

## Hereford & Worcester Fire Authority 2016/17

### Capital Programme

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PRIOR YEARS ACTUAL £m	Revised BUDGET 2015/16 £m	BUDGET 2016/17 £m	PROGRAMME 2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	TOTAL £m
<b>Vehicle Programme</b>								
1 Routine - Pumps		0.539	1.761	1.150	1.150	1.150	1.640	<b>7.390</b>
2 Routine - 4WD						0.050		<b>0.050</b>
3 Routine - Off-Road							0.015	<b>0.015</b>
4 Water Rescue Vehicle						0.065		<b>0.065</b>
5 Command Unit			0.350					<b>0.350</b>
6 Routine - Water Carrier				0.190	0.190			<b>0.380</b>
7 Routine - RAVs					0.230			<b>0.230</b>
8 USAR Dog Van		0.027	0.002					<b>0.029</b>
9 USAR ISV		0.030	0.051					<b>0.081</b>
10 Boats				0.040				<b>0.040</b>
11 Response Cars			0.614		0.225	0.400		<b>1.239</b>
12 Response Cars		0.103	0.045	0.120	0.040			<b>0.308</b>
13		<b>0.699</b>	<b>2.823</b>	<b>1.500</b>	<b>1.835</b>	<b>1.665</b>	<b>1.655</b>	<b>10.177</b>
<b>Major Building Schemes</b>								
14 Malvern Fire Station	2.019	0.083						<b>2.102</b>
15 Worcester Fire Station	3.563	0.785	0.195					<b>4.543</b>
16 Evesham Fire Station	0.055	0.102	3.599					<b>3.756</b>
17 DCP Works		0.532	0.018					<b>0.550</b>
18 Other Schemes (Note 1)	1.762		2.730	2.050	4.140	2.247		<b>12.929</b>
19	<b>7.399</b>	<b>1.502</b>	<b>6.542</b>	<b>2.050</b>	<b>4.140</b>	<b>2.247</b>	<b>0.000</b>	<b>23.880</b>
<b>Other Schemes</b>								
20 Control Resilience Project	1.911	0.043	0.333					<b>2.287</b>
21 Minor Property, IT/Comms & Equipment		0.223	1.220	0.600	0.600	0.600	0.600	<b>3.243</b>
22		<b>0.266</b>	<b>1.553</b>	<b>0.600</b>	<b>0.600</b>	<b>0.600</b>	<b>0.600</b>	<b>5.530</b>
23 Annual Total		<b>2.467</b>	<b>10.918</b>	<b>4.150</b>	<b>6.575</b>	<b>4.512</b>	<b>2.255</b>	<b>39.587</b>

**Note 1 : Individual scheme sums approved by Fire Authority, but not currently disclosed as contracts subject to tender etc.**

**Note 2 : Excludes impact of any slippage from 2015/16**

## **Hereford & Worcester Fire Authority 2016/17**

### **Personnel Budget**

	<b>Wholetime Firefighters FTE</b>	<b>On-Call Retained Firefighters H/C</b>	<b>Control Room Staff FTE</b>	<b>Non- Uniformed Support FTE</b>	<b>TOTAL</b>
<b>Included in Budget 2014/15</b>	283.0	383.0	25.0	114.3	<b>805.3</b>
CRMP	(44.0)				<b>(44.0)</b>
Flexi-Officer Review	(4.0)				<b>(4.0)</b>
Ops Logistics Review	(1.0)			(0.0)	<b>(1.0)</b>
CFS/TFS Review	(3.0)			(2.0)	<b>(5.0)</b>
FireControl Review			(6.5)		<b>(6.5)</b>
IT Posts 20/20 - Capitalised				2.0	<b>2.0</b>
Procurement Assistant				1.0	<b>1.0</b>
Planned transfer to JPV in 2015/16				(9.7)	<b>(9.7)</b>
<b>Included in Budget 2015/16</b>	<b>231.0</b>	<b>383.0</b>	<b>18.5</b>	<b>105.5</b>	<b>738.0</b>

	<b>Wholetime Firefighters FTE</b>	<b>On-Call Retained Firefighters H/C</b>	<b>Control Room Staff FTE</b>	<b>Non- Uniformed Support FTE</b>	<b>TOTAL</b>
<b>Included in Budget 2015/16</b>	231.0	383.0	18.5	105.5	<b>738.0</b>
additional TUPE Transfer to PPL				(2.1)	<b>(2.1)</b>
P&I Review	1.0				<b>1.0</b>
<b>Included in Budget 2016/17</b>	<b>232.0</b>	<b>383.0</b>	<b>18.5</b>	<b>103.4</b>	<b>736.9</b>

## **Hereford & Worcester Fire Authority 2016/17**

### **Revenue Budget**

Col.	1	3	4	5	6	7
		<b>Core</b>	<b>Excess Staff</b>	<b>Second Income</b>	<b>Bud Red Reserve</b>	<b>NET</b>
Line		£m	£m	£m	£m	£m
1	<b>2015/16 Budget</b>	<b>32.275</b>	0.960	(1.630)	0.670	<b>32.275</b>
2	Saving from 2015 Pay award provision	<b>(0.275)</b>				<b>(0.275)</b>
3	Saving from 2015/16 Inflation provision	<b>(0.125)</b>				<b>(0.125)</b>
	<b><u>Cost Pressures</u></b>					
4	Pay Awards	<b>0.444</b>				<b>0.444</b>
5	General Inflation Contingency	<b>0.200</b>				<b>0.200</b>
6	LGPS Revaluation	<b>0.010</b>				<b>0.010</b>
7	Capital Programme	<b>0.035</b>				<b>0.035</b>
8	NI Contracting Out Abolition - phasing	<b>0.380</b>				<b>0.380</b>
9	Fire Control Maintenance	<b>0.090</b>				<b>0.090</b>
10	Income	<b>(0.080)</b>				<b>(0.080)</b>
	<b><u>Savings</u></b>					
11	CRMP Implementation - phasing	<b>(0.895)</b>				<b>(0.895)</b>
12	Droitwich/USAR phasing	<b>(0.121)</b>				<b>(0.121)</b>
13	JPV - Business Case Savings	<b>(0.036)</b>				<b>(0.036)</b>
14	JPV - One Off Costs Savings	<b>(0.096)</b>				<b>(0.096)</b>
15	one off costs Implementation of 2015 Pension Scheme	<b>(0.020)</b>				<b>(0.020)</b>
16	Flexi-Duty Officer Review	<b>(0.119)</b>				<b>(0.119)</b>
		<b>31.667</b>	<b>0.960</b>	<b>(1.630)</b>	<b>0.670</b>	<b>31.667</b>
17	<b>2016/17 Projected Core Expenditure Need</b>					
18	Excess Staff		0.211			<b>0.211</b>
19	Secondment Income			1.389		<b>1.389</b>
20	Use of Budget Reduction Reserve				(1.301)	<b>(1.301)</b>
21		<b>31.667</b>	<b>1.171</b>	<b>(0.241)</b>	<b>(0.631)</b>	<b>31.966</b>
22	Use of General Balances					<b>(0.150)</b>
23	<b>2016/17 Budget</b>					<b>31.816</b>

## Hereford & Worcester Fire Authority 2016/17

### Revenue Budget Allocation

Col Line	(1) 2015/16 Original Budget £m	(2) In Year Realloc -ation £m	(3) Reverse Use of Reserves £m	(4) PPL Full Year £m	(5) 2015/16 Revised Core £m	(6) Amend- ments £m	(7) 2016/17 Proposed Allocation £m
1 WT FF Pay	12.806	0.087			12.893	(0.899)	11.994
2 RDS FF Pay	3.351	0.025			3.376	0.067	3.443
3 Control Pay	0.702	0.004			0.706	0.016	0.722
4 Support Pay	3.009	0.249		(0.143)	3.115	0.071	3.186
5 Other Employee Costs	0.061				0.061		0.061
6 Unfunded Pensions	0.966	0.009			0.975		0.975
7 Strategic Management	0.104	0.004			0.108		0.108
8 New Dimensions	0.100	0.009			0.109		0.109
9 TFS	0.016				0.016		0.016
10 CFS	0.169	0.005			0.174		0.174
11 Training Dept.	0.569	0.006			0.575		0.575
12 Fleet	0.590	(0.032)			0.558		0.558
13 Ops Logistics	1.511	0.052			1.563		1.563
14 Ops Policy	0.084	(0.006)			0.078		0.078
15 Personnel	0.298	0.049			0.347	(0.020)	0.327
16 P&I	0.100	(0.012)			0.088		0.088
17 FRA Costs	0.059				0.059		0.059
18 ICT	1.078	0.036	(0.012)		1.102	0.090	1.192
19 Facilities Mngt	2.329	(0.340)	(0.158)	(0.006)	1.825	(0.036)	1.789
20 PPL Charges		0.229		0.149	0.378		0.378
21 PPL on-off Costs		0.096			0.096	(0.096)	0.000
22 Insurances	0.291				0.291		0.291
23 Finance (FRS)	0.111	(0.009)			0.102	(0.080)	0.022
24 Finance SLA	0.098				0.098		0.098
25 Capital Financing	3.154				3.154	0.035	3.189
26 Legal Services	0.023	0.005			0.028		0.028
27	31.579	0.466	(0.170)	0.000	31.875	(0.852)	31.023
28 Pay Award Provision 15/16	0.436	(0.161)			0.275	(0.275)	0.000
29 Pay Award Provision 16/17					0.000	0.444	0.444
30 Inflation Contingency 15/16	0.260	(0.135)			0.125	(0.125)	0.000
31 Inflation Contingency 16/17					0.000	0.200	0.200
32 <b>Core Budget</b>	<b>32.275</b>	<b>0.170</b>	<b>(0.170)</b>	<b>0.000</b>	<b>32.275</b>	<b>(0.608)</b>	<b>31.667</b>
33 Excess Staff (net)	0.603	0.357			0.960	0.211	1.171
34 Secondment Income	(1.273)	(0.357)			(1.630)	1.389	(0.241)
35	31.605	0.170	(0.170)	0.000	31.605	0.992	32.597
36 Use of Devpt.Contingency	0.000	(0.170)	0.170		0.000		0.000
37 To/(from) Budget Reduction Reserve	0.670				0.670	(1.301)	(0.631)
38 To/(from) General Balances	0.000				0.000	(0.150)	(0.150)
39 <b>Net Budget</b>	<b>32.275</b>	<b>(0.000)</b>	<b>0.000</b>	<b>0.000</b>	<b>32.275</b>	<b>(0.459)</b>	<b>31.816</b>

## Hereford & Worcester Fire Authority 2016-17

### Council Tax Requirement Calculation

	2015/16 Total	2016/17 Expenditure	2016/17 Income	2016/17 Reserves	2016/17 Total
Core Budget	£32,275,000.00	£31,858,000.00	(£191,000.00)		£31,667,000.00
Net Cost Excess Staff	£603,000.00	£1,171,000.00			£1,171,000.00
Secondment Income	(£1,273,000.00)		(£241,000.00)		(£241,000.00)
To/(From) Budget Reduction Reserve	£670,000.00			(£631,000.00)	(£631,000.00)
To/(From) General Balances				(£150,000.00)	(£150,000.00)
<b>NET BUDGET</b>	<b>£32,275,000.00</b>	<b>£33,029,000.00</b>	<b>(£432,000.00)</b>	<b>(£781,000.00)</b>	<b>£31,816,000.00</b>
<b>Less: New Dimensions/Firelink etc. Grants</b>					
S31: Fire Revenue Grant (Firelink/New Dimensions)	(£1,132,279.00)		(£1,085,279.00)		(£1,085,279.00)
<b>Less: Formula/Support Grants:</b>					
Revenue Support Grant	(£5,555,416.00)		(£4,464,270.00)		(£4,464,270.00)
Business Rate Top Up Grant	(£2,821,117.00)		(£2,844,626.00)		(£2,844,626.00)
<b>Less: Retained Share of Business Rates (1%)</b>					
Baseline	(£2,341,149.00)		(£2,360,659.00)		(£2,360,659.00)
Local Forecasts	£152,653.00		£256,479.00		£256,479.00
S31: Business Rate Initiatives	(£208,852.00)		(£134,808.00)		(£134,808.00)
Collection Fund Loss Reserve	(£84,282.00)			(£45,718.00)	(£45,718.00)
<b>GROSS PRECEPT</b>	<b>£20,284,558.00</b>	<b>£33,029,000.00</b>	<b>(£11,065,163.00)</b>	<b>(£826,718.00)</b>	<b>£21,137,119.00</b>
<b>Less: Collection Fund Deficits/(Surpluses)</b>					
Bromsgrove	(£43,086.00)		(£57,602.00)		(£57,602.00)
Herefordshire	(£72,529.00)		(£70,027.00)		(£70,027.00)
Malvern Hills	£0.00		£0.00		£0.00
Redditch	(£19,386.00)		(£36,585.00)		(£36,585.00)
Worcester	(£15,196.00)		(£28,186.00)		(£28,186.00)
Wychavon	(£46,008.00)		(£61,307.00)		(£61,307.00)
Wyre Forest	(£26,049.00)		(£32,595.00)		(£32,595.00)
<b>COUNCIL TAX REQUIREMENT</b>	<b>£20,062,304.00</b>	<b>£33,029,000.00</b>	<b>(£11,351,465.00)</b>	<b>(£826,718.00)</b>	<b>£20,850,817.00</b>
<b><u>Tax-base : Band D Equivalent</u></b>					
Bromsgrove	34,907.84				35,404.87
Herefordshire	65,848.29				66,873.00
Malvern Hills	28,939.72				29,373.25
Redditch	24,846.71				25,144.49
Worcester	30,023.00				30,643.00
Wychavon	45,884.27				47,158.02
Wyre Forest	31,814.00				32,727.00
	<b>262,263.83</b>				<b>267,323.63</b>
Precept - Band D Equivalent	£76.496648				£77.998406
<b>Band D</b> (rounded to 2 decimal places)	<b>£ 76.50</b>				<b>£ 78.00</b>
<b><u>Total Precept on Billing Authorities</u></b>					
Bromsgrove	£2,670,332.76				£2,761,523.41
Herefordshire	£5,037,173.49				£5,215,987.40
Malvern Hills	£2,213,791.59				£2,291,066.68
Redditch	£1,900,690.04				£1,961,230.14
Worcester	£2,296,658.88				£2,390,105.15
Wychavon	£3,509,992.87				£3,678,250.39
Wyre Forest	£2,433,664.37				£2,552,653.83
	<b>£20,062,304.00</b>				<b>£20,850,817.00</b>
check	£0.00				£0.00
<b>Equivalent to Tax at Band (Ratio to Band D)</b>					
A 6/9	£ 51.0000				£ 52.0000
B 7/9	£ 59.5000				£ 60.6700
C 8/9	£ 68.0000				£ 69.3300
<b>D 9/9</b>	<b>£ 76.5000</b>				<b>£ 78.0000</b>
E 11/9	£ 93.5000				£ 95.3300
F 13/9	£ 110.5000				£ 112.6700
G 15/9	£ 127.5000				£ 130.0000
H 18/9	£ 153.0000				£ 156.0000

## Hereford & Worcester Fire Authority 2016-17

### Medium Term Financial Forecasts

Col Row	1	2 2017/18 Forecast £m	3 2018/19 Forecast £m	4 2019/20 Forecast £m
1	<b>2015/16 CORE BUDGET</b>	<b>31.667</b>	<b>31.667</b>	<b>31.667</b>
	<b><u>Cost Pressures</u></b>			
2	Pay Awards	0.454	0.908	1.362
3	General Inflation Contingency	0.200	0.500	0.800
4	LGPS Revaluation	0.020	0.040	0.060
5	Capital Programme	0.036	(0.031)	0.030
6	"Apprentice" Levy	0.070	0.070	0.070
7		<b>32.447</b>	<b>33.154</b>	<b>33.989</b>
	<b><u>Savings</u></b>			
8	FDS Review	(0.031)	(0.031)	(0.031)
9	JPV Savings	(0.042)	(0.074)	(0.143)
10	ESMCP Provision		(0.020)	(0.020)
11	Other	(0.010)	(0.010)	(0.010)
12	<b>CORE BUDGET FORECAST</b>	<b>32.364</b>	<b>33.019</b>	<b>33.785</b>
	<b><u>One-Off Costs</u></b>			
13	Excess Staff	1.037	0.589	0.096
14	<b>GROSS BUDGET FORECAST</b>	<b>33.401</b>	<b>33.608</b>	<b>33.881</b>
15	to/(from) Budget Reduction Reserve	(1.037)	(0.589)	(0.096)
16	to/(from) CSR Phasing Reserve	(0.574)	(0.386)	
17	to/(from) General Balances	(0.150)		
18	<b>BUDGET REQUIREMENT FORECAST</b>	<b>31.640</b>	<b>32.633</b>	<b>33.785</b>
		<b>2017/18 Forecast £m</b>	<b>2018/19 Forecast £m</b>	<b>2019/20 Forecast £m</b>
17	Assumed Business Rate increase	2.00%	2.00%	2.00%
18	Indicative Grant Reductions	-17.70%	-10.00%	-5.50%
19	Assumed Tax-base Increase	1.35%	1.27%	1.25%
20	Assumed Band D Tax Increase	1.96%	1.96%	1.96%
21	Consolidated Revenue Support Grant	(6.014)	(5.413)	(5.118)
22	Fire Revenue Grant	(1.097)	(0.967)	(0.837)
23	Retained Business Rates	(2.283)	(2.329)	(2.375)
24	Council Tax Precept	(21.548)	(22.249)	(22.970)
25	<b>PROJECTED RESOURCES</b>	<b>(30.942)</b>	<b>(30.958)</b>	<b>(31.300)</b>
		<b>2017/18 Forecast £m</b>	<b>2018/19 Forecast £m</b>	<b>2019/20 Forecast £m</b>
27	<b>BUDGET GAP</b>	<b>0.698</b>	<b>1.675</b>	<b>2.485</b>

## **Hereford & Worcester Fire Authority** **Statement of Prudential Indicators** **and Minimum Revenue Provision Policy**

### **Introduction : Prudential Indicators**

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. Since 1 April 2004, Local Authorities are no longer subject to government controlled borrowing approvals and are free to determine their own level of capital investment controlled by self-regulation.

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 Authority should operate to ensure the objectives of the Prudential Code are met.

### **Introduction : Minimum Revenue Provision (MRP) Policy**

This is the amount charged every year to provide for the repayment of long term loans used to finance capital assets.

Under provisions of the Local Authorities (Capital Finance and Accounting) (England) Amendment) Regulations 2008, the FRA is required to “determine an amount of MRP which is considered to be prudent”.

The Fire Authority has a statutory requirement to determine an MRP policy prior to the start of the financial year.

In considering a prudent MRP policy the Fire Authority needs to take into account the statutory guidance provided by CLG, and the issue of affordability. The guidance states that “provision for the borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service” – the “Asset Life” method.

## **Prudential Indicators**

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

### **1. Net Borrowing and the Capital Financing Requirement**

This Prudential Indicator provides an overarching requirement that all the indicators operate within and is described in the Prudential Code as follows:

**“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 Fire Authority had no difficulty meeting this requirement since 2002/03, nor are any difficulties envisaged for the current or future years. This view takes into account all plans and commitments included in the 2016/17 Budget and MTFP.**

### **2 Capital Expenditure**

The actual amount of capital expenditure that was incurred since 2014/15, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2016/17 Budget and MTFP are as follows:

	<b>2014/15 Actual £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>
Capital Expenditure	4,809	2,467	10,918	4,150	6,575	4,512
Leased Assets	313	52	-	425	150	34
	<b>5,122</b>	<b>2,519</b>	<b>10,918</b>	<b>4,575</b>	<b>6,725</b>	<b>4,546</b>

### **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 Fire Authority 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 Fire and Rescue Authority's budget net of any transfers to or from the balances.

The prediction of the Net Revenue Stream in this Prudential Indicator for future years assumes increases in the Fire Authority's funding from government and the local taxpayer consistent with expectations in the Medium Term Financial Strategy. This is indicative only and in no way meant to influence the actual future years funding or in particular the funding from Precepts.

The indicator only requires that the costs associated with capital expenditure are measured in this way. However the Fire Authority 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.

The rise in this ratio is partially due to the fact that capital expenditure prior to the formation of the FRA is not charged to the Fire Authority; (In other words, the Fire Authority inherited all its assets without any cost. Thus, as investment is made in vehicles, for example the increased costs are in the Fire Authority accounts but the savings are elsewhere); and partly due to inflation between original purchase and replacement purchase e.g. over 15 years for a fire appliance.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financing Costs	1,756	2,723	2,939	2,975	2,908	2,969
Net Revenue Stream	31,366	31,143	30,731	29,845	29,991	30,463
Ratio	5.60%	8.74%	9.56%	9.97%	9.70%	9.75%

### **3. Capital Financing Requirement**

The capital financing requirement (CFR) is a measure of the extent to which the Fire Authority 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 Fire Authority 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 flows 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.

Estimates of the end of year capital financing requirement are shown below

	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000
CFR at 31st March	17,859	17,151	21,351	23,538	27,214	28,964

#### 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. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary.

These limits are higher than set in previous years to reflect the decisions taken by the Fire Authority to switch from leasing to more cost effective borrowing for the acquisition of operational vehicles.

**The Fire Authority should note that the Authorised Limit represents the limit specified in section 3 (1) of the Local Government Act 2003 (Duty to determine affordable borrowing limit).**

The following Authorised Limits for external debt, excluding temporary investments are recommended:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Authorised Limit</b>				
External Borrowing	26,000	29,000	32,000	34,000

## **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 Treasurer reports that procedures are in place to monitor the Operational Boundary on a daily basis, via the SLA with WCC and that sufficient authorisation is in place to take whatever action is necessary to ensure that, in line with the Treasury Management Strategy, the cash flows of the Fire Authority are managed prudently.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together.

Both the Authorised Limit and the Operational Boundary include an element relating to debt restructuring where, for the short term only, external borrowing may be made in advance of the repayment of loans. In this circumstance External Borrowing is increased temporarily until the replaced loans are repaid. The converse can also apply where loans are repaid in advance of borrowings.

The following limits (shown overleaf) for each year's Operational Boundary, excluding temporary investments are recommended:

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Operational Boundary</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
External Borrowing	24,000	26,000	30,000	32,000

## **6. Actual External Debt**

The Fire Authority's actual external debt as at 31 March 2015 was £13.971 million; comprising £13.971 million External Borrowing and £0 (zero) Other Long Term Liabilities. During 2015/16 £0.834 million of external debt is scheduled for repayment.

## **7. The Incremental Impact of Capital Investment Decisions on the Council Tax**

This indicator identifies specifically the additional cost to the taxpayer of the **new** capital investment proposed in the 2016-17 – 2019/20 Capital Programme. As the indicator deals only with new investment the impact of the previously approved programme was included in the equivalent report provided to the Authority in Feb 2015.

The incremental impact identifies transactions that will occur **over and above** what has already been provided for in the 2015/16 revenue budget and projected in the MTFP and assumes the funding available in 2015/16 will be carried forward in the future year's base budgets.

The incremental impact has been calculated using forward estimates of funding consistent with expectations in the Medium Term Financial Plan.

The impact on the revenue budget, and therefore the Council Tax, is felt by a combination of the following: debt costs of the new borrowing, the amount set aside from revenue to repay the principal element of external borrowing (Minimum Revenue Provision) and the revenue impact of a capital project

It should be noted that borrowing itself does not fund capital expenditure since the loans have to be repaid eventually. The actual funding comes from the Minimum Revenue Provision which is statutorily charged to revenue each year.

The estimate of the incremental impact of the capital investment detailed in the 2017/18 Budget on the Council Tax is as follows:

	2016/17	2017/18	2018/19	2019/20
Incremental Impact on Band D	£ -	£ -	£ -	£ -

## **PRUDENTIAL INDICATORS FOR TREASURY MANAGEMENT**

### **8. Treasury Management Code of Practice**

The Fire Authority has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA): Code of Practice for Treasury Management in the Public Services.

The Treasury Management function is carried out on behalf of the Authority by Worcestershire County Council, who have also adopted the Treasury Management Code of Practice.

## **9. Fixed Interest Rate Exposures**

It is recommended that the Fire Authority sets an upper limit on its fixed interest rate exposures as follows.

### **Upper limits for net principal sums outstanding at fixed rates**

	2016/17	2017/18	2018/19	2019/20
<b>Fixed Interest Rate Exposure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Upper Limit	26,000	29,000	32,000	34,000

This represents the position that all of the Fire Authority's authorised external borrowing may be at a fixed rate at any one time.

## **10. Variable Interest Rate Exposures**

It is recommended that the Fire Authority sets an upper limit on its variable interest rate exposures as follows.

### **Upper limits for net principal sums outstanding at variable rates**

	2016/17	2017/18	2018/19	2019/20
<b>Variable Interest Rate Exposure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Upper Limit	7,000	7,000	8,000	9,000

This is the maximum external borrowing judged prudent by the Treasurer that the Fire Authority should expose to variable rates.

## **11. Maturity Structure of Borrowing**

It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

**Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.**

<b>Period of Maturity</b>	<b>Upper Limit</b>	<b>Lower Limit</b>
	<b>%</b>	<b>%</b>
Under 12 months	25	0
12 months and within 24 months	25	0
24 months and within 5 years	50	0
5 years and within 10 years	75	0
10 years and above	95	25

## **12. Investments for longer than 364 days**

It is recommended that the upper limits of total principal sums invested for periods longer than 364 days are £5 million for each year.

### **Minimum Revenue Provision (MRP) Policy**

To continue the policy previously adopted i.e.:

1. Vehicle Expenditure before 2008/09 – MRP on a proxy Asset Life basis using original cost, less cumulative MRP, over the remaining useful life of the individual vehicle types.
2. Expenditure before 2008/09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less cumulative MRP over average asset life as above
3. All expenditure from 2008/09 onwards - MRP using an Asset life basis:-
  - Buildings over 50 years – per depreciation policy;
  - IT equipment over 5 years - reflecting average life
  - Other Equipment over 7 years – reflecting actual average usage within the FRS;
  - Vehicles – on actual estimated life of each vehicle type

This means that after a specified time (depending on the life expectancy of the individual asset) there will be no further charge to the Revenue Account for MRP in relation to these assets. For a significant proportion of pre-2008/09 assets this point had been reached by 2014/15.