 Best endeavours have been made to ensure that the budget and reserves are adequate using the information available at this date. The budget has been constructed with a professional policy led medium term strategic framework using appropriate assumptions, linking investment and spending to key priorities and having undertaken a comprehensive assessment of risk.

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

BACKGROUND PAPERS

CLG Communications

Policy Planning Forum 15th December 2008

District Leaders' Meeting 17th December 2008

Policy Planning Forum 26th January 2009

V. RANDENIYA
A/CHIEF FIRE OFFICER

L. BATEMAN
TREASURER

Ref: AU/21601096

APPENDIX A

REVISED EXPENDITURE PROJECTION 2009/2010

	£m
Authority Meeting (11 th February 2008)	117.140
<u>Budget Increases</u>	
Energy	0.635
Annual Pay Awards	0.355
Interest	0.310
<u>Budget Reductions</u>	
Pay Assumptions	- 0.375
Insurance Contributions	- 0.250
<u>Efficiencies</u>	
Pensions	-0.370
Shift adjustments	-0.300
Retained Firefighters	-0.160
 TOTAL	 116.985

APPENDIX B**SUMMARY OF 2008/2009 REVISED BUDGET AND 2009/2010 BUDGET**

	Original Budget 2008/09	Revised Budget 2008/09	Original Budget 2009/10
Subjective Heading	£000s	£000s	£000s
Employees	83,687	83,273	85,389
Premises	5,060	5,891	5,497
Transport	2,063	2,146	2,065
Supplies & Services	8,050	9,350	8,437
Capital Financing	6,554	12,259	5,105
GROSS EXPENDITURE	105,414	112,919	106,493
Income	(3,633)	(3,675)	(3,054)
NET EXPENDITURE	101,781	109,244	103,439
Net Pensions Expenditure	13,298	13,127	13,715
TOTAL F&R EXPENDITURE BEFORE APPROPRIATIONS	115,079	122,371	117,154
APPROPRIATIONS TO RESERVES	331	(6,961)	(169)
TOTAL BUDGET REQUIREMENT	115,410	115,410	116,985

APPENDIX C

SUMMARY OF 2009/10 BUDGET IN BEST VALUE FORMAT

	Original Budget 2009/10
	£000s
Firefighting & Rescue Operations	114,751
Community Fire Safety	19,317
Corporate and Democratic Core	1,396
Emergency Planning & Civil Defence	451
NET COST OF SERVICES	135,915
Interest payable and similar charges	3,177
Pensions Interest Cost	64,000
Gain in relation to Government Grant payable to Pension Fund	(18,000)
Interest & Investment Income	(1,040)
NET OPERATING EXPENDITURE	184,052
Contribution from Reserves	(67,067)
TOTAL BUDGET REQUIREMENT	116,985

APPENDIX D**CAPITAL PROGRAMME 2009/10 TO 2011/12**

Scheme	Project Year In 2009/10	2009/10	2010/11	2011/12
		£000's	£000's	£000's
COMMITTED SCHEMES				
Oracle Licensing	3 of 3	60	-	-
E-Business Project	6 of 6	612	-	-
Vehicle Replacement Programme 2008 to 2011	Ongoing	2,290	2,152	-
Total Commitments		2,962	2,152	-
NEW STARTS				
Solihull Refurbishment	1 of 3	600	1,000	100
Walsall Refurbishment	1 of 3	600	1,000	100
Training at Height Facilities	1 of 2	300	300	-
Coventry Fire Training House Upgrades	1 of 1	90	-	-
Boiler Replacement Programme	1 of 3	300	-	300
RTC Training Areas	0 of 2	-	60	60
Vehicle Replacement Programme 2011 to 2012	Ongoing	-	-	2,809
Total New Starts		1,890	2,360	3,369
GRAND TOTAL		4,852	4,512	3,369
RESOURCES AVAILABLE				
Supported Capital Expenditure		4,431	4,559	4,559
Capital Grants		1,086	1,599	-
Earmarked Reserves/DRF		794	-	-
		6,311	6,158	4,559
SURPLUS(+)/DEFICIT(-)		1,459	1,646	1,190

CAPITAL PROGRAMME 2009/2010

Project Title: Solihull Refurbishment

Project Description: Solihull Fire Station has been identified as a high priority for refurbishment within the condition surveys. There are numerous Health and Safety issues and also building elements which have reached the end of their life.

The refurbishment of the station will follow and include the provision of improved technical training facilities and a more suitable and fit for purpose working environment for all personnel. The proposed work would also provide some enhancements to the YFA facilities.

<u>Costings £000's</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
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	600	1,000	100
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CAPITAL PROGRAMME 2009/2010

Project Title: **Walsall Refurbishment**

Project Description: Walsall Fire Station has been identified as a high priority for refurbishment within the condition surveys. There are numerous Health and Safety issues and also building elements which have reached the end of their life.

The refurbishment of the station will follow and include the provision of improved training facilities and a more suitable and fit for purpose working environment for all personnel.

<u>Costings £000's</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
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	600	1,000	100
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CAPITAL PROGRAMME 2009/2010

Project Title: Training at Height Facilities

Project Description: As part of the review of Training Facilities within the Property Asset Management Plan, it was identified that upgrades to the current training at height facilities are needed in order to meet all of the realistic training scenario requirements of the Brigade. Subject to evaluation a number of facilities are to be developed at key strategic locations which will allow personnel to train safely and effectively in the skills associated with working at height and gaining access to and egress from buildings. These facilities will be used extensively for hose and ladder work and will provide a more realistic challenge to firefighters than traditional drill towers as they will include in their design the features that firefighters have to deal with at real incidents e.g. setback upper floors, access via roof lights, confined pitching conditions.

<u>Costings £000's</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
	300	300	-

CAPITAL PROGRAMME 2009/2010

Project Title: **Coventry Fire Training House Upgrade**

Project Description: As part of the review of Training Facilities within the Property Asset Management Plan, it was identified that a refurbishment of one of the older Fire Training Houses would be necessary in order to continue to meet the Brigade's requirement for ongoing assessable realistic training scenarios to ensure firefighters are as safe and effective as they can be, given the hazardous nature of their occupation. It is proposed to redevelop Coventry firehouse internally to allow a much wider range of scenarios to be created within the facility. In particular this will be required to allow for Positive Pressure Ventilation (3) Fire Attack training to take place. This training will allow firefighters to be more effective when dealing with fires in buildings whilst also enhancing the safety of those fighting the fires. The redevelopment will also upgrade Coventry's facilities so that they are similar to the facilities available at Oldbury firehouse, thus reducing the burden on that building and allowing for a reduction in travel for firefighters at certain stations who up until now have had to attend Oldbury for such training.

<u>Costings £000's</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
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	90	-	-
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CAPITAL PROGRAMME 2009/2010

Project Title: **Boiler Replacement Programme**

Project Description: From an in-depth review undertaken across the Brigade of properties in terms of the condition and suitability of all boiler plant and associated mechanical and electrical services, several sites were identified as requiring significant improvement.

The replacements/enhancements would achieve efficiencies in running costs, compliance with current legislation and will contribute towards a reduction in the Authority's carbon footprint.

<u>Costings £000's</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
	300	-	300

PRUDENTIAL INDICATORS

1. The actual capital expenditure that was incurred in 2007/08 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

Capital Expenditure				
2007/08	2008/09	2009/10	2010/11	2011/12
£000	£000	£000	£000	£000
Actual	Estimate	Estimate	Estimate	Estimate
15.668	12.322	6.311	6.158	4.559

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2007/08 are:

Ratio of financing costs to net revenue stream				
2007/08	2008/09	2009/10	2010/11	2011/12
%	%	%	%	%
Actual	Estimate	Estimate	Estimate	Estimate
2.74	2.88	3.50	3.58	3.73

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 2007 are:

Capital financing requirement				
31/03/08	31/03/09	31/03/10	31/03/11	31/03/12
£000	£000	£000	£000	£000
Actual	Estimate	Estimate	Estimate	Estimate
47,671	50,000	53,000	55,000	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 2007/08, 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			
2008/09	2009/10	2010/11	2011/12
£000	£000	£000	£000
60,000	64,000	66,000	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				
	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000
	55,000	59,000	61,000	64,000

10. The Authority's actual long term borrowing at 31st March 2008 was £47m. 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 2009/10 (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 RESCUE AUTHORITY

BUDGET FORECAST 2010/11 TO 2011/12

	Budget 2010/11	Budget 2011/12
Subjective Heading	£000s	£000s
Employees	87,100	89,100
Premises	5,600	5,700
Transport	2,100	2,100
Supplies & Services	8,500	8,700
Capital Financing	5,300	5,600
GROSS EXPENDITURE	108,600	111,200
Income	(3,100)	(3,100)
NET EXPENDITURE	105,500	108,100
Net Pensions Expenditure	14,000	13,900
TOTAL EXPENDITURE BEFORE APPROPRIATIONS	119,500	122,000
Appropriations to/(from) Reserves	(200)	(200)
TOTAL BUDGET REQUIREMENT	119,300	121,800

INFLATION ASSUMPTIONS**Pay Awards:-****%****- Uniformed Staff**

July 09	2.5
July 10	3.0
July 11	3.0
July 12	3.0

- Non Uniformed Staff

April 09	2.5
April 10	3.0
April 11	3.0
April 12	3.0

General Prices:-

April 09	1.8
April 10	2.5
April 11	2.5
April 12	2.5

Pensions Increase Order:-

April 09	5.0
April 10	3.0
April 11	3.0
April 12	3.0

Residential Rents:-

April 09	4.0
April 10	3.0
April 11	3.0
April 12	3.0

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	£760k	(£570k part year)
Non-uniformed pay award	£140k	
Employers Firefighters Pension Contribution	£580k	
General inflation	£115k	
Energy costs	£ 17k	
Fuel	£ 9k	

Income

Government Grant	£800k
Council Tax	£380k
Interest receivable	£360k

APPENDIX H**WEST MIDLANDS FIRE & RESCUE AUTHORITY**
EFFICIENCY SAVINGS PLANNED IN 2009/10

Category	Quality cross-check (QCC) met	One off or recurring?	Capital	All figures £'000				
				Revenue	Annual Cashable Efficiency Gain	Cumulative Cashable Efficiency Gain	Annual Non-Cashable Efficiency Gain	Cumulative Non-Cashable Efficiency Gain
Other IRMP savings		Recurring		✓	177	662		
Revised Shift System		Recurring		✓	300	300		
Reduced Ill Health Retirements		Recurring		✓	370	470		
Corporate Services		Recurring		✓	50	50		
HR Other		Recurring		✓	92	92		
Better Procurement		Recurring		✓	37	37		
TOTAL					1,026	1,611		

APPENDIX I**EARMARKED RESERVES AS AT 31ST MARCH 2008**

	£000s
Insurance	7,804
Capital Works	4,331
BA Sets and Accessories	1,199
BTC Building Alterations	1,048
Project Management	896
Budget Carry Forwards	677
System Enhancements/Upgrades	623
Command and Control Systems	450
Boiler Replacement Programme	400
Training	338
Station Works	242
LAA Match Funding	200
Legal Costs	190
Firefighting and Rescue Equipment	115
Fire Prevention & Education	115
Fire Control Support	71
Birmingham Resilience Team	52
Vehicles	47
Document Scanning	42
Fire Ground Equipment	25
Removal Expenses	15
Rest Facilities	5
Total	18,885

General Reserves (3.5% of overall budget)	4,060
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