

Hereford & Worcester Fire Authority 2017/18 Capital Programme

Col.			(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Approved Budget 16-Jun-16 £m	Revised Vehicle Strategy £m	Other Change £m	Proposed Total Budget £m	Cumul. Expd to 2015/16 £m	Forecast Expd in 2016/17 £m	Budget Remaining £m
Line									
<u>Buildings Programme</u>									
1	Malvern FS	older	2.122			2.122	(2.067)	(0.055)	(0.000)
2	Worcester FS	older	4.429			4.429	(4.336)	(0.093)	0.000
3	Evesham FS	2015/16	4.099			4.099	(0.536)	(3.507)	0.056
4	Hereford FS - Preliminaries	2015/16	0.095			0.095	(0.061)		0.034
5	Day Crew Plus Works	2015/16	0.550			0.550	(0.258)	(0.286)	0.006
6	Schemes requiring formal P&R approval #	2015/16	12.833		8.111	20.944	(1.714)	(0.075)	19.155
7			24.128	0.000	8.111	32.239	(8.972)	(4.016)	19.251
<u>Vehicle Programme</u>									
8	Command Unit Replacement	2015/16	0.350			0.350			0.350
9	Replacement Pumps	2015/16	1.150	0.050		1.200	(0.539)	(0.661)	0.000
10	USAR Dog Van	2015/16	0.029			0.029	(0.027)		0.002
11	USAR ISV	2015/16	0.081			0.081	(0.063)	(0.007)	0.011
12	Replacement Pumps	2016/17	1.150	(1.150)		0.000			0.000
13	Replacement Response Vehicles	2016/17	0.387	(0.319)		0.068		(0.068)	0.000
14	Replacement Pumps	2017/18	1.150	0.460		1.610			1.610
15	Replacement Response Vehicles	2017/18	0.089	0.078		0.167			0.167
16	Replacement 4x4	2017/18	0.000	0.190		0.190			0.190
17	Replacement Water Carrier	2017/18	0.290	(0.290)		0.000			0.000
18	Replacement RAV	2017/18	0.000	0.230		0.230			0.230
19	Boats	2017/18	0.040	(0.040)		0.000			0.000
20	Replacement White Fleet (Vans etc.)	2017/18	0.000	0.330		0.330			0.330
21	Replacement Pumps	2018/19	1.150			1.150			1.150
22	Replacement Response Vehicles	2018/19	0.585	0.046		0.631			0.631
23	Replacement 4x4	2018/19	0.000	0.190		0.190			0.190
24	Replacement Water Carrier	2018/19	0.290	(0.290)		0.000			0.000
25	Replacement RAV	2018/19	0.230	(0.230)		0.000			0.000
26	Replacement White Fleet (Vans etc.)	2018/19	0.000	0.088		0.088			0.088
27	Replacement Pumps	2019/20	1.840	(1.840)		0.000			0.000
28	Replacement Response Vehicles	2019/20	0.357	(0.035)		0.322			0.322
29	Replacement 4x4	2019/20	0.050	0.065		0.115			0.115
30	Replacement Water Rescue Vehicle	2019/20	0.065	(0.065)		0.000			0.000
31	Replacement White Fleet (Vans etc.)	2019/20	0.000	0.059		0.059			0.059
32	Replacement Pumps	2020/21	1.150	0.690		1.840			1.840
33	Replacement Response Vehicles	2020/21	0.297	(0.297)		0.000			0.000
34	Replacement 4x4	2020/21	0.000	0.260		0.260			0.260
35	Replacement Off-Road Vehicle	2020/21	0.015	(0.015)		0.000			0.000
36	Replacement White Fleet (Vans etc.)	2020/21	0.000	0.010		0.010			0.010
37			10.745	(1.825)	0.000	8.910	(0.629)	(0.736)	7.545
<u>Other Schemes</u>									
38	C&C Replacement	2010/11	2.287			2.287	(1.954)	(0.010)	0.323
39			2.287	0.000	0.000	2.287	(1.954)	(0.010)	0.323
<u>Minor Schemes requiring SMB allocation</u>									
40	Allocated Schemes	older	1.641			1.641	(0.179)	(0.928)	0.534
41	Minor Property/IT/Comms/Equipment	2016/17	0.600			0.600			0.600
42	Minor Property/IT/Comms/Equipment	2017/18	0.600			0.600			0.600
43	Minor Property/IT/Comms/Equipment	2018/19	0.600			0.600			0.600
44	Minor Property/IT/Comms/Equipment	2019/20	0.600			0.600			0.600
45	Minor Property/IT/Comms/Equipment	2020/21	0.600			0.600			0.600
46			4.641	0.000	0.000	4.641	(0.179)	(0.928)	3.534
47			41.801	(1.825)	8.111	48.077	(11.734)	(5.690)	30.653

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

Hereford & Worcester Fire Authority 2017/18
Personnel Budget

	Whole-time Firefighters FTE	On-Call Retained Firefighters H/C	Control Room Staff FTE	Non- Uniformed Support FTE	TOTAL
Included in Budget 2016/17	232.0	383.0	18.5	103.4	736.9
HR - Supporting RDS recruitment				1.0	1.0
Included in Budget 2017/18	232.0	383.0	18.5	104.4	737.9

Hereford & Worcester Fire Authority 2017/18

Revenue Budget

<i>Col.</i>		2	3	4	5	6
		Core	Excess	Second	Bud Red	NET
<i>Line</i>		Budget	Staff	Income	Reserve	Budget
		£m	£m	£m	£m	£m
1	2016/17 Budget	31.693	1.171	(0.241)	(0.631)	31.992
2	Saving from 2016 Pay award provision	(0.281)				(0.281)
3	Saving from 2016/17 Inflation provision	(0.156)				(0.156)
4	Pay Awards	0.227				0.227
5	General Inflation Contingency	0.200				0.200
6	LGPS Revaluation	0.090				0.090
7	"Apprentice" Levy	0.070				0.070
8	PPL - Business Case Savings	(0.042)				(0.042)
9	HQ Rental Service Charges	(0.050)				(0.050)
10	Capital Programme	(0.064)				(0.064)
11	2017/18 Projected Core Expenditure Need	31.687	1.171	(0.241)	(0.631)	31.986
12	Excess Staff		(0.134)			(0.134)
13	Secondment Income			0.241		0.241
14	Use of Budget Reduction Reserve				(0.406)	(0.406)
15	2017/18 Net Budget	31.687	1.037	0.000	(1.037)	31.687

Hereford & Worcester Fire Authority 2017/18

Revenue Budget Allocation

Col.		(2)	(3)	(4)	(5)	(6)	(8)
		2016/17 Original Budget £m	2016/17 Permanent Reallocation £m	2016/17 Pay Awards £m	2016/17 Revised Budget £m	2017/18 Changes Appendix 3 £m	2017/18 Proposed Allocation £m
Line							
1	Whole-time Fire-fighter Pay	11.994		0.099	12.093		12.093
2	Retained Fire-fighter Pay	3.443	(0.030)	0.026	3.439		3.439
3	Control Pay	0.722		0.006	0.728	0.002	0.730
4	Support Pay	3.186	0.030	0.032	3.248	0.008	3.256
5	Other Employee Costs	0.061			0.061	0.070	0.131
6	Unfunded Pension Costs	0.975			0.975	0.080	1.055
7	Employee Related	20.381	0.000	0.163	20.544	0.160	20.704
8	Strategic Management	0.108	(0.014)		0.094		0.094
9	New Dimensions	0.109	(0.014)		0.095		0.095
10	Operational Policy	0.078	(0.013)		0.065		0.065
11	Technical Fire Safety	0.016			0.016		0.016
12	Community Safety	0.174	(0.003)		0.171		0.171
13	Training	0.575			0.575		0.575
14	Fleet	0.558	(0.030)		0.528		0.528
15	Operational Logistics	1.563	(0.402)		1.161		1.161
16	Information & Comms Technology	1.192	0.402		1.594		1.594
17	Human Resources/Personnel	0.327	0.077		0.404		0.404
18	Policy & Information	0.088	(0.006)		0.082		0.082
19	Corporate Communications		0.022		0.022		0.022
20	Legal Services	0.028			0.028		0.028
21	Property/Facilities Management	1.789	0.045		1.834	(0.042)	1.792
22	PPL Charges	0.378	(0.037)		0.341		0.341
23	Authority Costs	0.059	0.005		0.064		0.064
24	Committee Services		0.004		0.004		0.004
25	Insurances	0.291	0.025		0.316		0.316
26	Finance (FRS)	0.022			0.022	(0.050)	(0.028)
27	Finance SLA	0.098			0.098		0.098
28	Budget-Holders	7.453	0.061	0.000	7.514	(0.092)	7.422
29	Capital Financing	3.189			3.189	(0.064)	3.125
30	Capital Financing	3.189	0.000	0.000	3.189	(0.064)	3.125
31	Pay Award Provision 16/17	0.444		(0.163)	0.281	(0.281)	0.000
32	Pay Award Provision 17/18	0.000			0.000	0.227	0.227
33	Inflation Contingency 16/17	0.200	(0.044)		0.156	(0.156)	0.000
34	Inflation Contingency 17/18	0.000			0.000	0.200	0.200
35	Unallocated Budget	0.026	(0.017)		0.009		0.009
36	Provisions/Contingencies	0.670	(0.061)	(0.163)	0.446	(0.010)	0.436
37	Core Budget	31.693	0.000	0.000	31.693	(0.006)	31.687
38	Excess Staff (net)	1.171			1.171	(0.134)	1.037
39	Secondment Income	(0.241)			(0.241)	0.241	0.000
40		0.930	0.000	0.000	0.930	0.107	1.037
41	To/(from) Budget Reduction Reserve	(0.631)			(0.631)	(0.406)	(1.037)
42	To/(from) Other Reserve	0.000	0.000		0.000		0.000
43		(0.631)	0.000	0.000	(0.631)	(0.406)	(1.037)
44	Net Budget	31.992	0.000	0.000	31.992	(0.305)	31.687

Hereford & Worcester Fire Authority 2017/18

Medium Term Financial Forecasts

Col Row	1	2 2017/18 Budget £m	2 2018/19 Forecast £m	3 2019/20 Forecast £m	4 2020/21 Estimate £m
1	PRIOR YEAR CORE BUDGET	n/a	31.687	31.925	33.069
2	Pay Awards		0.227	0.227	0.227
3	General Inflation Contingency		0.300	0.300	0.300
4	LGPS Revaluation		0.010	0.010	
5	Capital Programme		(0.267)	0.361	
6	FF Pensions Employers Contribution Rates			0.315	
7	JPV Savings		(0.032)	(0.069)	0.000
8	ESMCP Provision				(0.020)
9	CORE BUDGET FORECAST	31.687	31.925	33.069	33.576
	<u>One-Off Costs</u>				
10	Excess Staff	1.037	0.589	0.096	
11	to/(from) Budget Reduction Reserve	(1.037)	(0.589)	(0.096)	
12	GROSS BUDGET FORECAST	31.687	31.925	33.069	33.576
13	to/(from) CSR Phasing Reserve	(0.574)	(0.386)		
14	to/(from) General Balances		(0.300)		
15	to/(from) NNDR Reserve	(0.045)			
16	BUDGET REQUIREMENT FORECAST	31.068	31.239	33.069	33.576
		2017/18 Budget £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Estimate £m
17	Assumed Business Rate increase		2.00%	2.00%	2.00%
18	Indicative Grant Reductions		-10.00%	-5.50%	-10.00%
19	Assumed Tax-base Increase		1.40%	1.30%	1.20%
20	Assumed Band D Tax Increase		1.96%	1.96%	1.96%
21	Consolidated Revenue Support Grant	(6.266)	(5.681)	(5.406)	(4.865)
22	Transitional Grant	(0.142)			
23	Fire Revenue Grant	(1.085)	(0.985)	(0.835)	(0.835)
24	Rural Services Delivery Grant	(0.088)	(0.067)	(0.088)	
25	Retained Business Rates & Section 31 Grant	(2.341)	(2.388)	(2.435)	(2.483)
	Business Rates Collection Fund	(0.025)			
27	Council Tax Precept	(21.636)	(22.369)	(23.104)	(23.840)
28	Council Tax Collection Fund	(0.238)			
29	PROJECTED RESOURCES	(31.821)	(31.490)	(31.868)	(32.023)
		2017/18 Budget £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Estimate £m
30	BUDGET GAP	(0.753)	(0.251)	1.201	1.553
31	Further use of Budget Reduction Reserve	0.753	0.251	(1.201)	(1.553)
32	BALANCED BUDGET	0.000	0.000	0.000	0.000
					TOTAL (1.750)

Hereford & Worcester Fire Authority 2017/18

Council Tax Requirement Calculation

	2016/17 Total	2017/18 Expenditure	2017/18 Income	2017/18 Reserves	2017/18 Total
Core Budget	£31,693,000.00	£31,928,000.00	(£241,000.00)		£31,687,000.00
Net Cost Excess Staff	£1,171,000.00	£1,037,000.00			£1,037,000.00
Secondment Income	(£241,000.00)		£0.00		£0.00
To/(From) Budget Reduction Reserve- Excess Staff	(£631,000.00)			(£1,037,000.00)	(£1,037,000.00)
To/(From) Budget Reduction Reserve- Other	£0.00			£753,440.00	£753,440.00
To/(From) Grant Reduction (CSR) Reserve	£0.00			(£574,000.00)	(£574,000.00)
To/(From) NNDR Reserve	£0.00			(£45,718.00)	(£45,718.00)
Less: Formula/Support Grants:					
Revenue Support Grant	(£4,464,270.00)		(£3,113,008.00)		(£3,113,008.00)
Business Rate Top Up Grant	(£2,844,626.00)		(£3,152,927.00)		(£3,152,927.00)
Transition Grant	(£113,064.00)		(£142,347.00)		(£142,347.00)
Less: Other Grants					
S31: Fire Revenue Grant (Firelink/New Dimensions)	(£1,085,279.00)		(£1,085,279.00)		(£1,085,279.00)
Rural Services Delivery Grant	(£108,451.00)		(£87,569.00)		(£87,569.00)
Less: Retained Share of Business Rates (1%)					
Baseline	(£2,360,659.00)		(£2,158,630.00)		(£2,158,630.00)
Local Forecasts	(£17,680.00)		(£14,417.00)		(£14,417.00)
Collection Fund Deficit/(Surplus)	£274,159.00		(£25,053.00)		(£25,053.00)
S31: Business Rate Initiatives	(£134,808.00)		(£167,720.00)		(£167,720.00)
GROSS PRECEPT	£21,137,322.00	£32,965,000.00	(£10,187,950.00)	(£903,278.00)	£21,873,772.00
Less: Collection Fund Deficits/(Surpluses)					
Bromsgrove	(£57,602.00)		(£30,220.00)		(£30,220.00)
Herefordshire	(£70,027.00)		(£60,000.00)		(£60,000.00)
Malvern Hills	£0.00		(£19,580.00)		(£19,580.00)
Redditch	(£36,585.00)		(£2,616.00)		(£2,616.00)
Worcester	(£28,186.00)		(£44,920.00)		(£44,920.00)
Wychavon	(£61,307.00)		(£50,283.00)		(£50,283.00)
Wyre Forest	(£32,595.00)		(£30,085.00)		(£30,085.00)
COUNCIL TAX REQUIREMENT	£20,851,020.00	£32,965,000.00	(£10,425,654.00)	(£903,278.00)	£21,636,068.00
<u>Tax-base : Band D Equivalent</u>					
Bromsgrove	35,404.87				36,056.65
Herefordshire	66,873.00				67,598.21
Malvern Hills	29,373.25				30,005.92
Redditch	25,144.49				25,509.11
Worcester	30,643.00				31,141.00
Wychavon	47,158.02				48,704.25
Wyre Forest	32,727.00				33,034.00
	267,323.63				272,049.14
Precept - Band D Equivalent	£77.999165				£79.530000
Band D (rounded to 2 decimal places)	£ 78.00				£ 79.53
<u>Total Precept on Billing Authorities</u>					
Bromsgrove	£2,761,550.31				£2,867,585.35
Herefordshire	£5,216,038.18				£5,376,085.62
Malvern Hills	£2,291,088.98				£2,386,370.81
Redditch	£1,961,249.23				£2,028,739.51
Worcester	£2,390,128.42				£2,476,643.72
Wychavon	£3,678,286.20				£3,873,448.98
Wyre Forest	£2,552,678.68				£2,627,194.01
	£20,851,020.00				£21,636,068.00
<i>check</i>	<i>£0.00</i>				<i>£0.00</i>
Equivalent to Tax at Band (Ratio to Band D)					
A 6/9	£ 52.0000				£ 53.0200
B 7/9	£ 60.6700				£ 61.8600
C 8/9	£ 69.3300				£ 70.6900
D 9/9	£ 78.0000				£ 79.5300
E 11/9	£ 95.3300				£ 97.2000
F 13/9	£ 112.6700				£ 114.8800
G 15/9	£ 130.0000				£ 132.5500
H 18/9	£ 156.0000				£ 159.0600

Hereford & Worcester Fire Authority 2017/18

Useable Revenue Reserves

Row	2	3	4	5	6		
Col	Balance at 31- Mar-2016 £m	Expected use	When	Amount £m	Remaining £m		
<u>General (Un-earmarked) Reserves</u>							
1	General Balances	1.838	in MTFP to support expenditure	2018/19	(0.300)	1.538	
2		1.838		(0.300)	1.538		
<u>Earmarked Reserves</u>							
3	Property Maintenance Reserve	0.213	PPL to manage delayed expenditure	2016/17	(0.213)	0.000	
4	Equipment Reserve	0.394	Funding new Cutting gear	tbc	(0.394)	0.000	
5	Capital Financing Reserve	0.575	Funding new Cutting gear	tbc	(0.575)	0.000	
6	Vehicle Financing Reserve	0.042	Financing Capital Expenditure	2016/17	(0.042)	0.000	
7	Fire Control Reserve	0.267	to fund completion of C&C	tbc	(0.267)	0.000	
8	YFA Reserve	0.017	to fund YFA Activity	tbc	(0.017)	0.000	
9	ICP Workwear	0.004		tbc	(0.004)	0.000	
10		1.512		(1.512)	0.000		
11	Pensions Reserve	0.422				0.422	
12	Operational Activity Reserve	0.600				0.600	
13	New Dimensions Reserve	0.381	funding HVP accommodation	by 2018/19	(0.140)	0.241	
14	Development Reserve	0.311				0.311	
15	Insurance Reserve	0.130	to fund "long-tailed" claims	tbc	(0.130)	0.000	
16	Pensions Tribunal Reserve	0.400	funding potential HMRC Tribunal	2017/18	(0.400)	0.000	
17		2.244				1.574	
18	CSR Grant Phasing Reserve	1.185	in MTFP to support expenditure	by 2019/20	(0.960)	0.225	
19	Business Rates Reserve	0.046	in MTFP to support expenditure	2017/18	(0.046)	0.000	
20	Budget Reduction Reserve	4.677	in MTFP to support expenditure	by 2019/20	(1.722)	2.955	
21		5.908		(2.728)	3.180		
22		9.664		(4.240)	4.754		
					Remaining £m		
					CSR Grant Phasing Reserve	0.225	
					Business Rates Reserve	0.000	
					Budget Reduction Reserve	2.955	
						3.180	
					to smooth remaining budget gap	by 2020/21	(1.750)
						1.430	

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 2017/18 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:

	2015/16 Actual £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Capital Expenditure	3,315	5,813	7,310	14,458	4,269	2,710
Leased Assets	52	-	-	-	-	-
	3,367	5,813	7,310	14,458	4,269	2,710

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.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
Financing Costs	1,726	2,689	2,875	2,608	2,608	2,608
Net Revenue Stream	31,059	30,907	30,712	30,478	31,006	31,161
Ratio	5.56%	8.70%	9.36%	8.56%	8.41%	8.37%

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

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
CFR at 31st March	18,142	19,139	23,240	28,213	30,308	30,844

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:

	2017/18	2018/19	2019/20	2020/21
Authorized Limit	£000	£000	£000	£000
External Borrowing	28,000	33,000	35,000	36,000

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:

	2017/18	2018/19	2019/20	2020/21
Operational Boundary	£000	£000	£000	£000
External Borrowing	26,000	31,000	33,000	33,000

6. Actual External Debt

The Fire Authority's actual external debt as at 31 March 2015 was £13.971 million; comprising £13.137 million External Borrowing and £0 (zero) Other Long Term Liabilities. During 2015/16 £0.500 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 2017-18 – 2020/21 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 FRA in Feb 2016.

The incremental impact identifies transactions that will occur **over and above** what has already been provided for in the 2016/17 revenue budget and projected in the MTFP and assumes the funding available in 2016/17 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 2018/19 Budget on the Council Tax is as follows:

	2017/18	2018/19	2019/20	2020/21
Incremental Impact on Band D	-£0.27	-£0.84	-£1.01	-£1.04

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

	2017/18	2018/19	2019/20	2020/21
Fixed Interest Rate Exposure	£000	£000	£000	£000
Upper Limit	28,000	33,000	35,000	36,000

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

	2017/18	2018/19	2019/20	2020/21
Variable Interest Rate Exposure	£000	£000	£000	£000
Upper Limit	7,000	7,000	9,000	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.

Period of Maturity	Upper Limit	Lower Limit
	%	%
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.