

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

11TH FEBRUARY 2008

1. BUDGET AND PRECEPT 2008/2009

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 2008/2009 of £115.410m as set out in Appendix C.
- 1.1.2 The Authority's capital programme for 2008/2009, 2009/2010 and 2010/2011 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 2008/2009 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 2008/2009 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	293,011.00
Coventry	89,174.60
Dudley	97,370.45
Sandwell	84,633.10
Solihull	78,456.00
Walsall	76,771.00
Wolverhampton	<u>71,517.00</u>
	<u>790,933.15</u>

- 1.3 THAT the following amounts be now calculated by the Authority for the year 2008/2009 in accordance with Sections 43 to 48 of the Local Government Finance Act 1992:
- 1.3.1 £119,462,000 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 £4,052,000 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 £115,410,000 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 £79,233,000 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 surplus on their collection funds for 2007/2008.
- 1.3.5 £45.739999 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	30.493333	30.49
	B	35.575555	35.58
	C	40.657777	40.66
	D	45.739999	45.74
	E	55.904443	55.90
	F	66.068887	66.07
	G	76.233332	76.23
	H	91.479998	91.48

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	13,402,324
Coventry City Council	4,078,846
Dudley Metropolitan Borough Council	4,453,724
Sandwell Metropolitan Borough Council	3,871,118
Solihull Metropolitan Borough Council	3,588,577
Walsall Metropolitan Borough Council	3,511,505
Wolverhampton City Council	<u>3,271,188</u>
Total	<u>36,177,282</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 2008/2009, 2009/2010 and 2010/2011, the prudential indicators relating to the Authority's capital financing requirements, the Revenue Budget and Forward Looking Efficiency Statement for 2008/2009 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 2007/2008 was approved by the Authority on 12th February 2007, it was recognised that there were likely to be budgetary pressures for 2008/2009 and 2009/2010.
- 3.2 On 6th December 2007, the Minister of State for Local Government announced the first three year settlement for Local Government covering 2008/09, 2009/10 and 2010/11. On 24th January 2008, Communities and Local Government (CLG) confirmed there were only minor adjustments to this Authority's 2008/2009 grant figure.
- 3.3 The updated Fire Service budget position was presented to the West Midlands District Leaders on 14th December 2007. 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 3.5% proposed.
- 3.4 At its meeting on 28th January 2008, the Policy Planning Forum considered the draft revenue budget for 2008/2009, which indicated a projected expenditure requirement of £115.428m after the District Councils had indicated their tax bases and collection fund surplus. In order to restrict the Authority's precept increase to 2.95%, the expenditure requirement was reduced by £18k to £115.410m and 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, transitional funding for Safeside and in particular a commitment to fund enhancements to fire behaviour training, increase the capacity for local authority working arrangements and to put the maintenance for water hydrants on a more permanent basis (Appendices B1, B2 and B3).

- 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 2008/2009 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 2008/2009 budget is replicated for information in the Best Value Accounting Code of Practice format in Appendix D).

4. **PRECEPT 2008/2009**

- 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 790,933.15.
- 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 2008/2009 is £45.74, an increase of £1.31 (2.95%) over 2007/2008.

5. **FUNDING OF EXPENDITURE 2008/2009**

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

	£'000
Formula Grant	78,977
Share of Collection Fund Surplus	256
Council Tax (met by Districts)	<u>36,177</u>
	<u>115,410</u>

6. **GENERAL BALANCES POSITION**

- 6.1 Based on the current forecast of net expenditure in 2007/2008, the Authority's estimated available General Balances at 1st April 2008 are £4.0 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 2008 will not be determined until the completion of the Authority's 2007/2008 closedown of accounts process.

7. **CAPITAL PROGRAMME**

- 7.1 At the Authority meeting on 12th February 2007, consideration and approval was given to the current three year Capital Programme. That programme was revised at the Authority Committee on 25th June 2007 to accommodate 'slippage' on a number of 2006/2007 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
2008/2009	7.198
2009/2010	2.270
2010/2011	2.152

The full list of projects is shown on Appendix E.

- 7.3 This Authority was notified by the CLG on 7th December 2007 that

its Supported Capital Expenditure Allocations would be £3.967m for 2008/09, £4.431m for 2009/10 and £4.559m for 2010/11. These figures have not changed.

- 7.4 A forecast of resources covering the period 2008/2009 to 2010/2011 is shown below:

	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
	£m	£m	£m
Supported Cap Expend	3.967	4.431	4.559
Capital Receipts	2.512	0.135	-
Revenue Funding	1.949	-	-
	<hr/>	<hr/>	<hr/>
	8.428	4.566	4.559
	<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. At the time of the approval it was anticipated that prudential borrowing would be required as part of the funding package and because of the timing of expenditure on the new site and the sale receipts obtained from a number of existing sites, it was also highlighted there would be a need to undertake temporary borrowing. Both of these issues had a considerable impact on the Authority's overall capital programme.
- 7.6 Because a significantly higher than anticipated capital receipt has been received for the current headquarters site and because the receipt has already been received in 2007/08, the scale and phasing of capital funding has moved considerably compared to when the current capital programme was approved at Authority on 12th February 2007.
- 7.7 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:

2008/2009 2009/2010 2010/2011

	£m	£m	£m
Projected Resources	8.428	4.566	4.559
<u>Less: Commitments</u>	7.198	2.270	2.152
	<hr/>	<hr/>	<hr/>
Funding Surplus	1.230	2.296	2.407
	<hr/>	<hr/>	<hr/>

- 7.8 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 E should be incorporated into the 2008/2009 to 2010/2011 capital programme (an individual scheme summary is separately shown for proposed 2008/2009 'new starts' at Appendices E1, E2 and E3). The expenditure phasing of those schemes identified as commitments and those schemes approved to start in 2008/2009 may be adjusted providing there is no overall budget increase.
- 7.9 In addition to the allocations above, Ministers have agreed to provide Fire and Rescue Authorities (FRAs) with capital grant totalling £35m and £45m in years 2009/10 and 2010/11. This is to assist FRAs with their capital asset needs. CLG will be consulting in due course on the appropriate distribution of this funding. Consequently, although Appendix E indicates surplus capital resources in 2009/2010 and 2010/11 it is considered appropriate not to provisionally commit schemes against these resources until clarity is obtained on this Authority's capital grant position, at which point a more comprehensive view can be taken regarding capital investment opportunities.

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 2009/2010 AND 2010/2011 BUDGET**

- 9.1 In preparing the draft revenue budget for 2008/2009, an expenditure forecast for 2009/2010 and 2010/2011 has also been undertaken by 'rolling forward' the 2008/2009 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 2008/2009 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 2009/2010 and 2010/2011:

	2009/2010	2010/2011
	£m	£m
Budget requirement	117.140	119.350
Resources		
- Grant	79.900	80.813
- Precept	<u>37.240</u>	<u>38.537</u>
Supportable expenditure	<u>117.140</u>	<u>119.350</u>
Precept Increase	3.0%	3.5%
Band D Increase (per annum)	£1.37	£1.65

9.3 The grant funding figures in the table above are based on the details contained in the Local Government finance settlement announced on 24th January 2008.

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

10. **FORWARD LOOKING 2008/2009 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 2008/2009 data has been produced on the current reporting basis and is shown on Appendix H.

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 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.

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 17th December 2007
Policy Planning Forum 28th January 2008

F. J. E. SHEEHAN
CHIEF FIRE OFFICER

L. BATEMAN
TREASURER

REVISED EXPENDITURE PROJECTION 2008/2009

	£m
Authority Meeting (12 th February 2007)	116.239
<u>Budget Increases</u>	
Safeside Transitional Funding	0.780
Service Developments	0.559
Other	0.077
<u>Budget Reductions</u>	
Salaries	-0.756
Pensions	-0.700
Capital Financing	-0.505
Interest	-0.284
	<hr/>
TOTAL	115.410
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FIRE BEHAVIOUR TRAINING**Proposed Service Improvement**

In order to provide timely and appropriate Fire Behaviour Training for all personnel who have a commitment to attend fires, it is proposed that a second unit is required to supplement the current unit at Birmingham International Airport and that the existing Fire House at Oldbury Community Fire Station is upgraded.

The proposal would provide more appropriate facilities to enable the advanced training of personnel in fire behaviour, improving their firefighting techniques in respect of enclosed compartment fires such as those experienced in residential property and high rise fires. It would also support the current arrangements of phase two and phase three positive pressure ventilation techniques. Firefighter safety would be enhanced and the effectiveness of the Brigade's operational response would be improved.

	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000	Ongoing £'000
Employee Costs	86	83	83	83
Premises	175			
Transport costs	29	3	4	5
Supplies & Services Costs	12	12	12	12
	—	—	—	—
	302	98	99	100
	—	—	—	—

There would be an increase in the staffing establishment of 2 full time posts in support of this proposal.

LOCAL AUTHORITY PARTNERSHIP WORKING**Proposed Service Improvement**

The proposal is to make the role of the Local Authority Liaison Officers (LALOs) full time posts. This is due to the fact that the role has significantly evolved since its inception. This proposed increased support to the Operation Command Area would provide the continuity, consistency and support required to engage with partners effectively in the arena of Local Strategic Partnerships, Crime and Disorder Reduction Partnerships (CDRPs) and Local Area Agreements (LAAs). The demands on the Fire Service to contribute and help develop actions/plans to deliver community cohesion have increased. There is a significant amount of guidance from Central Government, driving organisations to integrate services and co-operate with each other. The LALO is a key role which supports the Authority to meet its statutory obligations with regard to CDRP and LAA obligations.

	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000	Ongoing £'000
Employee Costs	135	134	137	137
Transport Costs	5	5	5	5
	_____	_____	_____	_____
	140	139	142	142
	_____	_____	_____	_____

There would be an increase in the staffing establishment of 3 full time posts in support of this proposal.

FIRE HYDRANT TESTING AND MAINTENANCE**Proposed Service Improvement**

Changes in the hydrant testing regime in April 2002 meant that predominantly only surface visual checks were being undertaken for hydrants until March 2007. Since March 2007, full hydrant testing and maintenance has been undertaken by two temporary Technicians under the direction of the Service's Senior Hydrant Technician.

The extra capacity provided by the temporary technicians has produced the following benefits:

- Conformity with the statutory duties associated with inspecting and testing of fire hydrants stipulated by the New Roads and Street Works Act (1991) and the re-enforcements implied by the forthcoming Traffic Management Bill.
- Reduction of operational problems caused by not testing and maintaining hydrants.
- Reduction in the risk of litigation due to hydrant failure adversely affecting service performance.
- Efficiency and effectiveness improvements in Severn Trent's work, due to their agreement to clear 10 years of work at their cost for new mains laid in that time period.
- Reductions in repair costs compared to if the repairs were undertaken by the water companies or outside contractors.

	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000	Ongoing £'000
Employee Costs	80	77	77	77
Transport Costs	29	3	4	5
Supplies & Services Costs	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
	<u>117</u>	<u>88</u>	<u>89</u>	<u>90</u>

There would be an increase in the permanent staffing establishment of 2 full time posts in support of this proposal.

APPENDIX C**SUMMARY OF 2007/2008 REVISED BUDGET AND 2008/2009 BUDGET**

	Original Budget 2007/08	Revised Budget 2007/08	Original Budget 2008/09
Subjective Heading	£000s	£000s	£000s
Employees	80,968	80,355	83,687
Premises	4,679	4,674	5,060
Transport	1,991	1,969	2,063
Supplies & Services	8,019	7,972	8,050
Capital Financing	5,263	5,058	6,554
GROSS EXPENDITURE	100,920	100,028	105,414
Income	(2,574)	(3,173)	(3,633)
NET EXPENDITURE	98,346	96,855	101,781
Net Pensions Expenditure	13,712	12,861	13,298
TOTAL F&R EXPENDITURE BEFORE APPROPRIATIONS	112,058	109,716	115,079
APPROPRIATIONS TO RESERVES	92	2,434	331
TOTAL BUDGET REQUIREMENT	112,150	112,150	115,410

APPENDIX D

SUMMARY OF 2008/09 BUDGET IN BEST VALUE FORMAT

	Original Budget 2008/09
	£000s
Firefighting & Rescue Operations	101,987
Community Fire Safety	15,479
Corporate and Democratic Core	1,501
Emergency Planning & Civil Defence	402
NET COST OF SERVICES	119,369
Interest payable and similar charges	3,282
Pensions Interest Cost	62,504
Interest & Investment Income	(1,570)
NET OPERATING EXPENDITURE	183,585
Contribution from Reserves	(68,175)
TOTAL BUDGET REQUIREMENT	115,410

APPENDIX E**CAPITAL PROGRAMME 2008/09 TO 2010/11**

Scheme	Project Year In 2008/09	2008/09	2009/10	2010/11
		£000's	£000's	£000's
COMMITTED SCHEMES				
HQ Relocation	3 of 3	3,736	-	-
Deep Lift Well Alterations	4 of 4	220	-	-
Command & Control System	2 of 2	300	-	-
Integrated Computer System	5 of 4	573	-	-
Vehicle Replacement Programme	On-going	2,369	2,270	2,152
Total Commitments		7,198	2,270	2,152
NEW STARTS				
Bickenhill Refurbishment	1 of 3	500	1,060	40
Sheldon Refurbishment	1 of 3	600	900	200
Thermal Image Cameras	1 of 1	130	-	-
Total New Starts		1,230	1,960	240
GRAND TOTAL		8,428	4,230	2,392
RESOURCES AVAILABLE				
Supported Capital Expenditure		3,967	4,431	4,559
Capital Receipts		2,512	135	-
Earmarked Reserves/DRF		1,949	-	-
		8,428	4,566	4,559
SURPLUS		-	336	2,167

CAPITAL PROGRAMME 2008/2009

Project Title: **Bickenhill Refurbishment**

Project Description: Bickenhill 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 removal of all known asbestos: the provision of improved breathing apparatus servicing, personal protective equipment care and storage facilities, technical training facilities and a more suitable and fit for purpose working environment for all personnel.

<u>Costings £000's</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
	500	1,060	40

CAPITAL PROGRAMME 2008/2009

Project Title: **Sheldon Refurbishment**

Project Description: Sheldon 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 breathing apparatus servicing, personal protective equipment 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.

<u>Costings £000's</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
	600	900	200

CAPITAL PROGRAMME 2008/2009

Project Title: Replacement of Thermal Image Cameras

Project Description: The thermal image cameras in use within the West Midlands Fire Service are reaching the end of their operational working life. The existing cameras are starting to increasingly fail to operate correctly due to battery and component failure and use outdated technology.

The proposal is to replace existing cameras on pump rescue ladders with updated models which would be the same as those supplied to the Authority by Communities and Local Government under New Dimensions funding.

<u>Costings £000's</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
	130	-	-

PRUDENTIAL INDICATORS

1. The actual capital expenditure that was incurred in 2006/07 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

Capital Expenditure				
2006/07	2007/08	2008/09	2009/10	2010/11
£000	£000	£000	£000	£000
Actual	Estimate	Estimate	Estimate	Estimate
8,036	17,493	8,428	4,566	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 2006/07 are:

Ratio of financing costs to net revenue stream				
2006/07	2007/08	2008/09	2009/10	2010/11
%	%	%	%	%
Actual	Estimate	Estimate	Estimate	Estimate
3.02	2.84	2.97	3.15	3.33

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				
31/03/07	31/03/08	31/03/09	31/03/10	31/03/11
£000	£000	£000	£000	£000
Actual	Estimate	Estimate	Estimate	Estimate
45,266	48,000	50,000	53,000	55,000

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 2006/07, 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			
2007/08	2008/09	2009/10	2010/11
£000	£000	£000	£000
58,000	60,000	64,000	66,000

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				
	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000
	53,000	55,000	59,000	61,000

10. The Authority's actual long term borrowing at 31st March 2007 was £44.9m. 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 2008/09 (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 2009/10 TO 2010/11**

	Budget 2009/10	Budget 2010/11
Subjective Heading	£000s	£000s
Employees	84,773	86,482
Premises	5,187	5,314
Transport	2,164	2,372
Supplies & Services	8,261	8,573
Capital Financing	6,343	6,458
GROSS EXPENDITURE	106,728	109,199
Income	(3,658)	(3,684)
NET EXPENDITURE	103,070	105,515
Net Pensions Expenditure	13,989	14,004
TOTAL EXPENDITURE BEFORE APPROPRIATIONS	117,059	119,519
Appropriations to/(from) Reserves	81	(169)
TOTAL BUDGET REQUIREMENT	117,140	119,350

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

July 08	2.0
July 09	3.0
July 10	3.0
July 11	3.0

- Non Uniformed Staff

April 08	2.0
April 09	3.0
April 10	3.0
April 11	3.0

General Prices:-

April 08	2.5
April 09	2.5
April 10	2.5
April 11	2.5

Pensions Increase Order:-

April 08	3.9
April 09	3.0
April 10	3.0
April 11	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	£720k	(£540k part year)
Non-uniformed pay award	£120k	
General inflation	£110k	

Income

Government Grant	£790k
Council Tax	£360k

APPENDIX H**WEST MIDLANDS FIRE & RESCUE AUTHORITY**
Efficiency Savings planned in 2008-09

Efficiency Savings planned in 2000-01				All figures £'000				
Category	Quality cross-check (QCC) met	One off or recurring?	Capital	Revenue	Annual Cashable Efficiency Gain	Cumulative Cashable Efficiency Gain	Annual Non-Cashable Efficiency Gain	Cumulative Non-Cashable Efficiency Gain
Other IRMP savings		Recurring		✓	430	430		
Reduced Ill Health Retirements		Recurring		✓	100	100		
			TOTAL	✓	530	530	-	-

To be signed by:

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