



HEREFORD & WORCESTER Fire and Rescue Authority

Budget Committee

AGENDA

Wednesday 30 July 2008

10.30am

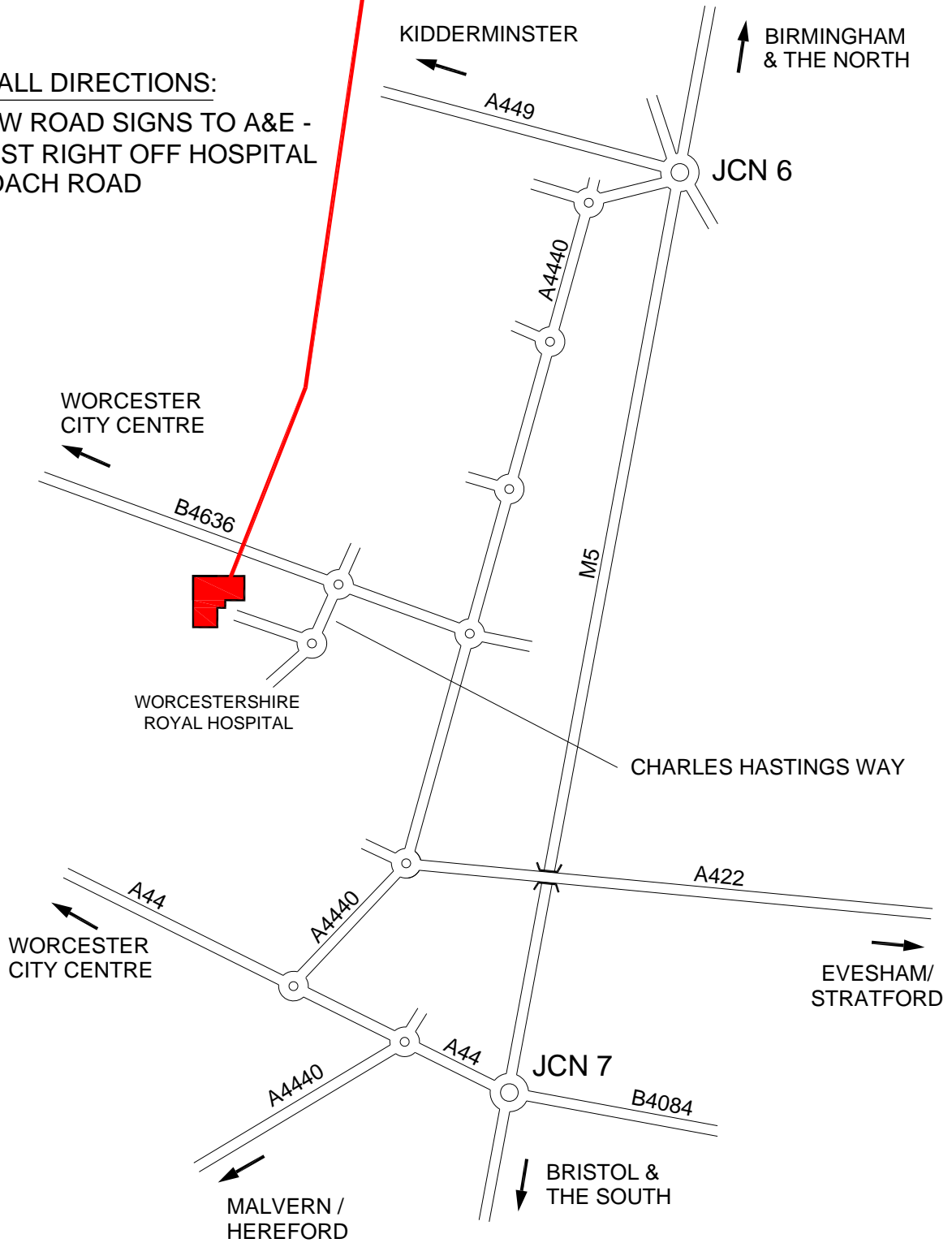
Headquarters,
2 Kings Court,
Charles Hastings Way,
Worcester
WR5 1JR



Awarded for excellence

HEREFORD & WORCESTER FIRE AND RESCUE SERVICE
 HEADQUARTERS
 2 KINGS COURT
 CHARLES HASTINGS WAY
 WORCESTER. WR5 1JR
 TEL: 0845 12 24454

FROM ALL DIRECTIONS:
 FOLLOW ROAD SIGNS TO A&E -
 HQ FIRST RIGHT OFF HOSPITAL
 APPROACH ROAD



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ACTION ON DISCOVERING A FIRE

- 1 Break the glass at the nearest **FIRE ALARM POINT**.
(This will alert Control and other Personnel)
- 2 Tackle the fire with the appliances available – **IF SAFE TO DO SO**.
- 3 Proceed to the Assembly Point for a Roll Call –
CAR PARK OF THE OFFICE BUILDING ADJACENT TO THE CYCLE SHED TO THE LEFT OF THE ENTRANCE BARRIER TO 2 KINGS COURT.
- 4 Never re-enter the building – **GET OUT STAY OUT**.

ACTION ON HEARING THE ALARM

- 1 Proceed immediately to the Assembly Point
CAR PARK OF THE OPTIMUM BUILDING ADJACENT TO THE CYCLE SHED TO THE LEFT OF THE ENTRANCE BARRIER TO 2 KINGS COURT.
- 2 Close all doors en route. The senior person present will ensure all personnel have left the room.
- 3 Never re-enter the building – **GET OUT STAY OUT**.

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WELCOME AND GUIDE TO TODAY’S MEETING

These notes are written to assist you to follow the meeting. Decisions at the meeting will be taken by the **Councillors** who are democratically elected representatives and they will be advised by **Officers** who are paid professionals. The Fire and Rescue Authority comprises 25 Councillors and appoints committees to undertake various functions on behalf of the Authority. There are 19 Worcestershire County Councillors on the Authority and 6 Herefordshire Council Councillors.

Agenda Papers

Attached is the Agenda which is a summary of the issues to be discussed and the related reports by Officers.

Chairman

The Chairman, who is responsible for the proper conduct of the meeting, sits at the head of the table.

Officers

Accompanying the Chairman is the Chief Fire Officer and other Officers of the Fire and Rescue Authority who will advise on legal and procedural matters and record the proceedings. These include the Clerk and the Treasurer to the Authority.

The Business

The Chairman will conduct the business of the meeting. The items listed on the agenda will be discussed.

Decisions

At the end of the discussion on each item the Chairman will put any amendments or motions to the meeting and then ask the Councillors to vote. The Officers do not have a vote.

Agenda

Councillors

Herefordshire:

Brigadier P Jones, Mr J Goodwin, Mr D C Taylor

Worcestershire:

Mr T Bean (Vice Chairman), Mr A I Hardman (Chairman), Mr J Holden, Mr P Mould, Mr D Prodger, Mr R Udall, Mr C Smith, Mr G Yarranton

| | Pages |
|---|--------------|
| 1. Apologies for Absence To receive any apologies for absence. | |
| 2. Named Substitutes To receive details of any Member of the Authority nominated to attend the meeting in place of a Member of the Committee. | |
| 3. Declaration of Interests (if any) The Members' Code of Conduct requires Councillors to declare any interests against an Agenda item, the nature of an interest and whether the interest is personal or prejudicial. If a Councillor has a personal interest, they must declare it but can stay, take part and vote in the meeting. If a Councillor has a prejudicial interest then they must declare what that interest is and leave the meeting room for the duration of the item. This item allows the Chairman to invite any Councillor to declare an interest in any of the items on this Agenda. | |
| 4. Confirmation of Minutes To confirm the minutes of the meeting held on 24 January 2008 (copy attached). | 7-10 |
| 5. Revenue Budget Monitoring Report 2008/09 To inform Members of the current position on Revenue Budgets for 2008/09. | 11-13 |
| 6. Capital Budget Review Monitoring Report 2008/09 To inform Members of the current position on Capital Budgets for 2008/09. | 14-17 |
| 7. Treasury Activities 2007/08 To review Treasury Activities and to report the Prudential Code Indicators for 2007/08. | 18-22 |

**Hereford & Worcester Fire and Rescue Authority
Budget Committee
Thursday, 24th January, 2008 Headquarters, 2 Kings Court, Charles Hastings
Way, Worcester (11.30 am)**

Minutes

Present:

Herefordshire:

Mr J.H.R. Goodwin and Mr D.C. Taylor.

Worcestershire:

Mr T J Bean (VC), Mr A I Hardman (C), Mr P A Mould, Mr D W Prodger Mr C.T. Smith, Mr R.M Udall and Mr G C Yarranton.

Available Papers:

- A. The Agenda paper and Appendices referred to (previously circulated).
- B. The Minutes of the meeting of the Budget Committee held on 23rd November 2007, (previously circulated).
- C. Reports for agenda item 5 – Revenue and Capital Budget Monitoring Report 2007-08 and item 6 – Budget Preparation, both circulated to Members prior to the meeting.

(A copy of the Agenda papers will be attached to the signed Minutes)

13. (Agenda item 1) Apologies for Absence

Apologies were received from Councillor Brig P Jones CBE.

14. (Agenda item 2) Named Substitutes

None.

15. (Agenda item 3) Declaration of Interests

Mr P A Mould advised the Authority that if the Firefighters Pension Scheme was discussed in such detail that it affected his personal position, he would declare a personal and prejudicial interest. (That proving not to be the case, there was no need for Mr Mould to leave the room during the meeting.)

16. (Agenda item 4) Confirmation of Minutes

RESOLVED: that the Minutes of the meeting of the Budget Committee held on 23rd November 2007 be confirmed as a correct record and signed by the Chairman.

17 Agenda item 5) Revenue and Capital Budget Monitoring Report 2007/08

The Committee considered a report which informed Members of the current position on the Revenue and Capital Budgets for 2007-08.

The Treasurer reported that the revenue forecast, detailed in Appendix 1 to the report, showed a forecast out-turn overspend of £0.148m (0.5%) before Bellwin grant (relating to work undertaken during the floods); or an £0.008m (0.03%) overspend after grant.

While a large part of the budget head was driven by the level of operational activity, which was variable, it was not expected that the out-turn projection would be materially different from that forecast.

The total Capital Budget for 2007/08 of £5.083m included £0.833 of schemes funded other than from borrowing. He highlighted that due to the long lead in time for replacement vehicles and the timing of contract payments for the new workshops and stores at Betony Road, Malvern, the revenue effect of these potential slippages had been included in the 2007/08 Revenue budget forecast. Capital budget details were set out at Appendix 2 to the report.

RESOLVED: that the Revenue and Capital Monitoring report 2007-08 be noted.

18. (Agenda item 6) Budget Preparation

The Committee considered the 2007/08 budget position and the current position in relation to the Revenue and Capital Budgets for 2008/09 and beyond and implications for the precept.

The Treasurer presented a report on the 2008/09 to 2010/11 Net Revenue Budget requirement which had been based around certain assumptions and a level of assumed provision for unavoidable expenditure. To meet the proposed Net Budget Requirement for 2008/09 of £29.433m required a 5.93% precept. The Government had indicated that it expected the average council tax increase to be substantially below 5%. Reducing the precept to 4.9% produced a projected resource of £29.248m and presented a core "gap" of £0.185m which the Treasurer proposed for 2008/09 be filled by the use of the Rank to Role Reserves.

The Treasurer further reported on: the disappointing level of 2008/09 Formula Grant settlement; the anticipated resource position beyond 2008/09 and assumed levels of balances and reserves. He also illustrated the financial implications based on an assumed decreasing level of Council Tax precept to 4.00% by 2011/12.

The Committee noted that the 2008/9 precept position, outlined above, did not address challenges in retained, whole-time and water rescue training.

The Committee further noted that a strong business case had been made to challenge the indicated low level of formula grant from government. The Authority had received a headline figure of 1% which was significantly below the Combined Fire Authority average of 3.3%.

The Committee acknowledged that a 4.9% precept could still present a risk of being capped and requested that the Chief Fire Officer include a series of

budget saving options, including commentary on the risks associated with each option, for consideration when presenting the budget report to the Fire and Rescue Authority. The Committee noted that certain objectives were driven by the Integrated Risk Management Plan and therefore possible options around reduced staffing levels or station closures would, if considered necessary, need time to put into operation.

The Committee debated at some length the disappointing level of the Formula Grant; the financial implications of being 'capped'; the good work done by the Authority, particularly during the floods; the need to ensure that additional training was provided to reflect the wider role of the Authority and its responsibilities for dealing with flooding incidents, and the timescales involved in implementing any savings measures.

Based on the information currently available the Committee expressed a view that a 4.9% precept for 2008/9 should be considered and the illustrative level of Council Tax precept for future years be 4.75% in 2009/10, 4.5% in 2010/11 and 4.25% in 2011/12.

RESOLVED: that the report be approved in principle and it be RECOMMENDED that, subject to the grant settlement being confirmed, the Fire and Rescue Authority approve the budget and consequential precept.

19. (Agenda item 7) Asset Management Plan

The Committee considered the Asset Management Plan 2008/09 for approval by the Fire and Rescue Authority.

The Committee noted that the Asset Management Plan (AMP) was updated each year and the draft plan for 2008-09 was appended to the agenda report for consideration. The Committee were informed that the Plan was aligned to the Integrated Risk Management Plan (IRMP) and aimed to deliver identified projects within a clearly structured process. All major capital projects identified within the AMP required a full business case to be developed and approved by the Authority, prior to expenditure being incurred.

The Committee briefly debated a number of projects identified at paragraph 4.8 of the draft Strategy and questioned what input the Fire & Rescue Authority were making at the planning stages of future housing developments e.g. the Ecotown proposal which was not in the Regional Spatial Strategy. The Committee was informed that links were in place with the strategic planners to consider future needs so that where possible plans for medium to long term investment could be taken into account.

RESOLVED: that the report be approved and it be RECOMMENDED that, the Fire and Rescue Authority approve the Asset Management Plan 2008-09.

20. (Agenda item 8) Fleet Strategy 2007 - 2022

The Committee considered the Fleet Strategy 2007 - 2022 and associated capital programme for approval by the Fire and Rescue Authority.

The Committee noted that the Fleet Strategy, which was directly influenced by the IRMP, ensured that capital assets and revenue were aligned appropriately over the period 2007 - 2022 with the aim of providing a clear framework for fleet replacement and facilities and the assessment and planning of identified changes across the whole fleet programme.

The Treasurer highlighted that the Strategy contained a number of key principles informing the vehicle replacement programme including environmental impact and sustainability considerations.

The Committee noted that the disposal of vehicles required the authority of the Director of Finance and the Fleet Engineer.

RESOLVED: that the report be approved and RECOMMENDED that, the Fire and Rescue Authority approve the Fleet Strategy 2007-2022.

The meeting ended at 12.36 a.m.

Chairman

5. REVENUE BUDGET MONITORING REPORT 2008/09

Purpose of report

1. To inform Members of the current position on Revenue Budgets for 2008/09.
-

Background

2. In February 2008 the Fire and Rescue Authority (FRA) set a net budget requirement for 2008-09 of £29.311m made up as below :

| | £m |
|------------------------------------|---------------|
| Net Expenditure on Services | 30.523 |
| Special Grants | (0.995) |
| Transfers from Ear-marked Reserves | (0.217) |
| Strengthening of General Balances | 0.000 |
| | 29.311 |

3. This report provides information on expenditure to date against the profiled budget, and the current forecast out-turn position. It is based on actual expenditure for 3 months.

Revenue Budget

4. At the end of the first 3 months there are no significant variations forecast by budget-holders.
5. The Uniform staff pay award has now been settled at 2.4%, which compares to the 2.0% provided in the base budget. It is estimated that the additional cost of this is £0.070m.
6. Members will recall that this issue was flagged as a budget risk for 2008-09 as in 2007-08 and there may be a requirement to draw on balances. However, the Service Management Team are currently investigating the impact of containing this within the existing budget.
7. Members are requested to note that the cost of an additional four control staff as a cost effect of the initial staffing pool on the Regional Control Centre establishment will be offset by CLG grant for the same amount, generating no variance in reality. The timetable for this Authority to 'cut over' is September 2010.
8. Members will be aware of the response to the national impact of flooding by the government announcing significant support for the payment to Authorities under the Bellwin scheme. In addition, a further initiative was announced recently under a measure called the Restoration Fund for reparations after the flood.
9. The Authority received notification of an allocation of £0.013m from the £30.6m total available on 17 July.

10. Members are asked to note that in realising that the Fire and Rescue Service is not immune from the pressures currently being felt in fuel prices, a one-off earmarked reserve of £0.080m was set up at the end of 2007/08 to help combat such pressures.

Recommendation

The Treasurer recommends that the current budget position be noted.

Appendices

Appendix 1 – 2008/09 Revenue Budget Monitoring

| 2008/2009 REVENUE BUDGET MONITORING | | | | APPENDIX 1 | | |
|---|-------------------------|-------------------------|---------------------------|------------------------|---------------------------|----------------------------|
| | BUDGET TO DATE £m | ACTUAL TO DATE £m | VARIANCE TO DATE £m | Annual Budget £m | Forecast Outturn £m | Forecast Variance £m |
| Wholetime Pay | 2.759 | 2.898 | 0.139 | 14.204 | 14.274 | 0.070 |
| Urban Search and Rescue | 0.175 | 0.137 | (0.038) | 0.847 | 0.847 | 0.000 |
| Retained Duty Staff Pay | 0.477 | 0.518 | 0.041 | 2.909 | 2.909 | 0.000 |
| Control Pay | 0.151 | 0.141 | (0.010) | 0.750 | 0.750 | 0.000 |
| Support Pay | 0.840 | 0.844 | 0.004 | 3.499 | 3.439 | (0.060) |
| Temp Staff | 0.012 | 0.049 | 0.037 | 0.049 | 0.109 | 0.060 |
| Other Employee Costs | 0.009 | 0.006 | (0.003) | 0.036 | 0.036 | 0.000 |
| | 4.423 | 4.593 | 0.170 | 22.294 | 22.364 | 0.070 |
| Firefighter Pensions - Non Funded Costs | 0.168 | 0.200 | 0.032 | 0.672 | 0.672 | 0.000 |
| TOTAL EMPLOYEE COSTS | 4.591 | 4.793 | 0.202 | 22.966 | 23.036 | 0.070 |
| Policy Planning Performance Management | 0.042 | 0.013 | (0.029) | 0.169 | 0.169 | 0.000 |
| | 0.042 | 0.013 | (0.029) | 0.169 | 0.169 | 0.000 |
| Community Fire Safety | 0.073 | 0.019 | (0.054) | 0.292 | 0.292 | 0.000 |
| Other Service Delivery | 0.013 | (0.002) | (0.015) | 0.051 | 0.051 | 0.000 |
| | 0.086 | 0.017 | (0.069) | 0.343 | 0.343 | 0.000 |
| Personnel | 0.063 | 0.038 | (0.025) | 0.253 | 0.253 | 0.000 |
| Approved Centre | 0.003 | 0.001 | (0.002) | 0.014 | 0.014 | 0.000 |
| Training | 0.138 | 0.096 | (0.042) | 0.550 | 0.550 | 0.000 |
| | 0.204 | 0.135 | (0.069) | 0.817 | 0.817 | 0.000 |
| Fire and Rescue Authority Costs | 0.068 | 0.031 | (0.037) | 0.323 | 0.323 | 0.000 |
| Business Continuity | 0.004 | 0.003 | (0.001) | 0.015 | 0.015 | 0.000 |
| Heath and Safety | 0.008 | 0.002 | (0.006) | 0.031 | 0.031 | 0.000 |
| Equipment Support Group | 0.226 | 0.262 | 0.036 | 0.905 | 0.905 | 0.000 |
| Fleet | 0.129 | 0.114 | (0.015) | 0.515 | 0.515 | 0.000 |
| Information Technology | 0.120 | 0.150 | 0.030 | 0.478 | 0.478 | 0.000 |
| Telecommunications | 0.097 | 0.106 | 0.009 | 0.387 | 0.387 | 0.000 |
| Property | 0.308 | 0.219 | (0.089) | 1.233 | 1.233 | 0.000 |
| | 0.960 | 0.887 | (0.073) | 3.887 | 3.887 | 0.000 |
| Insurances | 0.000 | 0.000 | 0.000 | 0.305 | 0.305 | 0.000 |
| Legal Services | 0.015 | (0.000) | (0.015) | 0.060 | 0.060 | 0.000 |
| Finance Service Level Agreements etc | 0.040 | (0.013) | (0.053) | 0.160 | 0.160 | 0.000 |
| | 0.055 | (0.013) | (0.068) | 0.525 | 0.525 | 0.000 |
| Miscellaneous - DoF Monitoring | 0.018 | 0.026 | 0.008 | 0.074 | 0.074 | 0.000 |
| Capital Financing | 0.000 | 0.000 | 0.000 | 1.686 | 1.686 | 0.000 |
| Firelink Contingency | 0.000 | 0.000 | 0.000 | 0.056 | 0.056 | 0.000 |
| | 0.018 | 0.026 | 0.008 | 1.816 | 1.816 | 0.000 |
| TOTAL OTHER COSTS | 1.365 | 1.065 | (0.300) | 7.557 | 7.557 | 0.000 |
| NET EXPENDITURE | 5.956 | 5.858 | (0.098) | 30.523 | 30.593 | 0.070 |
| Special Grants | | | | (0.995) | (0.995) | 0.000 |
| EXPENDITURE AFTER GRANTS | 5.956 | 5.858 | (0.098) | 29.528 | 29.598 | 0.070 |
| To/(From) EMR | | | | (0.217) | (0.217) | 0.000 |
| To/(From) General Balances | | | | 0.000 | (0.070) | (0.070) |
| NET BUDGET REQUIREMENT | | | | 29.311 | 29.311 | 0.000 |

6. CAPITAL BUDGET MONITORING REPORT 2008/09

Purpose of report

1. To inform Members of the current position on Capital Budgets for 2008/09.
-

Background

2. The Capital Budget for 2008/09 was approved by the Fire and Rescue Authority on 20 February 2008 at £3.682m.
3. At the Fire and Rescue Authority meeting on 16 June 2008 net slippage on 2007/08 capital budgets totalling £2.596m was approved, to be added to 2008/09 budgets. The slippage agreed included £0.641m in respect of the USAR works which as Members will be aware is grant funded.
4. The 2008/09 revenue budget was built on the basis that these slipped capital sums would have been spent in 2007/08. Therefore there are no adverse revenue consequences of the slippage.
5. The impact of this slippage on the 2008/09 Capital Budget is shown in Appendix 1.

Situation Report

Vehicle Programme

6. During 2008/09 delivery is expected of the following:
 - 4 New Pumping Appliances
 - 2 New Pumping Appliances with Compressed Air Foam Equipment
 - 2 Restricted Access Fire Appliances with Compressed Air Foam Equipment
 - 1 Combined Aerial Rescue Pump; and
 - 5 New 4 x 4 Station Vehicles to provide increased capability to deal with spate conditions.

During 2008/09 the following vehicles are expected to be ordered:

- 1 Environmental Protection Unit
- 2 Incident Support Units (4 x 4)
- 1 New 4 x 4 Landrover

This is in accordance with the approved Fleet Strategy 2007-2022.

7. Betony Road Workshops, Malvern - the new workshops received a practical completion certificate on 2 July 2008 and have been operational since 14 July 2008. The project achieved completion ahead of schedule and should be within the £2.3m budget. Members will be aware from the local press that the Hylton Road site subject to completion and receipt of the sale monies was disposed of at auction on 25 June 2008 for the asking price of £0.350m.

8. IRMP Proposals – Members will be aware that major schemes require FRA approval of the specific business cases and that the present position is:
- Work on detailed proposals for Redditch Station is continuing, particularly in relation to long term development plans for the area.
 - FRA approval for works at Pebworth Station has already been given, but there has been some delay due to the continuing difficulty in identifying a suitable site at reasonable cost.
 - Development plans are in progress for Malvern and Worcester Fire Stations.
 - Bromsgrove, within the Asset Management Plan and a joint project with West Mercia Constabulary, is being progressed to produce a new Fire Station.
 - Bewdley Fire Station is being worked upon as a no cost project with the Local Authority Developer.
9. USAR Training Building:- works have started on site on the Training Rig (June 2008) and will continue for six months whilst the USAR new station area has been completed.

Current Progress

10. Appendix 2 shows current expenditure of £1.681m against the budget of £6.228m (both including USAR).
11. This level of expenditure to date is however not unexpected given that the £4.532m of the budget relates to the Workshops, IRMP and Pump replacement schemes as outlined above.

Recommendation

The Treasurer recommends that the Committee:

- i) notes the current position in relation to IRMP schemes as outlined in paragraph 8 of the report; and**
- ii) notes the current position on expenditure as outlined in paragraph 10 and detailed in Appendix 2 of the report.**

Appendices

Appendix 1 – 2008/09 Capital Budget
Appendix 2 - 2008/09 Capital Budget Monitoring

2008/09 CAPITAL BUDGET

| | FRA APPROVED BUDGET 2008/09 £ | SLIPPAGE FROM 2007/08 £ | PMM 2008/09 ALLOCATION £ | AMENDED BUDGET £ |
|--|--|--|---|---------------------------------|
| Vehicle Programme | | | | |
| Routine Replacements (Pumps) 2007/08 | 459,000 | 457,000 | | 916,000 |
| Routine Replacements (Pumps) 2008/09 | | | | 60,000 |
| Routine replacement 2007/08 4WD CAF Equipped - balance | 60,000 | | | 68,666 |
| 4WD CAF Equipped | | 68,666 | | 940,000 |
| Specialist Replacements | 790,000 | 150,000 | | |
| | 1,309,000 | 675,666 | 0 | 1,984,666 |
| Workshops Project | | | | |
| Workshop | | 824,317 | | 824,317 |
| | | 824,317 | 0 | 824,317 |
| IRMP Schemes | | | | |
| Pebworth | 543,000 | | | 543,000 |
| Redditch | 500,000 | | | 500,000 |
| Malvern | 500,000 | | | 500,000 |
| District Training | 180,000 | | | 180,000 |
| | 1,723,000 | 0 | 0 | 1,723,000 |
| Other Schemes | | | | |
| Property, Information Technology, Communications etc. | 600,000 | 455,249 | | 1,055,249 |
| | 600,000 | 455,249 | 0 | 1,055,249 |
| TOTAL | 3,632,000 | 1,955,232 | 0 | 5,587,232 |
| Special Funding Arrangements -USAR Works | | 641,033 | | 641,033 |
| TOTAL ALL SCHEMES | 3,632,000 | 2,596,265 | 0 | 6,228,265 |

2008/09 CAPITAL BUDGET MONITORING

| | EXPENDITURE | | |
|--|------------------------|--------------------------|------------------|
| | BUDGET 2008/09 £ | TO DATE Period 3 £ | BALANCE £ |
| Vehicle Programme | | | |
| Routine Replacements (Pumps) 2007/08 | 916,000 | 913,709 | 2,291 |
| Routine Replacements (Pumps) 2008/09 | | | |
| Routine replacement 2007/08 4WD CAF Equipped - balance | 60,000 | | 60,000 |
| 4WD CAF Equipped - balance | 68,666 | | 68,666 |
| Specialist Replacements | 940,000 | | 940,000 |
| | 1,984,666 | 913,709 | 1,070,957 |
| Workshops Project | | | |
| Workshops | 824,317 | 560,260 | 264,057 |
| | 824,317 | 560,260 | 264,057 |
| IRMP Schemes | | | |
| Pebworth | 543,000 | | 543,000 |
| Redditch | 500,000 | | 500,000 |
| Malvern | 500,000 | | 500,000 |
| District Training | 180,000 | | 180,000 |
| | 1,723,000 | | 1,723,000 |
| Other Schemes | | | |
| Property, Information Technology, Communications etc. | 1,055,249 | 114,099 | 941,150 |
| | 1,055,249 | 114,099 | 941,150 |
| TOTAL | 5,587,232 | 1,588,068 | 3,999,164 |
| Special Funding Arrangements | | | |
| Usar | 641,033 | 92,531 | 548,502 |
| | 641,033 | 92,531 | 548,502 |
| TOTAL ALL SCHEMES | 6,228,265 | 1,680,599 | 4,547,666 |

7. TREASURY ACTIVITIES 2007/08

Purpose of report

1. To review Treasury Activities and to report the Prudential Code Indicators for 2007/08.
-

2. Current Fire and Rescue Authority (FRA) Financial Regulations require that Treasury Activities are reviewed by Members twice a year, and this is the first opportunity to provide Members with information on final Prudential Code Indicators for the year.

Treasury Management Activities

3. Banking arrangements for the FRA, in respect of lending and borrowing, are carried out by Worcestershire County Council under a Service Level Agreement. At 31 March 2007 the FRA had long-term debt totalling £11.314m. The Service Level Agreement should be reviewed and it is timely to do so.

4. During the year additional borrowing to support the capital investment in 2007/08 has been taken as below:

| Date | Amount £M | Period | Rate |
|-----------------------------------|----------------------|----------|-------|
| 19-Jan-2008 | £0.938 | 30 years | 4.41% |
| 12-Mar-2008 | £1.022 | 4 years | 4.05% |
| 12-Mar-2008 | <u>£1.090</u> | 2 years | 3.90% |
| | £3.050 | | |
| Less loans repaid during the year | <u>£1.311</u> | | |
| Net borrowing | <u>£1.739</u> | | |

5. The borrowing, taken from Public Works Loans Board as with all existing debt, brings the total long term debt at 31 March 2008 to £13.138m, including outstanding loan interest of £0.085m in accordance with SORP 2007 (Statement of Recommended Practice).

6. Surplus cash is invested on a day-to-day basis, and the average interest rate achieved in 2007/08 was 5.73%. The benchmark rate, chosen by the FRA for performance comparison purposes; the "7-Day London Inter-bank Bid Rate" (LIBID), was 5.59% for the same period.

Prudential Code Indicators

7. In considering the budget and precept for the year the FRA approves indicators and limits in respect of capital expenditure, borrowing and revenue consequences.
8. These are set, by the FRA, in February for the coming year, and continue to be considered appropriate to report this information to the Budget Committee at the same time as initial budget monitoring reports.

9. Appendix 1 sets out the relevant indicators as approved and as they out-turn, and demonstrate that they are within the limits agreed in the Medium Term Financial Plan.

Recommendation

The Treasurer recommends that the report be noted.

Background papers

None

Prudential Indicators 2007/08 Out-turn

Introduction

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide a code of practice to underpin the new system of capital finance embodied in Part 1 of the Local Government Act 2003.

The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.

The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the Fire and Rescue Authority (FRA) should operate to ensure the objectives of the Prudential Code are met.

Prudential Indicators

The Prudential Indicators for which the FRA is required to set limits are as follows:

1. Capital Expenditure

The actual amount of capital expenditure that was incurred during 2007/08 was as follows:

| | 2007/08 Estimate £000 | 2007/08 Actual £000 |
|-----------------------------|--------------------------------------|------------------------------------|
| Capital Expenditure | 3,737 | 1,299 |
| Operationally Leased Assets | 337 | 190 |
| | 4,074 | 1,489 |

2. Ratio of Financing Costs to Net Revenue Stream

Financing Costs include the amount of interest payable in respect of borrowing or other long term liabilities and the amount the FRA is required to set aside to repay debt, less interest and investments income.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, and the estimated figure is the FRA's budget net of any transfers to or from the balances.

The indicator only requires that the costs associated with capital expenditure are measured in this way. However the FRA has used, and may continue to use Operational Leasing as a cost effective method of acquiring vehicles. In the spirit of the Prudential Code these costs are included for comparative purposes.

| | 2007/08 Estimate £000 | 2007/08 Actual £000 |
|--------------------|-----------------------------|---------------------------|
| Financing Costs | 1,607 | 1,353 |
| Net Revenue Stream | 28,286 | 28,286 |
| Ratio | 5.68% | 4.78% |

3. Capital Financing Requirement

The capital financing requirement is a measure of the extent to which the FRA needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any one point in time. The FRA arranges its treasury management activity via a Service Level Agreement (SLA) with Worcestershire County Council (WCC) which has an integrated treasury management strategy where there is no distinction between revenue and capital cash flow, and the day to day position of external borrowing and investments can change constantly.

The capital financing requirement concerns only those transactions arising from capital spending, whereas the amount of external borrowing is a consequence of all revenue and capital cash transactions combined together following recommended treasury management practice.

| | 2007/08 Estimate £000 | 2007/08 Actual £000 |
|--|-----------------------------|---------------------------|
| Capital Financing Requirement at 31st March 2008 | 11,548 | 11,749 |

4. Authorised Limit

The Authorised Limit represents an upper limit of borrowing that could be afforded in the short term but may not be sustainable.

5. Operational Boundary

The Operational Boundary represents an estimate of the most likely, prudent, but not worst case scenario and provides a parameter against which day to day treasury management activity can be monitored.

The limits for these indicators set for 2007/08 and the final out-turn are given below, and it can be confirmed that the out-turn figure represents the maximum borrowing at any point in the year. i.e. the Authorised limit was not exceeded.

| | 2007/08 £000 |
|-------------------------------------|-------------------------------|
| Authorised Limit | 24,000 |
| Operational Boundary | 22,000 |
| Actual Borrowing at 31st March 2008 | 13,138 |

6. Fixed Interest Rate Exposures

The FRA set an upper limit on its fixed interest rate exposures as follows:

| Fixed Interest Rate Exposure | 2008/09 £000 |
|-------------------------------------|-------------------------------|
| Upper Limit | 19,500 |
| Actual Borrowing at 31st March 2008 | 13,138 |

7. Variable Interest Rate Exposures

The FRA set an upper limit on its variable interest rate exposures, however all current borrowing is at fixed rates.

8. Maturity Structure of Borrowing

The upper and lower limits for the maturity structure of borrowings are as follows:

| | Lower Limit | Upper Limit | At 31st March 2008 |
|--------------------------------|--------------------|--------------------|---------------------------|
| Period of Maturity | % | % | % |
| Under 12 months | 0 | 25 | 9 |
| 12 months and within 24 months | 0 | 25 | 3 |
| 24 months and within 5 years | 0 | 50 | 9 |
| 5 years and within 10 years | 0 | 75 | 3 |
| 10 years and above | 25 | 95 | 77 |

GLOSSARY OF TERMS

| | |
|-----------------|---|
| ACAS | Advisory Conciliation and Arbitration Service |
| ACFO | Assistant Chief Fire Officer |
| AFA | Automatic Fire Alarm |
| AFD | Automatic Fire Detection |
| ALP | Aerial Ladder Platform |
| AM | Area Manager |
| AMP | Asset Management Plan |
| ARCC | Aeronautical Rescue Co-ordination Centre |
| BA | Breathing Apparatus |
| BCM | Business Continuity Management |
| BCP | Business Continuity Plan |
| BME | Black and Minority Ethnic |
| BVPI | Best Value Performance Indicator |
| BVPP | Best Value Performance Plan |
| CARP | Combined Aerial Rescue Pump |
| CBRN | Chemical Biological Radiological Nuclear |
| CCA | Civil Contingencies Act |
| CDRP | Crime and Disorder Reduction Partnership |
| CERMIG | County Emergency Response to Major Incidents Group |
| CFO | Chief Fire Officer |
| CFOA | Chief Fire Officers Association |
| CFRMIS | Community Fire Risk Management System |
| CFS | Community Fire Safety |
| CIMAH | Control of Industrial Major Accident Hazards |
| CIPFA | The Chartered Institute of Public Finance and Accountancy |
| CLG | Department for Communities and Local Government |
| CM | Crew Manager |
| COSHH | Control of Substances Hazardous to Health |
| CPA | Comprehensive Performance Assessment |
| CPS | Chemical Protection Suits |
| CRE | Commission for Racial Equality |
| CRR | Community Risk Register |
| DC | District Commander |
| DCFO | Deputy Chief Fire Officer |
| DDA | Disability Discrimination Act |
| DIM | Detection, Identification and Monitoring |
| DOF | Director of Finance |
| DoH | Department of Health |
| DPA | Data Protection Act |
| EA | Environment Agency |
| ECS | Enhanced Command Support |
| EIR | Environmental Information Regulations |
| EPU | Environmental Protection Unit |
| ESLG | Equality Standard for Local Government |
| FAWAG | Fairness at Work Advisory Group |
| FBU | Fire Brigades Union |
| FDR1 | Fire Damage Report |
| FDS | Flexible Duty System |
| Firelink | The National Project for the introduction of a National Fire Service Radio System |
| FOIA | Freedom of Information Act |
| FRA | Fire and Rescue Authority |
| FRS | Fire and Rescue Service |
| FRSNCC | Fire and Rescue Service National Co-ordination Centre |
| FSC | Fire Service College |
| FSCA | Fire Service Consultation Association |

| | |
|---------------|--|
| FSEC | Fire Services Emergency Cover |
| FSNBF | Fire Service National Benevolent Fund |
| FSPA | Fire Service Procurement Association |
| GM | Group Manager |
| HAZMAT | Hazardous Materials |
| HFSC | Home Fire Safety Check |
| HMFSI | Her Majesty's Fire Service Inspectorate |
| HMI | Her Majesty's Inspector or Inspectorate |
| HPA | Health Protection Agency |
| HR | Human Resources |
| HSE | Health & Safety Executive |
| HWFRS | Hereford & Worcester Fire and Rescue Service |
| ICS | Incident Command System |
| ICT | Information and Communications Technology |
| IEG | Implementing Electronic Government |
| IIP | Investors in People |
| IOSH | Institute of Occupation Safety and Health |
| IPDS | Integrated Personal Development System |
| IRMP | Integrated Risk Management Plan |
| IRS | Incident Recording System |
| IRU | Incident Response Unit |
| ISU | Incident Support Unit |
| JERA | Joint Emergency Response Arrangements |
| KLOE | Key Lines of Enquiry |
| LAA | Local Area Agreements |
| LEA | Local Education Authority |
| LFF | Leading Firefighter |
| LGA | Local Government Association |
| LIBID | London Interbank Bid Rate |
| LPG | Liquid Petroleum Gas |
| LPSA | Local Public Service Agreement |
| LRF | Local Resilience Forum |
| LRI | Learning Resource International |
| LSGCM | Long Service and Good Conduct Medal |
| LSP | Local Strategic Partnership |
| LTF | Local Training Facilities |
| MARP | Midlands Area Radio Project |
| MIS | Management Information Systems |
| MISAR | Mercia Inshore Search and Rescue |
| MMFE | Management of Major Flood Emergencies |
| MoU | Memorandum of Understanding |
| MTFP | Medium Term Financial Plan |
| NCFSC | National Community Fire Safety Campaign |
| NEBOSH | National Examination Board in Occupational Safety and Health |
| NFST | National Flood Support Team |
| NJC | National Joint Council for Local Authorities' Fire Brigades |
| NOS | National Occupational Standard |
| NVQ | National Vocational Qualification |
| ODPM | Office of the Deputy Prime Minister |
| PDR | Personal Development Review |
| PFI | Private Finance Initiative |
| PI | Performance Indicator |
| PMM | Principal Management Members |
| PO | Principal Officer |
| PPE | Personal Protective Equipment |
| PSA | Public Service Agreement |
| PSHE | Personal, Social, Health Education |
| PSRP | Public Services Radio Project |
| PWC | PriceWaterhouseCooper |

| | |
|-----------------|--|
| PWLB | Public Works Loans Board |
| QSA | Quality Systems Audit |
| R2R | Rank to Role |
| RBIP | Risk Based Inspection Programme |
| RCC | Regional Control Centre |
| RCCC | Regional Civil Contingencies Committee |
| RHSCG | Regional Health and Safety Collaboration Group |
| RIDDOR | Reporting of Injuries, Diseases and Dangerous Occurrences Regulation |
| RMB | Regional Management Board |
| RoSPA | Royal Society for the Prevention of Accidents |
| RPE | Respiratory Protective Equipment |
| RRF | Regional Resilience Forum |
| RRT | Regional Resilience Team |
| RTA | Road Traffic Accident |
| RTC | Road Traffic Collision |
| SARA | Severn Area Rescue Association |
| SBE | Standards Board for England |
| SCC | Strategic Command Centre |
| SCE | Supported Capital Expenditure |
| SCG | Strategic Command Group |
| SDA | Service Delivery Agreement |
| SFSO | Senior Fire Safety Officer |
| SHA | Strategic Holding Area |
| SHEBA | Safety in the Home and Electric Under Blanket Assessment |
| SLA | Service Level Agreement |
| SM | Station Manager |
| SOLACE | Society of Local Authority Chief Executives |
| SORP | Statement of Recommended Practice |
| SPI | Service Policy Instruction |
| SSI | Special Service Incidents |
| T&DC | Training and Development Centre |
| USAR | Urban Search and Rescue |
| UWFS | Unwanted Fire Signal |
| VMDS | Vehicle Mounted Data System |
| WAN | Wide Area Network |
| WM | Watch Manager |
| WMRMB | West Midlands Regional Management Board |
| YFA | Young Firefighters' Association |