M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Devon and Somerset Fire and Rescue Authority

(see below)

SERVICE HEADQUARTERS
THE KNOWLE
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Your ref :
Our ref :
Website : www.dsfire.gov.uk

Date : 4 February 2011
Please ask for : Steve Yates
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Devon & Somerset Fire & Rescue Authority

(Budget Meeting)

Monday 14 February 2011

The Budget Meeting of the Devon & Somerset Fire & Rescue Authority will be held on the above date, **commencing at 10:00 hours in the Conference Rooms in Somerset House, Service Headquarters** to consider the following matters.

A LARGE PRINT VERSION OF THIS AGENDA IS AVAILABLE ON REQUEST

M. Pearson
Clerk to the Authority

A G E N D A

1. **Apologies**

2. **Minutes** of the meeting of the Authority held on 16 December 2010 attached (Page 1).

3. **Items Requiring Urgent Attention**

   Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

4. **Declarations of Interest**

   Members are asked to consider whether they have any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and declare any such interests at this time. *Please refer to the Note 2 at the end of this agenda for guidance on interests.*

PART 1 – OPEN COMMITTEE

5. Questions And Petitions By The Public

In accordance with Standing Orders, to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at the meeting of the Authority. Petitions must relate to matters for which the Authority has a responsibility or which affects the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority by **midday on Wednesday 9 February 2011.**

6. Address By The Fire Brigades Union

In accordance with Standing Order 13, the Fire Brigades Union to address the Authority on the setting of the 2011/12 budget and budgetary issues facing the Authority in future years.

7. Questions From Members Of The Authority

To receive and answer any questions submitted in accordance with Standing Orders.

8. Minutes Of Committees

(a) Community Safety And Corporate Planning Committee

The Chair of the Committee, Councillor Leaves, to **move** the Minutes of the meeting of the Committee held on 13 January 2011 attached (Page 6).

RECOMMENDATION that, in accordance with Standing Orders, the Minutes be adopted.

(b) Human Resources Management And Development Committee

The Chair of the Committee, Councillor Cann, to **move** the Minutes of the meeting of the Committee held on 21 January 2011 attached (Page 8).

RECOMMENDATION that, in accordance with Standing Orders, the Minutes be adopted.

(c) Resources Committee

The Chair of the Committee, Councillor Gordon, to **move** the Minutes of the meeting of the Committee held on 28 January 2011 attached (Page 10).

RECOMMENDATIONS

(i) that the recommendations at Minutes RC/22 (2011/12 Revenue Budget and Council Tax Levels) and RC/23 (Capital Programme 2011/12 to 2013/14) be considered in conjunction with items 9(a), (b) and (c) below;

(ii) that, subject to (a) above and in accordance with Standing Orders, the Minutes be adopted.

(d) Audit And Performance Review Committee

The Chair of the Committee, Councillor Dyke, to **move** the Minutes of the meeting of the Committee held on 2 February 2011 attached (Page 14).

RECOMMENDATION that, in accordance with Standing Orders, the Minutes be adopted.

9. Revenue and Capital Budgets 2011/12

(a) Capital Programme 2011/12 To 2013/14

Report of the Director of Service Support and the Treasurer (DSFRA/11/1) attached (Page 17).

(b) Treasury Management Strategy (Including Prudential and Treasury Indicators Report 2011/12 To 2013/14)

Report of the Treasurer (DSFRA/11/2) attached (Page 26).

(c) 2011/12 Revenue Budget and Council Tax Levels

Report of the Treasurer and Chief Fire Officer (DSFRA/11/3) attached (Page 45).

10. Confirmation of Rates Payable in 2011/12 under the Authority Approved Scheme of Members' Allowances

Report of the Clerk to the Authority (DSFRA/11/4) attached (Page 72).

11. Personal Protective Equipment (PPE) Replacement

Report of the Director of Service Support (DSFRA/11/5) attached (Page 78).

12. Chairman's Announcements

13. Chief Fire Officer's Announcements

14. Exclusion of the Press and Public

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined:

- for items 15 and 16, in Paragraph 4 of Part 1 of Schedule 12A (as amended) to the Local Government Act 1972, namely information relating to consultations between the Authority and representative bodies; and
- for item 17, in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Local Government Act 1972, namely information relating to the business affairs of this and other Authorities.

PART 2 – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PRESS AND PUBLIC

15. Human Resources Management and Development Committee

Exempt Minute of the meeting held on 21 January 2011 attached (Page 82).

RECOMMENDATIONS

(i) that the recommendations at Minute HRMDC/26 (Redundancy Compensation for Compulsory and Voluntary Redundancies) be considered in conjunction with item 16 below)

(ii) that, subject to (i) above and in accordance with Standing Orders, the Minutes be adopted.

16. <u>Redundancy Compensation For Compulsory And Voluntary Redundancies - Further Considerations</u>

Report of the Director of People and Organisational Development (DSFRA/11/6) attached (Page 84).

17. <u>Options For Collaborative Working</u>

Report of the Chief Fire Officer (DSFRA/11/7) attached (Page 91).

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

<u>Membership</u>:-

Healey(Chair), Boyd (Vice Chair), Bown, Burridge-Clayton, Cann, Drean, Dyke, Eastman, Foggin, Fry, Gordon, Gribble, Horsfall, Hughes OBE, Leaves, Manning, Mills, Mrs. Nicholson, Radford, Randall Johnson, Smith, Turner, Way, Woodman and Yeomans.

NOTES

1. ACCESS TO INFORMATION

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Steve Yates on the telephone number shown at the top of this agenda.

2. DECLARATIONS OF INTERESTS BY MEMBERS

What Interests do I need to declare in a meeting?
As a first step you need to declare any personal interests you have in a matter. You will then need to decide if you have a prejudicial interest in a matter.

What is a personal interest?
You have a personal interest in a matter if it relates to any interests which you must register, as defined in Paragraph 8(1) of the Code.

You also have a personal interest in any matter likely to affect the well-being or financial position of:-

(a) you, members of your family, or people with whom you have a close association;

(b) any person/body who employs/has employed the persons referred to in (a) above, or any firm in which they are a partner or company of which they are a director;

(c) any person/body in whom the persons referred to in (a) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or

(d) any body of which you are a Member or in a position of general control or management and which:-

- you have been appointed or nominated to by the Authority; or
- exercises functions of a public nature (e.g. a constituent authority; a Police Authority); or
- is directed to charitable purposes; or
- one of the principal purposes includes the influence of public opinion or policy (including any political party or trade union)

more than it would affect **the majority** of other people in the Authority's area.

Anything that could affect the quality of your life (or that of those persons/bodies listed in (b) to (d) above) either positively or negatively, is likely to affect your/their "well being". If you (or any of those persons/bodies listed in (b) to (d) above) have the potential to gain or lose from a matter under consideration – to a **greater extent** than **the majority** of other people in the Authority's area - you should declare a personal interest.

What do I need to do if I have a personal interest in a matter?
Where you are aware of, **or ought reasonably to be aware of**, a personal interest in a matter you must declare it when you get to the item headed "Declarations of Interest" on the agenda, or otherwise as soon as the personal interest becomes apparent to you, UNLESS the matter relates to or is likely to affect:-

(a) any other body to which you were appointed or nominated by the Authority; or

(b) any other body exercising functions of a public nature (e.g. membership of a constituent authority; other Authority such as a Police Authority);

of which you are a Member or in a position of general control or management. In such cases, provided you do not have a prejudicial interest, you need only declare your personal interest if and when you speak on the matter.

Can I stay in a meeting if I have a personal interest?
You can still take part in the meeting and vote on the matter unless your personal interest is also a prejudicial interest.

What is a prejudicial interest?
Your personal interest will also be a **prejudicial** interest if **all** of the following conditions are met:-

(a) the matter is not covered by one of the following exemptions to prejudicial interests in relation to the following functions of the Authority:-

- statutory sick pay (if you are receiving or entitled to this);
- an allowance, payment or indemnity for members;
- any ceremonial honour given to members;

- setting council tax or a precept; **AND**

(b) the matter affects your financial position (or that of any of the persons/bodies as described in Paragraph 8 of the Code) or concerns a regulatory/licensing matter relating to you or any of the persons/bodies as described in Paragraph 8 of the Code); **AND**

(c) a member of the public who knows the relevant facts would reasonably think your personal interest is so significant that it is likely to prejudice your judgement of the public interest.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest in a matter being discussed at a meeting, you must declare that you have a prejudicial interest (and the nature of that interest) as soon as it becomes apparent to you. You should then leave the room unless members of the public are allowed to make representations, give evidence or answer questions about the matter by statutory right or otherwise. If that is the case, you can also attend the meeting for that purpose.

You must, however, leave the room **immediately after you have finished speaking (or sooner if the meeting so decides)** and you cannot remain in the public gallery to observe the vote on the matter. Additionally, you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

What do I do if I require further guidance or clarification on declarations of interest?

If you feel you may have an interest in a matter that will need to be declared but require further guidance on this, please contact the Clerk to the Authority – preferably before the date of the meeting at which you may need to declare the interest. Similarly, please contact the Clerk if you require guidance/advice on any other aspect of the Code of Conduct.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

16 December 2010

Present:-

Councillors Healey (Chair), Bown, Burridge-Clayton, Cann, Drean, Dyke, Eastman, Foggin, Fry, Gordon, Gribble, Horsfall, Hughes OBE, Leaves, Mills, Mrs. Nicholson, Radford, Randall Johnson, Smith, Turner, Woodman and Yeomans

Apologies:-

Councillors Boyd, Manning and Way

DSFRA/41. Death of Councillor David Viney

Councillor Gordon, at the invitation of the Chairman, paid tribute to the contribution made by Councillor David Viney, both as a Member of the Authority and during its formation, prior to his sudden and tragic death on Saturday 27 November 2010.

The Authority then observed one minutes silence as a mark of respect for Councillor Viney.

(SEE ALSO MINUTES DSFRA/42, 47 AND 49 BELOW)

DSFRA/42. Appointment of Councillor Jonathan Drean to the Authority

The Chair, on behalf of the Authority, welcomed Councillor Jonathan Drean who had been appointed to the Authority by Plymouth City Council following the death of former appointee, Councillor David Viney.

(SEE ALSO MINUTES DSFRA/41 ABOVE AND DSFRA/47 AND 49 BELOW)

DSFRA/43. Minutes

RESOLVED that the Minutes of the meeting of the Authority held on 3 November 2010 be signed as a correct record.

DSFRA/44. Declarations of Interest

Members were invited to consider whether they had any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and to declare any such interests at this time.

Councillors Woodman and Eastman each declared a **personal but non-prejudicial** interest in items relating to South West Regional Fire Control Ltd., the Local Authority Controlled Company (LACC) with overall governance responsibility for the South West Regional Control Centre, by virtue of their being, respectively, an Authority appointed Director and an alternate Director on the Board of the Company.

(SEE ALSO MINUTE DSFRA/48 BELOW)

DSFRA/45. Minutes of Committees

(a) Human Resources Management and Development Committee

The Chairman of the Committee, Councillor Cann, **MOVED** the Minutes of the meeting of the Committee held on 12 November 2010 which had considered, amongst other things:

- a report on the Equality Act 2010 and progress by the Service in relation to its single equality scheme "Making the Connections"; and
- a report on absence management.

RESOLVED that the Minutes be adopted in accordance with Standing Orders.

(b) Audit And Performance Review Committee

The Chairman of the Committee, Councillor Dyke, **MOVED** the Minutes of the meeting of the Committee held on 17 November 2010 which had considered, amongst other things:

- a report on performance by the Service during April to September 2010 against those goals, activities and targets contained in the approved Corporate Plan;
- a progress report from the Audit Commission;
- an update report on introduction of the International Financial Reporting Standard;
- a Service audit and review six monthly report on completed reports and findings against the internal audit plan for the current financial year; and
- a six-month monitoring report against audits undertaken by the Devon Audit Partnership as part of the agreed internal audit plan for the current financial year.

RESOLVED that the Minutes be adopted in accordance with Standing Orders.

(c) Resources Committee

The Chairman of the Committee, Councillor Gordon, **MOVED** the Minutes of the meeting of the Committee held on 29 November 2010 which had considered, amongst other things, a monitoring report of expenditure against the approved 2010/11 revenue budget.

RESOLVED

(i) that the recommendation at Minute RC/18(a) (Revenue Budget Monitoring Report 2010/11) in relation to virements requiring Authority approval, as detailed in the Appendix to these Minutes, be approved;

(ii) that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

DSFRA/46. Devon & Somerset Fire & Rescue Authority Draft Corporate Plan 2011/12 to 2013/14

The Authority considered a report of the Chief Fire Officer (DSFRA/10/25) on proposals for consultation on both the Draft Corporate Plan 2011/12 to 2013/14 and the 2011/12 precept. Although normally undertaken as one exercise, the report proposed separate consultations in light of the exceptional circumstances surrounding the government grant announcement and anticipated public sector spending reductions.

RESOLVED

(a) that the separation of the budget and corporate plan approval process for 2011/12, as outlined in report DSFRA/10/25, be approved;

(b) that the Community Safety and Corporate Planning Committee be delegated authority to approve, at its meeting on 13 January 2011, the draft Corporate Plan 2011/12 to 2013/14 for consultation and the associated consultation plan, with the outcome of the consultation to be considered at the Authority meeting in May 2011; and

(c) that the statutory requirement to consult non-domestic rate payers on the level of precept for the forthcoming financial year be discharged by using a sample size of 100 at an approximate cost of £1,600.

DSFRA/47. General Issues - Requirement to Change Authority Budget Setting Date 2011 and Vacancies on Committees and Outside Bodies

The Authority considered a report of the Clerk to the Authority (DSFRA/10/26) on proposals to change the dates of the Resources Committee (budget) and full Authority budget meeting, to avoid a clash with the Somerset County Council budget meeting, and to appoint to vacancies on the Audit and Performance Review Committee and the Local Government Association General Assembly arising from the recent, sudden death of Councillor Viney.

RESOLVED

(a) that the Authority budget meeting 2011 be held on Monday 14 February 2011, commencing at 10.00hours in the Conference Rooms at Service Headquarters;

(b) that the Resources Committee (budget) meeting be held on Friday 28 January 2011, commencing at 10.00hours at Service Headquarters in Meeting Room B, Service Headquarters.

(c) that Councillor Jonathan Drean be appointed to the Audit and Performance Review Committee and the Local Government Association General Assembly, the term of office to be until the Annual Meeting of the Authority in 2011.

(SEE ALSO MINUTES DSFRA/41 AND 42 ABOVE)

DSFRA/48. Indemnity Policy

(NOTE: Councillors Woodman and Eastman each declared a **personal but non-prejudicial** interest in this item by virtue of their being, respectively, an Authority appointed Director and an alternate Director on the Board of South West Fire Control Ltd, the local authority controlled company (LACC||) with overall governance responsibility for the Regional Control Centre).

The Authority considered a report of the Clerk to the Authority (DSFRA/10/27) on proposals to extend the Authority's approved Indemnity Policy to cover the post of alternate Director on the Board of South West Fire Control Ltd.

RESOLVED that approval be given to any Authority Member acting from time to time as an alternate director on the Board of South West Fire Control Limited (SWFC), this constituting approval for the purpose of paragraph 7.2.3 of the Authority's indemnity policy.

(SEE ALSO MINUTE DSFRA/44 ABOVE)

DSFRA/49. <u>Chairman's Announcements</u>

The Chairman reported on the following activities undertaken on behalf of the Authority since its last meeting:

- attendance, with the Chief Fire Officer and the Service Ceremonial Unit, at the Armistice Remembrance Service at Ypres on 11 to 13 November;
- a wreath laying at the invitation of the Mayor of Yeovil on 14 November;
- attendance, accompanied by Service Officers, at the House of Commons both to lobby for and to hear the Fire Safety (Protection of Tenants) Bill proposed by Adrian Saunders MP on 18 and 19 November;
- attendance with the Chief Fire Officer at the meeting of the South West Fire Forum at Avon Fire and Rescue Service headquarters on 22 November;
- attendance, accompanied by the Vice-Chair (Cllr. Andy Boyd) and Cllr. John Woodman at the launch of the Service Training Academy at the Emergency Services Show, Coventry, on 25 and 26 November;
- attendance with the Chief Fire Officer at a meeting in Dorset to discuss options for future collaborative working on 6 December;
- attendance, accompanied by Cllr. George Gribble and, at the funeral of Councillor David Viney on 7 December. The Authority was also represented at the funeral by Councillors Ian Gordon and Bernard Hughes OBE;
- attendance at the Local Government Association Fire Commission meeting in London on 10 December.

(SEE ALSO MINUTE DSFRA/41 ABOVE)

The meeting started at 10.00hours and finished at 10.35hours.

APPENDIX TO THE MINUTES OF THE AUTHORITY MEETING 16 DECEMBRER 2010

Minute RC/18(a) – Virements requiring Authority approval in accordance with Financial Regulations

Budget Line	From £m	To £m	Reason
Grants and Reimbursements Communications	(0.293)	 0.293	Up until June 2010 the Department of Communities and Local Government (CLG) have paid for the annual Service Fees associated with the usage of the new national radio system (Firelink). From July 2010 the charging arrangements have changed so as individual FRSs will now be charged for their share of the regional Service Fees. For 2010-11 the total charge for DSFRA will be £0.506m. The CLG will fund the difference between this cost and the cost of legacy radio systems, which are already included in the base budget, through New Burdens grant. For DSFRA the amount of New Burdens grant has been announced as £0.293m, This proposed virement is to increase the Communications budget line by £0.293m to fund the cost of Firelink charges over and above existing budget, with a corresponding increase in the Grants and Reimbursements income budget.
Furniture and Equipment External Fees and Services	(0.258)	 0.258	Included in the base budget for this financial year is an allocation of £0.555m to fund the initial costs associated with the business transformation programme. This proposed virement is to move an amount of £0.258m from the ICT Equipment budget line to External Fees and Services to reflect the change in how the original allocation for the business transformation programme is to be spent. The total sum for business transformation allocated by the Fire Authority remains the same.

COMMUNITY SAFETY AND CORPORATE PLANNING COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

13 January 2011

Present:-

Councillors Leaves (Chair), Manning (Vice Chair), Bown (vice Healey), Eastman, Foggin, Fry and Woodman

Apologies:-

Councillor Healey

***CSCPC/7. Minutes**

RESOLVED that the Minutes of the meeting held on 10 June 2010 be signed as a correct record.

***CSCPC/8. Declarations of Interest**

Members of the Committee were asked to consider whether they had any personal/personal and prejudicial interests in items as set out on the agenda for this meeting and to declare any such interests at this time.

No interests were declared.

***CSCPC/9. Future Community Safety (Prevention and Protection) Strategy Principles**

The Committee received for information a report of the Director of Service Support (CSCPC/11/1) that set out proposals for the review of the Service's Prevention and Protection strategies to establish a targeted and intelligence led approach to activity to ensure that resources were directed to risk in the community.

The Head of Community Safety reported that the new approach proposed would mean that, on the prevention side, there would no longer be a free fire safety check but that this activity would be targeted to those most vulnerable. It was recognised that the Service would face challenges in identifying the vulnerable groups to be targeted but that help would be sought from partner agencies and the local communities and that funding would be redirected to assist with this.

In terms of protection, the proposed strategy had emanated from the Hampton review in 2005 which had considered how to reduce unnecessary administration without compromising the regulatory regime. The primary outcome of the review was for organisations to undertake comprehensive risk assessments to concentrate resources to the areas where it was needed most. For Devon and Somerset FRS, this would result in a "light touch" approach to fire safety checks in line with the proposed strategy as set out within paragraph 3.4 of report CSCP/11/1.

The Committee noted that the strategy principles were included within two specific proposals for service improvement that were set out within the Draft Corporate Plan for 2011/12 to 2013/14, as referred to in report CSCPC/11/2 elsewhere on the agenda.

NB MINUTE CSCPC/10 BELOW ALSO REFERS.

***CSCPC/10. Devon and Somerset Fire and Rescue Authority Draft Corporate Plan 2011/12 to 2013/14**

The Committee considered a report of the Chief Fire Officer (CSCPC/11/2) that set out proposals for key changes within the Corporate Plan for 2011/12 to 2012/13 to deliver organisational improvements whilst maintaining a focus on delivering the work required within the Authority's budget challenges. The report also proposed eight key service improvements (as set out in a separate document at Appendix B to report CSCPC/11/2) as a basis for consultation with the public and stakeholders. These service improvements were aimed at:

- Improving efficiency;
- Reducing costs, and;
- Generating income.

Following the consultation period which would commence on 17 January 2011 and finish on 10 April 2011, it was noted that the results would be fed back to the Authority at its meeting on 27 May 2011.

RESOLVED

(a) That the Draft Corporate Plan 2011/12 to 2013/14 together with the separate Consultation Document outlining eight service improvement proposals (Appendix B to report CSCPC/11/2) be approved for consultation purposes;

(b) that the associated engagement plan for consultation on the draft Corporate Plan 2011/12 to 2013/14 and eight service improvement proposals, as set out in Section 3 of this report and to include a 12 week consultation period to commence on Monday 17 January 2011, be approved;

(c) that the outcome of the consultation period together with appropriate recommendations in relation to the Corporate Plan 2011/12 to 2013/14 and service improvement proposals be submitted to the full Authority meeting scheduled for 27 May 2011.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 11.05hours

HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

21 January 2011

Present:-

Councillors Cann (Chair), Bown, Boyd, Burridge-Clayton, Healey (vice Mrs Turner) and Leaves (vice Mrs Nicholson).

Apologies:-

Councillors Manning, Mrs. Nicholson and Mrs Turner

***HRMDC/22. Minutes**

RESOLVED that the Minutes of the meeting held on 12 November 2010 be signed as a correct record.

***HRMDC/23. Declarations of Interest**

Members of the Committee were asked to consider whether they had any personal/personal and prejudicial interests in items as set out on the agenda for this meeting and to declare any such interests at this time.

No interests were declared.

***HRMDC/24. Absence Management**

The Committee received for information a report of the Director of People and Organisational Development (HRMDC/11/1) that set out the overall performance of the Service in relation to absence management in 2010/11.

The Human Resources Manager advised that, whilst performance was still ahead of the target of 9.0 days/shifts per person in 2010/11, it was unlikely that the Service would be able to exceed the absence level of 8.02 days/shifts which was achieved in 2009/10. He added that there had been an increase in absence levels for non uniformed staff in October and November 2010, whilst the figures for Control staff remained over the target level.

In terms of long term absence, this had shown an improvement during 2010/11, particularly for retained staff. It was noted that, in January 2011, the number of staff absent for over 6 months had dropped to 6 over the figure for November for 2010 (12). There had been investigations into the reasons behind sickness absence and musculoskeletal issues was the most frequently reported, followed by mental health issues, although the “various” category had seen the biggest increase recently. The musculoskeletal issues had been investigated in more depth and it had been ascertained that only 2.4% of these injuries were work related. Further work was being undertaken in this area as a result.

It was reported that uniform staff were managing the return to work interviews well. The Service was to issue a Bulletin in respect of return to work interviews and would be giving guidance to staff on how to deal with absence together with a training course.

***HRMDC/25. Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 4 of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972, namely information relating to consultations on labour relations matters between the Authority and its employees.

Redundancy Compensation for Compulsory & Voluntary Redundancies

At this point, the Committee considered a report (APRC/11/2) submitted for consideration by the Director of People and Organisational Development.

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

The public part of the meeting started at 14.00hours and finished at 14.35hours

RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

28 January 2011

Present:-

Councillors Gordon (Chair), Dyke (vice Horsfall), Hughes OBE, Smith, Mrs Turner, Woodman and Yeomans

Apologies:-

Councillor Horsfall

In attendance:-

Councillors Gribble and Healey.

***RC/19. Minutes**

RESOLVED that the Minutes of the meeting held on 29 November 2010 be signed as a correct record.

***RC/20. Declarations of Interest**

Members of the Committee were asked to consider whether they had any personal/personal and prejudicial interests in items as set out on the agenda for this meeting and declare any such interests at this time.

No interests were declared.

***RC/21. Financial Performance Report 2010/11**

The Committee considered a report of the Treasurer to the Authority (RC/11/1) that set out the indicative projected outturn position against the approved 2010/11 Revenue Budget based upon the spending position up to the end of December 2010, together with details of the Authority's performance against the financial targets set.

The Treasurer advised that spending was projected to be £1.363million less than had been predicted, equivalent to 1.81% of the total revenue budget. It was emphasised that that this projection was net of the transfer of £0.726million to be set aside in an earmarked reserve to provide financial contingency towards budget setting in future years. This approach was being undertaken to assist the Authority in managing the impact of the reductions in government grant (Comprehensive Spending Review) over the next four years. The Committee was advised that there had not been any recommendation made as to how this projected underspend should be utilised at this stage in view of emerging issues such as the cessation of the Regional Control Centre project and the associated implications of this for Devon and Somerset.

The Committee noted that the main reason for the projected underspend against the revenue budget was as a result of efficiency savings that had been generated by the officer led Service Improvement Group (SIG), which involved all budget managers across the organisation scrutinising their budgets to identify savings of at least 10% from non-pay budget heads. The Chairman commended officers and budget managers on this achievement. Additionally, the forecast underspend had been made as a result of the impact of a zero pay increase from July 2010 for wholetime and retained staff, although it was anticipated that the retained staffing costs may still be impacted upon by the result of negotiations between the national Joint Council and fire and rescue authorities relating to rules on the Part Time Workers (Less than Favourable Working Conditions) Regulations as effected in 2010..

RESOLVED

(a) That the budget monitoring position in relation to projected spending against the 2010/2011 revenue and capital budgets be noted.

(b) That the performance against the 2010/2011 financial targets, be noted.

RC/22. **2011/12 Revenue Budget and Council Tax Level**

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/11/2) that set out the necessary financial background in order that the Committee could give due consideration to an appropriate level of Revenue Budget and Council Tax for 2011/12 and to make a recommendation to the Fire and Rescue Authority accordingly.

The Treasurer made reference to the following information in presenting the report:

- details of the local government finance settlement for 2011/12 and 2012/13 , together with the position in respect of the Comprehensive Spending Review (CSR 2010) and capping;
- proposals for the level of Council Tax in 2011/12 based on two options, namely:
    i. Option A – to increase council tax for a Band D property in 2011/12 by 2.5% over 2010/11
    ii. Option B – to freeze council tax for a Band D property in 2011/12 at the same level as in 2010/11
- details of the core revenue budget requirements for 2011/12, together with details of existing inescapable commitments and proposed invest to save and essential spending needs;
- details of the Medium Term Financial Plan and associated plans to achieve the required budget reductions for 2011/12 to 2014/15;
- the precept consultation for 20011/12;
- the levels of reserves and balances.

The Treasurer advised that the impact of the CSR had not been as acute for the fire and rescue service as had been anticipated and although savings of 25% had to be achieved by 2014/15, this was back-loaded to years 3 and 4. He referred to the grant settlement figures set out at Table 1 of report RC/11/2 and stated that the final settlement figures were expected by the end of January 2011, although it was not envisaged that this would fundamentally change the position. Any change made as a result of the announcement of the final Local Government Finance Settlement would be reflected within the recommendations made to the Fire and Rescue Authority. He drew attention to an amendment to the net budget requirement as published within report RC/11/2 which was now £76,241,000 as opposed to the £76,235,000 as set out, which was as a result of a change in the figures provided by the billing authorities.

In terms of the two options presented for consideration in respect of the proposed level of council tax for 2011/12, the Treasurer advised that both of these resulted in the same level of revenue budget for 2011/12. Option B was based on the Authority being entitled to receive council tax freeze reward grant equivalent to the amount of precept that would have been generated by an increase in council tax by 2.5%, this being £1.098million (to be paid for each of the four years covered by the CSR) for Devon and Somerset FRA.

Following a discussion, the Committee indicated its support for Option B in terms of the level of council tax for 2011/12 as outlined in report RC/11/2, whereupon it was:

RESOLVED that it be recommended to the budget setting meeting of the Fire and Rescue Authority, to be held on the 14 February 2011, that;

(a) the level of council tax in 2011-12 for a Band D property be frozen at the 2010-11 level of £71.77, as outlined as Option B in paragraph 4.2 of this report;

(b) a Net Budget Requirement of £76,241,000 for 2011/2012 be set.

NB. MINUTE RC/23 BELOW ALSO REFERS.

RC/23. **Capital Programme 2010/11 to 2012/13**

The Committee considered a report of the Director of Service Support and Treasurer (RC/11/3) that set out details of the revised Capital Programme for 2011/12 to 2013/14 and associated Prudential Indicators, together with proposals to make a contribution of £1.5million from the revenue budget to part fund the proposed enhancement to the training facilities at Exeter Airport.

The Treasurer reported that one of the primary considerations in respect of the Capital Programme was its affordability and reference was made to the point that a guiding principle was that debt repayments should be kept to within 5% of the total revenue budget. He advised the Committee that, as a result of forecasts for the existing Capital Programme, it was envisaged that this 5% ceiling would be breached as a result of future revenue budgets being lower than had been anticipated originally and as a result, the proposals had been reviewed to bring the Authority back within its limits.

The Committee noted that as part of this, further consideration had been given to the affordability of the Programme overall, projects that had slipped and any potential projects that may require capital financing. With this in mind, it was proposed that a contribution from revenue was sought in the sum of £1.5million over a 2 year period (2011/12 and 2012/13) to part fund a project to improve the facilities for enhanced training at Exeter Airport. Combined with the slippage on other projects within the Programme, the proposed revised Capital Programme for 2011/12 to 2013/14 (as set out at Appendix A to report RC/11/3) would bring the debt ratio back within the 5% ceiling.

RESOLVED that the Devon and Somerset Fire and Rescue Authority at its budget meeting on the 14th February 2011 be asked to:

(a) Approve, in accordance with Financial Regulations, a contribution of £1.5million from the Revenue Budget to part fund the proposed enhancement to the training facilities at Exeter Airport; and,

(b) Subject to (a) above, approves the revised Capital Programme 2011/12 to 2013/14 and the associated prudential indicators as set out in this report.

NB. MINUTE RC/22 ABOVE ALSO REFERS

*__RC/24__. __Treasury Management Performance 2010/11__

(Adam Burleton [SECTOR] in attendance for this item).

The Committee received for information a report of the Treasurer (RC/11/4)) providing a summary – in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management – of the treasury management activities on behalf of the Authority for the third quarter of 2010/11 (to December 2010).

The report indicated that none of the Prudential Indicators had been breached and that a prudent approach had been taken in relation to investment decisions taken so far, with priority being given to liquidity and security over yield. While investment returns had reduced when compared to the previous year, as a consequence of the fall in interest rates, the Authority was still achieving returns above the LIBID 7 day rate, which was the benchmark return for that type of short-term investment.

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 12.10hours

AUDIT AND PERFORMANCE REVIEW COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

2 February 2011

Present:-

Councillors Dyke (Chairman), Burridge-Clayton, Drean, Gribble, Radford and Way

Apologies:-

Councillor Mills

***APRC/22. Minutes**

RESOLVED that the Minutes of the meeting held on 17 November 2010 be signed as a correct record.

***APRC/23. Declarations of Interest**

Members were asked to consider whether they had any personal/personal and prejudicial interests in items as set out on the agenda for this meeting and to declare any such interests at this time.

No interests were declared.

***APRC/24. Performance Report: April to November 2010**

The Committee considered a report of the Deputy Chief Fire Officer (APRC/11/1) that detailed the performance and progress made by the Service as measured by the Corporate Plan goals, activities and targets for the second quarter of the year (April to September 2010). The report highlighted the key issues and areas of focus in terms of performance as determined by the Service Improvement Group (SIG), namely:

- Deliberate fires;
- Fire alarms caused by automatic fire detection;
- Sickness absence;

Each of these areas was considered by the Committee in depth as below:

Deliberate fires

The Committee noted that the target for deliberate primary fires (excluding vehicles) was to achieve a 20% reduction in 2010/11, equating to 77 fires. This was intended to raise performance to the top 25% of fire and rescue services nationally. This target was not being achieved currently as there had been 233 fires to date in 2010/11 against a target of 181. This was an ambitious target for the Service when a reduction of 18% had been achieved in 2009/10.

The 2009/10 figures had been published, however, by the Department for Communities and Local Government (CLG), and using this information for Devon and Somerset had raised the Service into the top 25% of fire and rescue services (FRS) nationally. Although the Service had not met the numerical part of the target, as some other FRSs had been experiencing rises in deliberate fires when a reduction was achieved by Devon and Somerset in 2009/10, the performance was now within the top quartile.

Fire alarms caused by automatic fire detection

Reference was made to the point that the performance measure for false alarms caused by automatic fire detection looked at the rate of automatic false alarms (AFA) calls in non domestic premises. This had been over recorded previously by DSFRS as the property type was not available from the mobilising system and as a result, calls to domestic and other property types had been included. Since the inception of the new Incident Recording System (IRS), the property type could be determined and was now excluded from the statistics. It was felt that the policy on automatic false alarms was working well as, even with the inclusion of the domestic and other properties in 2009/10, a reduction was shown. In 2010/11 to date, an improvement had been shown on performance in 2009/10 with a reduction of 5%. Nationally, the Service was in the top 25% of FRSs.

Sickness absence

Whilst the Service was on track to meet the target set for sickness of 9.0 days or shifts lost, there was concern that there had been a large increase in the incidence of non-uniformed absence and specifically, long term absence (1060 days/shifts lost as compared with 492 for the same period in 2009/10).

An analysis had been carried out on the area of musculoskeletal types of sickness to try to identify patterns or trends arising and to identify any areas for improving the levels of absence accordingly. It was noted that only 2.4% of the absence due to musculoskeletal issues was recorded as work related. Further work was to be undertaken in this area as a result.

***APRC/25. Audit Progress Report**

The Committee received for information an Audit Progress Summary (to 25 January 2011) as prepared by the Audit Commission. The summary report detailed the work in progress for the Audit Commission, including:

- An interim audit for 2010/11;
- An ongoing review of authority progress in preparing for the new International Financial reporting Standards (IFRS).

***APRC/26. International Financial Reporting Standards (IFRS)**

The Committee received for information a report of the Treasurer (APRC/10/9) setting out the progress made in respect of implementation of the new International Financial Reporting Standards (IFRS).

Although considerable work had been completed and progress made towards IFRS compliance, there was still a significant amount of work to be undertaken to complete a satisfactory first set of accounts under IFRS.

***APRC/27. Audit & Review Progress Report - Quarter 3**

The Committee received for information a report of the Deputy Chief Fire Officer (APRC/11/3) on progress made against the approved 2010/11 Audit & Review Plan and which provided assurance statements for the completed audits, together with the key/high risk findings of the Health & Safety – Risk Assessments and Estates – Revenue Budget audit reviews. The report detailed the recommendations made by the Audit and Review Team and the agreed management actions.

***APRC/28. Operational Assessment - Self Assessment Report**

The Committee considered a report of the Deputy Chief Fire Officer (APRC/11/4) that detailed the Devon and Somerset Fire and Rescue Service's self assessment against the Key Lines of Enquiry (KLOEs) contained within the CLGs Operational Assessment Toolkit.

The Audit & Review Manager reported that a suitable action plan had been set out to enable the organisation to continue to improve and to deliver activities in line with the sector specific performance framework.

RESOLVED that the report and Action Plan set out (at Appendix B to report APRC/11/4) therein be endorsed.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 10.50hours.

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/11/1**
MEETING	**DEVON &SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**14 FEBRUARY 2011**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2011/12 – 2013/14**
LEAD OFFICER	**Director of Service Support, and Treasurer**
RECOMMENDATIONS	***(a) that, in accordance with Financial Regulations, a contribution of £1.5million from the Revenue Budget be approved to part fund the proposed enhancement to the training facilities at Exeter Airport;*** ***(b) that, subject to (a) above and (c) below, the revised Capital Programme 2011/12 to 2013/14 as set out in this report be approved;*** ***(c) that, as proposed in paragraph 1.9 of this report. the Capital Programme for 2011/12 to 2013/14 be subject to a further report in the next committee cycle to determine how the additional capital grant allocation of £2.020m is to be utilised;*** ***(d) that, in accordance with Financial Regulations, the acquisition (gifted) of land at Hartland, as outlined in paragraph 3.3 of this report, be approved.***
EXECUTIVE SUMMARY	Each year the Capital Programme is reviewed in line with the Service budget preparations. This review takes account of the normal replacement cycle for appliances, equipment and work in support of maintaining the Authority's building stock, along with new projects. As previously reported to Members, the capital allocation for an Authority of this size remains insufficient and any review requires careful understanding of the different priorities in allocating funds. The enhancement to the training facilities at Exeter has been included for 2011/12 and 2012/13 and this has required the re-profiling of funds for both fleet and estates to support this build programme. The commitments for 2010/11 period, as approved, have been progressed.

EXECUTIVE SUMMARY (Cont/…)	Whilst this report details the adjusted three year capital programme for the period 2011/12 to 2013/14, Appendix A illustrates the existing approved 2010/11 alongside the 2011/12 to 2012/13 capital programme.
RESOURCE IMPLICATIONS	A full financial appraisal is contained within the report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	A. Proposed 2011-12 to 2013-14 Capital Programme. B.
LIST OF BACKGROUND PAPERS	Report CPWP/09/3 – "Affordable Capital Investment Plans for 2010/11 to 2011/12" – submitted to the meeting of the Capital Programme Working Party on 5 November 2009.

1. INTRODUCTION

1.1 At its meeting on 28 January 2011 the Resources Committee considered a report on the proposed Capital Programme 2011/12 to 2013/14 and resolved to recommend that this Authority approve the recommendations set out therein (Minute RC/23 refers). This report is in essence that submitted to the aforementioned meeting of the Resources Committee.

1.2 Members will be aware that each year the capital programme is reviewed and adjusted to include new projects or those that have been carried forward, allowing the capital investment needs of the Service to be understood over the next three years. Appendix A represents the proposed programme for 2011/12 to 2013/14, which also includes those projects already approved and new proposals which are referenced further in the report.

1.3 The matter of capital expenditure remains an issue for this Authority given the size of Devon and Somerset. There is a continuing backlog of work for estates and the appliance replacement programme has slipped due to allocation of funds, which for 2009/10 and 2010/11 were directed towards the build of Danes Castle and Middlemoor fire stations. This position continues to place pressure on the Authority's investment programme which requires significant investment.

1.4 In 2008 this position was eased by the Department for Communities and Local Government (CLG) approved grant of £2m debt free capital support spread over 2009/10 to 2010/11, principally to address equality and diversity issues on stations including dignity at work as identified by the Health and Safety Executive. These funds have been fully committed to these projects.

1.5 Since the meeting of Resources Committee held on the 28 January 2011, when the proposed revision to the capital programme 2011-12 to 2013-14 was considered, the Authority has received notification from CLG of an additional amount of capital grant for 2011-12 of £2.020m.

1.6 The CLG had originally indicated that an amount of £70m capital grants was to be made available for fire and rescue authorities in each year of CSR 2010, but that the distribution of this sum would be subject to a bidding process, using criteria around invest-to-save and joint working arrangements to determine which bids would be successful in attracting grant funding.

1.7 However, included as part of the final Local Government Finance Settlement announcement on the 31 January 2011, the CLG has changed its position on this and agreed that, for 2011-12, this sum is to be distributed amongst FRAs based upon the formula previously used in distributing grant in 2009-10 and 2010-11. The CLG will consult with FRAs during 2011 to determine how the £70m is to be distributed from 2012-13.

1.8 This additional allocation is of course very welcome news for the Authority, particularly as our capital investment plans, as included in this report, do not reflect this additional £2.020m grant funding. This amount can either be used to fund additional capital projects not included in this report, or utilised to reduce our need to borrow to fund the proposed programme.

1.9 Given the late notification of this grant it is proposed that a further report be brought back to the Authority in the next committee cycle to make a separate decision as to how this sum is to be utilised. This will provide the opportunity for the Capital Programme Working Party and the Resources Committee to make recommendations to the Authority having fully considered the impact of the options available.

1.10 Whist this report provides options for the next three years, it should be recognised that future capital programmes may be adjusted significantly against such recommendations made as a result of the two reviews of Service Delivery and Service Support, or changes in funding arrangements e.g. allocation of specific grants, or changes in interest rates.

2. FINANCING OF THE PROPOSED REVISED CAPITAL PROGRAMME

CIPFA Prudential Code for Capital Financing

2.1 Whilst it is recognised that this Authority faces significant pressures in terms of maintaining and replacing its capital assets so as those assets are 'fit for purpose', this has to be balanced against what it is affordable in terms of its exposure to external borrowing now and into the future, particularly in light of current financial constraints within the public sector.

2.2 The tests of affordability are measured by compliance with the CIPFA Prudential Code for Capital Financing for Local Authorities. Under the Code the Authority is required to set a suite of Prudential Indicators to provide assurance that capital spending plans are prudent, affordability and sustainability. These indicators, which are reviewed each year and are typically set for a three-year period, include the setting of maximum borrowing limits to provide assurance around prudence, and the setting of maximum debt ratios to provide assurances in relation to affordability and sustainability.

2.3 In relation to borrowing, up until now, the government has provided some financial support to capital expenditure borrowing within the Revenue Support Grant (RSG), by the allocation of what is known as the Supported Capital Expenditure (SCE(R)). The allocation for Devon and Somerset FRA for 2010-11 is £1.808m, which means that borrowing up to this figure is supported within RSG to fund the debt charges emanating from this level of borrowing. Under the Prudential Code borrowing in excess of the SCE(R) is permitted and classified as unsupported borrowing, but in the knowledge that the resultant debt charges emanating from unsupported borrowing will have to be funded from council tax. However, this support has now been removed as part of the 2011-12 Local Government Finance Settlement, with the abolition of SCE (R) from all local authority grant allocations. This means that all future debt charges emanating from borrowing to support capital spending will need to be funded from council tax.

2.4 The issue of affordable capital spending has been subject to several reports to Members, the most recent being the report 'Affordable Capital Investment Plans 2010/2011 to 2011/2012' presented to the meeting of the Capital Programme Working Party held on the 5 November 2009. That report indicated that based on existing capital spending plans external borrowing will reach £36.7m by the end of the financial year 2013/2014. The external borrowing figure at the end of 2010/2011 is forecast to be £28.6m.

2.5 Whilst a debt level of £36.7m is not considered excessive for this size authority, it is evident that the Authority will need to monitor its exposure to further debt levels as we move forward in the next 3-5 years, to ensure that the debt levels are affordable in the context of the ability of the revenue budget to service debt repayments.

2.6 In report RC/08/10 “Affordable Capital Investment Plans for 2009-2010 to 2011-12” as submitted to the meeting of the Resources Committee on 8 December 2008, the Treasurer advised that debt repayments should be kept within 5% of the total revenue budget during the period 2010-11 to 2013-14 (paragraph 7.5 refers). This advice was reiterated to Members of the Capital Programme Working Party at its meeting in November 2009.

2.7 Based on the current capital programme, it is now forecast that this ceiling will be breached in 2012-13 (5.13%). This breach is not as a result of borrowing being in excess of agreed limits, it is as a consequence of future revenue budgets being lower than originally forecast following the CSR 2010 announcement, which for fire and rescue authorities included reductions in government grants of 25% by 2014-15. The proposed revision to the capital programme, as included in Appendix A, has been constructed on the basis that the debt ratio is brought back within the 5% ceiling.

2.8 The revised prudential indicators associated with the capital programme now proposed in this report are contained in the separate report ‘Treasury Management (including Prudential and Treasury Indicators Report 2011-12 to 2013-24)’, included elsewhere with this agenda.

3. <u>SERVICE ESTATES</u>

3.1 The property portfolio for DSFRS extends to more than 100 buildings across the two Counties. Sixty Percent of these are now in excess of 40 years old and despite concerted efforts to improve and replace buildings over the last ten years the Service is still faced with a substantial backlog to support ongoing maintenance and repairs. The programme for estates is assessed against industry models for repair and maintenance. For 2011/12 the budget was £2.070. However, this figure does not reflect the true cost which is in the region of £5m annually.

3.2 Whilst the remainder of the £2m government capital grant allocated to 2010-2011 (£1,193m) has alleviated some of these issues, this has been fully allocated on stations into line with the Disability Discrimination Act, Dignity at Work requirements, community access and partnership co-location. These funds have provided the basic provision for modern day standards such as showers and changing facilities. If capital funding is maintained going forward by the end of 2013 we will have brought 95% of our stations up to an acceptable Dignity at Work standard and 75% up to full use under Discrimination and Disability Act for community use.

3.3. Improvements to Hartland fire station will be possible through the gifting of two small adjacent areas of land, one from the Hartland Playing Field Association, the other from Tarka Homes Ltd. The gifting of the land is at no cost to this Authority other than paying both parties legal fees, approximately £2,000. A planning application has been submitted utilising the two areas of land. Both parties are aware of and have approved this course of action.

3.4 It is proposed that the capital programme for 2011/12 is £5.208m to support slippage and the enhancement of training arrangements at Exeter Airport. For 2012/2013, there is an allocation £3.650m, which includes phase 2 of the Exeter Airport project and £1.750m for 2013/14. This however, will need to be reviewed in twelve months time when setting 2012/2013 budget levels, dependent on affordability issues, and Authority decision regarding the procurement of Light Rescue Pumps and any outcomes from both Service reviews. The Service Property Management Plan for 2011/12 will be revised subject to available funds and reported to Members.

Slippage for 2010/11

3.5 Slippage at financial year end is a regular occurrence in major capital projects due to the inability to control certain external factors, examples of which are the planning process and conveyance transactions. In these circumstances it becomes difficult to fully complete some schemes within the financial year, as approved. Slippage on the major schemes is dealt with by re-profiling the scheme, whilst maintaining the originally approved threshold. For 2010/11 the total slippage on estates is forecast to be £2.384m. Some of this can be attributed to the RCC project and associated work proposed for SHQ, along with decisions required for the development of the Exeter Airport project, plus a number of contractors going into liquidation, the biggest being ROK.

3.6 Of the forecast slippage in spending of £2.384m an amount of £0.246m has been identified as savings on projects cost. The remaining value of £2.138m is carried forward into the 2011-12 capital programme to fund the completion of committed schemes.

4. SERVICE FLEET AND EQUIPMENT

Vehicle Replacements

4.1 The Authority has the second largest fleet in England and slippage with replacement schedules can lead to problems in future years such as increased maintenance costs, less operational availability due to breakdowns. The profile for appliance purchase for 2010/11 is within scope and at varying stages of build.

4.2 However, due to other pressures covered elsewhere in this paper, it is proposed to suspend the fire appliance replacement programme for 2011/12. This will leave only a budget allocation of £1.294m to support slippage from 2010-11, and equipment. The proposal is to re-profile funding to support the capital build for Exeter Airport whilst maintaining the revenue implications of borrowing below the 5% threshold.

4.3 Members will be aware of proposals coming forward for lighter, more manoeuvrable fire appliances which are more cost effective to those currently being procured. This will allow us to mitigate against any backlog of replacement appliances in a planned manner. The Service is currently reviewing resource requirements and the disposition of appliances and equipment in line with local risk. These vehicles are referred to as Light Rescue Pumps (LRPs). The current programme provides for the purchase of four appliances which are to be piloted during 2011/12. Given the cost incentive, the LRP is some £50/£60k less expensive than the traditional fire appliance, there is the opportunity to procure a more appropriate vehicle in future years with a significant cost reduction and will reduce the backlog.

5. REGIONAL FIRE CONTROL PROJECT

5.1 With the demise of the Regional Fire Control Project consideration is being given to an alternative fire control solution for the Authority. In determining this solution, further work will be undertaken to consider the financial options alongside guidance for project closure recommended by CLG. Dependent upon the final outcome DSFRA may have to fund a new building to house our command and control arrangements which may commence during 2012/13.

6. ENHANCED TRAINING FACILITIES – EXETER AIRPORT

6.1 The original training facility was established at Exeter Airport in 2000 as a joint venture with Exeter Airport operators. In October the Service entered into a formal 5 year licence with the new owners of the airport, Exeter and Devon Airport Limited. DSFRS has been reviewing their training facilities across the two Counties and with the increasing need for realistic fire behaviour training, including comprehensive breathing apparatus training, has concluded that an enhanced centralised capability at the airport was appropriate. This facility will offer training in specific skills with the ability to trade and best meet the future needs of the Service.

6.2 The estimated capital borrowing in support of this project is approximately £2.9m over two years and it is proposed that this is part funded from existing capital borrowing (£1.4m) and a contribution from revenue (£1.5m) on an invest to save basis by reducing our borrowing and subsequent debt charge from 2011-12. It is proposed that the revenue contribution of £1.5m is phased over the next two financial years requiring a contribution from the revenue budget of £0.750m in both 2011-12 and 2012-13. These contributions have been included in the revenue budget proposals report considered elsewhere on the agenda. The contribution from revenue will require the approval of the Fire & Rescue Authority in accordance with Financial Regulations.

7. REVISED CAPITAL PROGRAMME 2011-12 to 2013-14

7.1 The proposed revision to the capital programme, as included in Appendix A, has been constructed on the basis that the debt ratio is brought back within the 5% ceiling. This is achieved by reducing the original spending total for the three year period 2010-11 to 2012-13 from £15.934m to £14.940, utilising £1.500m from the revenue budget over 2011-12 and 2012-13 to part fund the Exeter Airport development, and including a reduced programme of £3.650m for 2013-14. The reduction in the programme is illustrated in Table 1 below.

TABLE 1	**Estates**	**Fleet and Equipment**	**Total**
	£m	**£m**	**£m**
CURRENT PROGRAMME			
2010/2011	3.425	4.051	7.476
2011/2012	2.070	2.319	4.389
2012/2013	1.750	2.319	4.069
Total 2010/11 TO 2012/13	**7.245**	**8.689**	**15.934**
PROPOSED PROGRAMME			
2010/2011 (forecast spending)	1.061	2.127	3.188
2011/2012	5.208	1.294	6.502
2012/2013	3.650	1.600	5.250
Total 2010/11 TO 2012/13	**9.919**	**5.021**	**14.940**
2013/2014	1.750	1.900	3.650

7.2 The schedule in Appendix A illustrates the revised spending profiles for 2011/12 through to 2013/14, and a summary of the Prudential Indicators associated with this level of spending is included in a separate report elsewhere on the agenda. Approval of this programme will reduce the original external borrowing figure in 2013-14 from £36.7m to £34.6m. It is forecast that this reduced borrowing requirement will achieve annual savings of £0.427m in debt charges by 2013-14.

7.3 The estimated debt charges emanating from this revised spending profile are illustrated in Table 2 below. These amounts are included in the 2011-12 revenue budget proposal and Medium Term Financial Plan 2011-12 to 2014-15.

TABLE 2 – SUMMARY OF ESTIMATED CAPITAL FINANCING COSTS

	2010/11	**2011/12**	**2012/13**	**2013/14**
	£m	**£m**	**£m**	**£m**
Base budget for Capital Financing Costs – debt charges and operating leasing rentals	4.969	5.162	5.277	5.373
Increase over previous year		0.193	0.115	0.096
Debt Ratio	*4.01%*	*4.35%*	*4.56%*	*4.93%*

8. <u>CONCLUSION</u>

8.1 This report and previous reports to the Resources Committee have emphasised the difficulties in meeting the full capital expenditure requirement for the Service. In recognising the revenue costs associated with servicing debt through borrowing it is clearly necessary that affordable and prudent proposals are put in place.

8.2 The proposals for 2011/12 do not fully address the needs of the Service either now or in the future. With public finances set to become even more stringent in future years addressing the backlog of replacement and maintenance will become extremely difficult to address.

8.3 As a consequence the Service is reviewing its asset base for the future to consider more flexible, economic and targeted resources to meet local risk requirements, for example the introduction of smaller fire appliances.

8.4 The proposed capital programme as set down in Appendix A is recommended for approval, on the basis that it goes some way to addressing the Service capital investment needs, whilst also providing the funding for the development at Exeter Airport and the introduction of a smaller, and cheaper, type of fire appliance (LRPs), whilst also keeping borrowing costs within the set limit of 5% of the total revenue budget.

TREVOR STRATFORD
Director of Service Support

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT DSFRA/11/1

Proposed Capital Programme (2011/12 to 2013/14)

2010/2011 predicted outturn (£000)	Item	PROJECT	2011/12 (£000)	2012/13 (£000)	2013/14 (£000)
		Estate Development			
-24	1	Exeter Middlemoor			
44	2	Exeter Danes Castle			
35	3	SHQ major building works	100		
	4	Major Projects - Training Facility at Exeter Airport	1,000	1,900	
882	5	Minor improvements & structural maintenance	1,750	1,750	1,750
80	6	Welfare Facilities			
34	7	Diversity & equality			
10	8	USAR works	460		
	9	Minor Works slippage from 2010-11	1,898		
1,061		**Estates Sub Total**	5,208	3,650	1,750
		Fleet & Equipment			
1,628	10	Appliance replacement	411	1,400	1,700
344	11	Specialist Operational Vehicles	619		
44	12	Vehicles funded from revenue			
98	13	Equipment	125	200	200
13	14	Asset Management Plan (Miquest) software	139		
2,127		**Fleet & Equipment Sub Total**	1,294	1,600	1,900
3,188		**SPENDING TOTALS**	**6,502**	**5,250**	**3,650**
		Programme funding			
1,807		Main programme	5,245	4,500	3,650
144		Revenue funds	797	750	
1,237		Grants	460		
3,188		**FUNDING TOTALS**	**6,502**	**5,250**	**3,650**

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/11/2**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**14 FEBRUARY 2011**
SUBJECT OF REPORT	**TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS REPORT 2011/12 TO 2013/14)**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***(a)*** ***the Treasury Management Strategy and the Annual Investment Strategy as indicated in this report be approved;*** ***(b)*** ***the prudential indicators and limits, as contained as Appendix A to this report, be approved;*** ***(c)*** ***the Minimum Revenue Provision (MRP) statement for 2011/2012, as contained as Appendix B to this report, be approved;*** ***(d)*** ***that the Treasurer be delegated authority to effect movements between the separately agreed prudential limits for borrowing;*** ***(e)*** ***that the statement at paragraph 5.6 of this report that borrowing limits and the debt management strategy have been set to ensure that net borrowing remains below the capital financing requirement for 2011/2012 to 2013/2014, in line with the requirements of the CIPFA Prudential Code, be noted.***
EXECUTIVE SUMMARY	This report sets out a treasury management strategy and investment strategy for 2011/2012, including the Prudential Indicators associated with the capital programme for 2011/2012 to 2013/2014 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2011/2012 is also included for approval.
RESOURCE IMPLICATIONS	As indicated in this report

EQUALITY IMPACT ASSESSMENT	None
APPENDICES	A. Prudential and Treasury Management Indicators 2011/2012 to 2013/2014. B. Minimum Revenue Provision Statement 2011/2012
LIST OF BACKGROUND PAPERS	Local Government Act 2003. Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code. Report to Resources Committee 8 December 2008 – Affordable Capital Investment Plans for 2009/2010 to 2011/2012

1. INTRODUCTION

Background

1.1 Treasury management is defined as:

> "the management of the local authority's investment and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Statutory requirements

1.2 The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to "have regard to" the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

1.3 The Act therefore requires the Authority to set outs its treasury strategy for borrowing and to prepare and Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.4 The Department of Communities and Local Government has issued revised investment guidance which came into force from 1st April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

CIPFA requirements

1.5 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Authority on 19th February 2010.

1.6 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- Receipt by the Authority of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a mid-year review report and an annual report (stewardship report) covering activities during the previous year.
- Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and polices to a named body. For this Authority the delegated body is Resources Committee.

1.7 In summary, this Authority will adopt the following reporting arrangements in accordance with the requirements of the Code: -

Area of Responsibility	Authority/ Committee/ Officer	Frequency
Treasury Management Policy Statement (revised)	Full authority	Initial adoption in 2010
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Full authority	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – mid-year report	Full authority	Mid year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Full authority	
Annual Treasury Outturn Report	Full authority	Annually by 30 September after the end of the year
Treasury Management Monitoring Reports	Resources Committee	
Treasury Management Practices	Full authority	
Scrutiny of treasury management performance	Resources Committee	

Treasury Management Strategy for 2011/12

1.8 The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury advisor, Sector.

- The strategy covers:
- treasury limits in force which will limit the treasury risk and activities of the Authority
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling

- the investment strategy
- creditworthiness policy
- policy on use of external service providers
- the MRP strategy

Balanced Budget Requirement

1.9 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:-

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- Any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Authority for the foreseeable future.

2. TREASURY LIMITS FOR 2011/12 to 2013/14

2.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

2.2 The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Authority council tax levels is 'acceptable'.

2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in paragraph 5.7 of this report.

3. CURRENT PORTFOLIO POSITION

3.1 The Authority's treasury portfolio position at 31/12/10 comprised:

TABLE 1		Principal £m	Average Rate %
Fixed Rate Funding	PWLB	29.380	4.24
Variable Rate Funding	PWLB	0	-
Other Long Term liabilities		0	
Gross Debt		29.380	4.24
Total Investments		(13.682)	
Net Debt		15.698	

4. BORROWING REQUIREMENT

4.1 The Authority's borrowing requirement is as follows:

TABLE 2	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
External Debt (1 April)	19.281	26.651	28.609	31.154	33.434
New Borrowing	6.700	3.000	2.545	2.280	1.237
Internal Borrowing	0	0	1.542	1.899	0.954
Replacement	1.665	0	0.000	0.000	0.000
Repaid	(0.995)	(1.042)	(1.542)	(1.899)	(0.954)
External Debt (31 March)	26.651	28.609	31.154	33.434	34.671

5. PRUDENTIAL AND TREASURY INDICATORS 2011/12 – 2013/14

5.1 The prudential indicators are relevant for the purposes of setting an integrated treasury management strategy. A summary of the proposed indicators are included as Appendix A to this report. Explanations of the purpose of each of these indicators are provided in the following paragraphs. The Authority is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on 11 April 2007 by the full authority and the revised Code was adopted by the Authority on 19th February 2010.

Capital Expenditure

5.2 The capital expenditure plans, as proposed in the Capital Programme report considered elsewhere on the agenda, are shown in Table 3.

TABLE 3	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Land and buildings	5.208	3.650	1.750
Vehicles, Plant and Equipment	1.294	1.600	1.900
TOTAL CAPITAL EXPENDITURE	6.502	5.250	3.650

5.3 Additional capital finance sources may become available during the year, for example, additional grants or external contributions. The Authority will be requested to approve increases to the capital programme to be financed from other capital resources as and when the need arises.

Capital Financing Requirement (CFR)

5.4 The Capital Financing Requirement represents the authority's underlying need to borrow for capital purposes. The forecast CFR for 2011/2012 to 2013/2014, based on the spending plans are shown in Table 4.

TABLE 4	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Capital Financing Requirement as at 31 March - borrowing	31.154	33.434	34.671
Capital Financing Requirement as at 31 March – other longterm liabilities	1.885	1.847	1.836
Total Capital Financing Requirement as at 31 March	33.039	35.281	36.507

Limits to Borrowing Activity

5.5 Two Treasury Management Indicators control the level of borrowing. They are:

The *authorised limit* - this represents the limit beyond which any additional borrowing is prohibited until the limit is revised by the Authority. Revision may occur during the year if there are substantial and unforeseen changes in circumstances, for example, a significant delay in achieving forecast capital receipts. In normal circumstances this limit will not require revision until the estimate for 2012/13 is revised as part of the 2012/13 budget process. Table 5 below details the recommended Authorised Limits for 2011/2012 and the medium term.

The *operational boundary* – this indicator is based on the probable external debt during the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. Table 6 below details the recommended Operational Boundaries for 2011/2012 and the medium term.

TABLE 5	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Authorised limit for External Debt			
- External Debt	36.229	37.885	39.251
- Other long term liabilities	1.930	1.917	1.856
TOTAL AUTHORISED LIMIT FOR EXTERNAL DEBT	38.159	39.802	41.107

TABLE 6	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Operational Boundary for External Debt			
- External Debt	34.671	36.213	37.517
- Other long term liabilities	1.836	1.825	1.766
TOTAL OPERATIONAL BOUNDARY FOR EXTERNAL DEBT	36.507	38.038	39.283

It is estimated that the actual external debt at 31 March 2011 will be £28.609 million.

Net Borrowing in Comparison to the CFR

5.6 The debt management strategy and borrowing limits for the period 2011/12 to 2013/14 have been set to ensure that over the medium term, net borrowing will only be for capital purposes i.e. net external borrowing does not exceed the total Capital Financing Requirement in the preceding year plus the estimates for the current year and the next two years. This is demonstrated by the fact that the operational boundary for external debt borrowing in 2011/2012 of £36.507 million (Table 6) does not exceed the CFR for 2013/14 of £36.507 million (Table 4).

Prudential Indicators for Affordability

5.7 The previous sections of the report cover the overall limits for capital expenditure and borrowing, but within the overall framework indicators are also included to demonstrate the affordability of capital investment plans.

5.8 A key indicator of the affordability of capital investment plans is the ratio of financing costs to the net revenue stream; this indicator identifies the trend in the cost of capital financing (borrowing costs net of investment income) against the Authority's net budget requirement. Annual capital financing costs are a product of total debt outstanding, the annual repayment regime and interest rates. The forecast ratios for 2011/12 to 2013/14 based on current commitments and the proposed Capital Programme are included in Table 7.

TABLE 7	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Ratio of Financing Costs to Net Revenue Stream	4.35	4.56	4.93

5.9 At the meeting of Resources Committee, held on the 8 December 2008, the report 'Affordable Capital Investment plans for 2009/2010 to 2011/2012, was considered with a view to determining a level of borrowing for the Authority, which would be deemed to be affordable, sustainable and prudent. In considering this report the Treasurer advised that debt repayments should be kept within a ceiling of 5% of the net revenue stream for the period 2010-11 to 2013-14.

5.10 The estimate of the incremental impact of capital investment decisions proposed in the recommended Capital Programme over and above capital investment decisions that have previously been taken by the Authority are given in Table 8. These figures do not represent the total impact on the Authority tax over and above 2010/2011 as a consequence of the total capital programme, only the incremental impact over and above previous decisions made on capital investment. The figures given represent the incremental impact for a Band D property.

TABLE 8	2011/12 Estimate £ p	2012/13 Estimate £ p	2013/14 Estimate £ p
Element of Authority tax for New Capital Spending	(£0.47)	(£0.39)	(£0.47)

6. PROSPECTS FOR FUTURE INTEREST RATES

6.1 The Authority has appointed Sector Treasury Services as treasury advisor to the Authority and part of their service is to assist the Authority to formulate a view on interest rates. Sectors central view of changes in Bank Rate is shown below;

Sector Bank Rate forecast for financial year ends (March)

2011 0.50%

2012 1.00%

2013 2.25%

2014 3.25%

6.2 There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected.

7. BORROWING STRATEGY

Borrowing rates

7.1 The Sector forecast for the PWLB new borrowing rate is as follows: -

TABLE 9

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Mar-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	2.25%	3.25%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	4.30%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	5.10%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%

7.2 In view of the above forecast the Authority's borrowing strategy will be based upon the following information.

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years.
- Temporary borrowing from the money markets or other local authorities
- PWLB variable rate loans for up to 10 years.
- Short dated borrowing from non PWLB sources.
- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

- PWLB borrowing for periods under ten years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration of longer dated debt.
- Any consideration of further PWLB debt will be in accordance with the authority agreed maturity structure limits, as included in Appendix A.

7.3 Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The authority officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

if it were felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

7.4 External v. internal borrowing

TABLE 10 – Comparison of gross and net debt positions at year end	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
	Actual	Predicted outturn	estimate	estimate	Estimate
Actual external debt (gross)	26.651	28.609	31.154	33.434	34.671
Cash Balances and Investments	(4.355)	(10.000)	(6.000)	(6.000)	(6.000)
Net Debt	22.296	18.609	25.154	27.424	28.671

7.5 This Authority currently has a difference between gross debt and net debt (after deducting cash balances and investments), of £13m. The general aim of this treasury management strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Authority obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments. The next financial year is expected to be one with an abnormally low Bank Rate. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.

7.6 Over the next three years, investment rates are expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.

7.7 However, short term savings by avoiding new long term external borrowing in 2011/12 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher. The Authority has examined the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt positions. However, the introduction by the PWLB of significantly lower repayment rates than new borrowing rates in November 2007, which has been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has potentially meant that large premiums would be incurred by such action; such levels of premiums are unlikely to be justifiable on value for money grounds. This situation will be monitored in case these differentials are narrowed by PWLB at some future date.

7.8 The Authority intends to reduce its call upon PWLB loans by use of internal borrowing equivalent to an average of £1.5m for each of the next three years.

7.9 Against this background caution will be adopted with the 2011/12 treasury operations. The Director of Finance will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

7.10 The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Authority can ensure the security of such funds.

7.11 In determining whether borrowing will be undertaken in advance of need the Authority will;

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

8. DEBT RESCHEDULING

8.1 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has now been compounded since the 20 October by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have been given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through using LOBOs (Lenders Option Borrowers Option) loans and other market loans in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

8.2 As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the authority's maturity profile as in recent years there has been a skew towards longer dated PWLB.

8.3 Consideration will also be given to identify if there is any potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

8.4 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings,
- helping to fulfil the adopted borrowing strategy, and
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

8.5 All rescheduling will be reported to the Resources Committee, at the earliest meeting following its action.

9. ANNUAL INVESTMENT STRATEGY

Investment Policy

9.1 The Authority will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Authority's investment priorities are: -

(a) the security of capital and

(b) the liquidity of its investments.

9.2 The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Authority is low in order to give priority to security of its investments.

9.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

9.4 Investment instruments identified for use in the financial year are maintained under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

Creditworthiness Policy

9.5 This Authority uses the creditworthiness service provided by Sector Treasury Services. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

9.6 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Authority to determine the duration for investments and are therefore referred to as durational bands. The Authority is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Authority would not be able to replicate using in house resources.

9.7 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties.

9.8 This Authority will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys are currently very much more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Authority with few banks on its approved lending list. The Sector creditworthiness service does though, use ratings from all three agencies, but by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

9.9 All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

9.10 Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.
Approved Instruments for Investments

9.11 Investments will only be made with those bodies identified by the authority for its use through the Annual Investment Strategy.

Specified Investments	Non Specified Investments
Deposits with the Debt Management Agency Deposit Facility	
Term Deposits with UK government, UK local authorities, credit rated banks and building societies (including callable deposits and forward deals)	Non credit rated building societies
Banks nationalised by the UK government e.g. Northern Rock	
Banks eligible for support from the government (scheme closed 28-2-2010) –Bank of Scotland, Barclays, Clydesdale, Coventry Building Society, Investec Bank, , Nationwide building society, Rothchild Continuation Finance plc, Standard Life Bank, Tesco Personal Finance plc, Royal Bank of Scotland, West Bromwich Building Society, Yorkshire Building Society,	

9.12 The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide).

Investment Strategy

9.13 In-house funds: The Authority's in-house managed funds are mainly cash-flow derived and. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

9.14 Interest rate outlook: Bank Rate has been unchanged at 0.50% since March 2009. Bank Rate is forecast to commence rising in quarter 4 of 2011 and then to rise steadily from thereon. Bank Rate forecasts for financial year ends (March) are as follows: -

2011 0.50%

2012 1.00%

2013 2.25%

2014 3.25%

There is downside risk to these forecasts if economic growth is weaker than expected. There is also the risk that the MPC could decide to start raising Bank Rate in quarter 3 of 2011 if it feels it needs to defend its credibility in containing inflation and the inflation expectations of the public.

9.15 The Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Authority.

9.16 For 2011/12 the Authority has budgeted for an investment return of 0.93% on investments placed during the financial year.

End of year investment report

9.17 At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

Policy on the use of external service providers

9.18 The Authority uses Sector as its external treasury management advisers. The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

9.19 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Treasury Management Scheme of Delegation

Full Authority;

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy
- Approval of/amendments to the Authority's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Approving the selection of external service providers and agreeing terms of appointment.
- Reviewing the treasury management policy and procedures and making recommendations to the Authority.

Resources Committee;

- Receiving and reviewing regular monitoring reports and acting on recommendations

Role of the Section 151 officer

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit and liaising with external audit
- Recommending the appointment of external service providers.

10. MINIMUM REVENUE PROVISION (MRP) STRATEGY

10.1 What is a Minimum Revenue Provision? - Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. fire stations, vehicles, equipment etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and will in future be determined under Guidance.

10.2 New statutory duty - Statutory Instrument 2008 no. 414 s4 lays down that: “A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.”

10.3 The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended).There is no requirement to charge MRP where the Capital Financing Requirement is nil or negative at the end of the preceding financial year.

10.4 New Government Guidance - Along with the above duty, the Government issued new guidance in February 2008 which requires that a Statement on the Council’s policy for its annual MRP should be submitted to the full Authority for approval before the start of the financial year to which the provision will relate.

10.5 The Authority are legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Authority should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to ‘have regard’ to the guidance therefore means that: Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent;

10.6 It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance. The guidance broadly requires authorities to make revenue provision for the repayment of borrowing over a period of time which bears some relation to the finite life of the asset to which borrowing is being taken. There are four options set out in the guidance which are briefly as follows;

For borrowing after 1st April 2008 which is supported by Revenue Support Grant (RSG) and for all borrowing before 1st April 2008;

Option 1 – Regulatory Method

MRP calculated on the basis of the old rules as this is the basis for calculating Revenue Support Grant implications.

Option 2 – CFR Method

MRP can be calculated on the basis of 4% of the CFR at the end of the preceding financial year. If the CFR at that date is nil or negative, no MRP is required.

For new borrowing after 1st April 2008, under the Prudential system and for which no Government support is given;

Option 3 – Asset Life Method

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be made in equal annual instalments over the life of the asset. In this circumstance the asset life is to be determined when MRP commences and not changed after that.

MRP should normally commence in the financial year following the one in which the expenditure is incurred. However, when borrowing to construct an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone beginning to make MRP until that year. Investment properties should be regarded as becoming operational when they begin to generate revenues.

Option 4 – Depreciation Method

MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements.

10.7 Whilst options 1 and 2 are available for unsupported borrowing before 1st April 2008, authorities are able to use options 3 and 4 if they choose to do so.

10.8 As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

10.9 A draft MRP statement for 2011/2012 is attached as Appendix B for Authority approval. The financing of the approved 2011/2012 capital programme, and the resultant prudential indicators, have been set on the basis of the content of this statement.

11. SUMMARY AND RECOMMENDATIONS

11.1 The authority is required to consider and approve the treasury management strategy to be adopted prior to the start of the financial year. This strategy must also include proposed prudential indicators and a minimum provision statement (MRP). Approval of the strategy for 2011/2012 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice in 2009.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT DSFRA/11/2

PRUDENTIAL AND TREASURY INDICATORS

PRUDENTIAL INDICATOR	2011/12 £m estimate	2012/13 £m estimate	2013/14 £m estimate
Capital Expenditure			
Non - HRA	6.502	5.250	3.650
HRA (applies only to housing authorities)	0	0	0
TOTAL	6.502	5.250	3.650
Ratio of financing costs to net revenue stream			
Non - HRA	4.35%	4.56%	4.93%
HRA (applies only to housing authorities)	0%	0%	0%
Capital Financing Requirement as at 31 March			
Non – HRA	31.154	33.434	34.671
HRA (applies only to housing authorities)	0	0	0
Other long term liabilities	1.885	1.847	1.836
TOTAL	33.039	35.281	36.507
Annual change in Cap. Financing Requirement			
Non – HRA	3.114	2.242	1.226
HRA (applies only to housing authorities)	0	0	0
TOTAL	3.114	2.242	1.226
Incremental impact of capital investment decisions	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	(£0.47)	(£0.39)	(£0.47)
TREASURY MANAGEMENT PRUDENTIAL INDICATORS			
	£000	£000	£000
Authorised Limit for external debt -			
borrowing	36.229	37.885	39.251
other long term liabilities	1.930	1.917	1.856
TOTAL	38.159	39.802	41.107
Operational Boundary for external debt -			
borrowing	34.671	36.213	37.517
other long term liabilities	1.836	1.825	1.766
TOTAL	36.507	38.038	39.283

	upper limit %	lower limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2011/12		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

MINIMUM REVENUE STATEMENT (MRP) 2011/12

Supported Borrowing

The MRP will be calculated using the regulatory method (option 1). MRP will therefore be calculated using the formulae in the old regulations, since future entitlement to RSG in support of this borrowing will continue to be calculated on this basis.

Un-Supported Borrowing (including un-supported borrowing prior to 1st April 2008)

The MRP in respect of unsupported borrowing under the prudential system will be calculated using the asset life method (option 3). The MRP will therefore be calculated to repay the borrowing in equal annual instalments over the life of the class of assets which it is funding. The repayment period of all such borrowing will be calculated when it takes place and will be based on the finite life of the class of asset at that time and will not be changed.

Finance Lease and PFI

In the case of Finance Leases and on balance sheet PFI schemes, the MRP requirement is regarded as met by a charge equal to the element of the annual charge that goes to write down the balance sheet liability. Where a lease of PFI scheme is brought, having previously been accounted for off-balance sheet, the MRP requirement is regarded as having been met by the inclusion of the charge, for the year in which the restatement occurs, of an amount equal to the write-down for the year plus retrospective writing down of the balance sheet liability that arises from the restatement. This approach produces an MRP charge that is comparable to that of the Option 3 approach in that it will run over the life of the lease or PFI scheme and will have a profile similar to that of the annuity method.

MRP will normally commence in the financial year following the one in which the expenditure was incurred. However, when borrowing to construct an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone the beginning to make MRP until that year. Investment properties will be regarded as becoming operational when they begin to generate revenues.

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/11/3**
MEETING	**DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**14 FEBRUARY 2011**
SUBJECT OF REPORT	**2011-2012 REVENUE BUDGET AND COUNCIL TAX LEVEL**
LEAD OFFICER	**Treasurer and Chief Fire Officer**
RECOMMENDATIONS	***(a) That the following recommendation of the meeting of the Resources Committee, held on 28 January 2011, be approved;*** ***(i) the level of council tax in 2011-12 for a Band D property be frozen at the 2010-11 level of £71.77, as outlined as Option B in paragraph 4.2 of this report;*** ***(ii) a Net Revenue Budget Requirement of £75,141,300 for 2011-12 be set;*** ***(b) that as a consequence of recommendations (a)(i) and (ii);*** ***(i) the tax base for payment purposes and the precept required from each billing authority for payment of the total precept of £43,942,942, as detailed on Page 2 of the budget booklet provided separately with this report, be approved;*** ***(ii) the council tax for each property bands A to H associated with a total precept of £43,942,942, as detailed on Page 2 of the budget booklet provided separately with this report, be approved; and*** ***(iii) that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances' as included as Appendix D to this report, be noted.***

EXECUTIVE SUMMARY	It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year by the 1 March each year. The Fire and Rescue Authority is asked to consider the contents of this report and ratify the recommendations made from the meeting of the Resources Committee, held on the 28 January 2011, in relation to the levels of revenue budget and council tax for 2011-2012.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	A. Proposed Net Revenue Budget Requirement 2011-12. B. Summary of Medium Term Financial Plan (MTFP) Scenario Modelling. C. Report on Precept Consultation for 2011-12 Revenue Budget. D. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.
LIST OF BACKGROUND PAPERS	Report RC/11/2 Revenue Budget and Council Tax Level 2011-12 to Resources Committee 28 January 2011.

1. INTRODUCTION

1.1 It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year, before 1 March, in order that it can inform each of the 15 council tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2011-2012. The purpose of this report is to provide Members with the necessary financial background, in order that consideration can be given as to what would be appropriate levels for the Authority.

1.2 The Resources Committee, at its meeting held on 28 January 2011, considered this issue and resolved to recommend to the Authority that the council tax level for 2011-12 be frozen at the 2010-11 level of £71.77 for a Band D Property, which would enable the budget requirement to be set at £76,239,900 (amended from the figure of £76,241,000 approved by the Resources Committee, as a result of a minor reduction of £1k in the 2011-12 grant allocation, as included in the final Local Government Finance Settlement announcement made on the 31 January 2011 and after the meeting of Resources Committee).

1.3 If the Authority is minded to approve a freeze in council tax at £71.77 then this will attract the receipt of a council tax freeze grant of £1,098,600 from the government, equivalent to the amount of precept that would have been generated from an increase in council tax of 2.5%. This government have stated that this sum will be paid for the period of CSR i.e. 2011-12 to 2014-15. The application of this grant reduces the Net Revenue Budget Requirement for 2011-12 to £75,141,300 (£76,239,900 less £1,098,600).

2. COMPREHENSIVE SPENDING REVIEW 2010 (CSR 2010)

2.1 Members will be well aware of the economic background which has led to the government announcing its plans to reduce the national structural deficit over the next four years by 2014-2015. The Spending Review in October 2010 provided specific details of how public spending would be reduced over the next four years from 2011-2012, including significant reductions in local authority grants over this period.

2.2 For fire and rescue authorities CSR 2010 announced reductions in government grants of 25% by 2014-15, representing a real terms reduction in spending of 13% by 2014-15, bearing in mind that, on average, government grant funding represents 50% of total fire and rescue spending.

2.3 A 25% reduction in government grants obviously represents a significant reduction in future funding streams and will require fire and rescue authorities to put plans in place to have delivered significant reductions in spending over the CSR 2010 period. However, the Fire Service has been provided with some protection as, unlike other local authorities, the reductions have been weighted so that they are back-loaded to 2013-14 and 2014-15, in order that fire and rescue authorities are given time to implement changes without affecting the quality and breadth of service to communities.

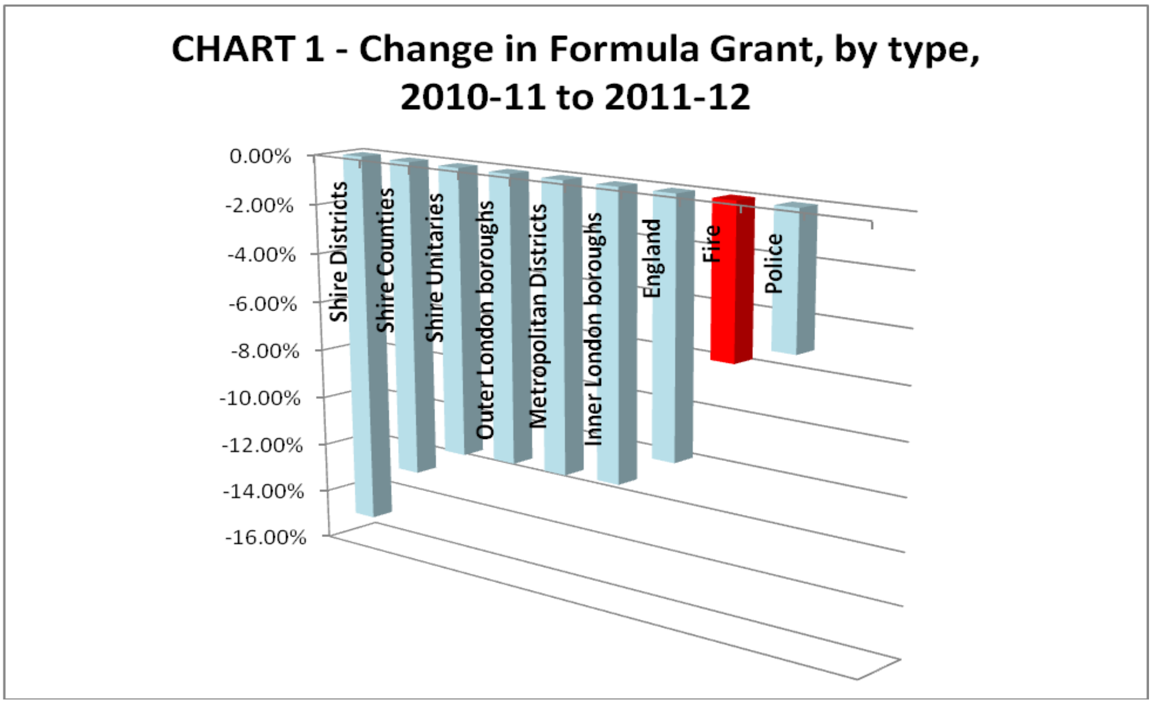
2.4 The CSR announcement also confirmed details of a new grant known as Council Tax Freeze Grant which will be paid to those authorities who set a zero per cent or less, increase in council tax for 2011-12. The amount of grant payable will be equivalent to the amount of precept income that would have been generated from setting a council tax increase of 2.5%. For Devon and Somerset FRA this figure equates to £1.099m. The government have made a commitment to continue to pay this grant for the four year period of the CSR period, but there is no guarantee that this grant will continue beyond 2014-15.

3. LOCAL GOVERNMENT FINANCE SETTLEMENT 2011-12 AND 2012-13

3.1 The provisional Local Government Finance Settlement for 2011/2012 was announced on the 13 December 2010. This announcement provided local authorities with individual grant allocations for the next two financial years 2011-12 and 2012-13. The reason that grant figures have only been released for the next two years, rather than the whole four-year period of CSR 2010, is that the government has announced its intention to fundamentally change the way local authorities are to be funded from 2013-14. It is expected that details of the changes to be made will be consulted on during 2011.

3.2 The announcement was only provisional as it was subject to the normal consultation period which ended on the 17 January 2011. During the consultation period each local authority had an opportunity to challenge the provisional allocations. The final grant settlement figures were announced on the 31 January 2011. These final figures were broadly the same as the provisional allocations with some minor changes to correct inconsistencies with data.

3.3 The settlement announced average government grant reductions for England in 2011-12 of -9.9% when compared to 2010-11, and reductions of -7.8% in 2012-13 when compared to 2011-12. For fire and rescue authorities, however, the reductions are not so severe, -5.8% in 2011-12 and a further -0.7% in 2012-13. Chart 1 below illustrates the reductions in grant in 2011-12 for Fire as compared to other local authority groups.



3.4 Chart 1 clearly illustrates that Fire will receive lower reductions in funding in 2011-12 than other groups, which is consistent with the government commitment that the larger reductions in Fire funding will be back-loaded to 2013-14 and 2014-15.

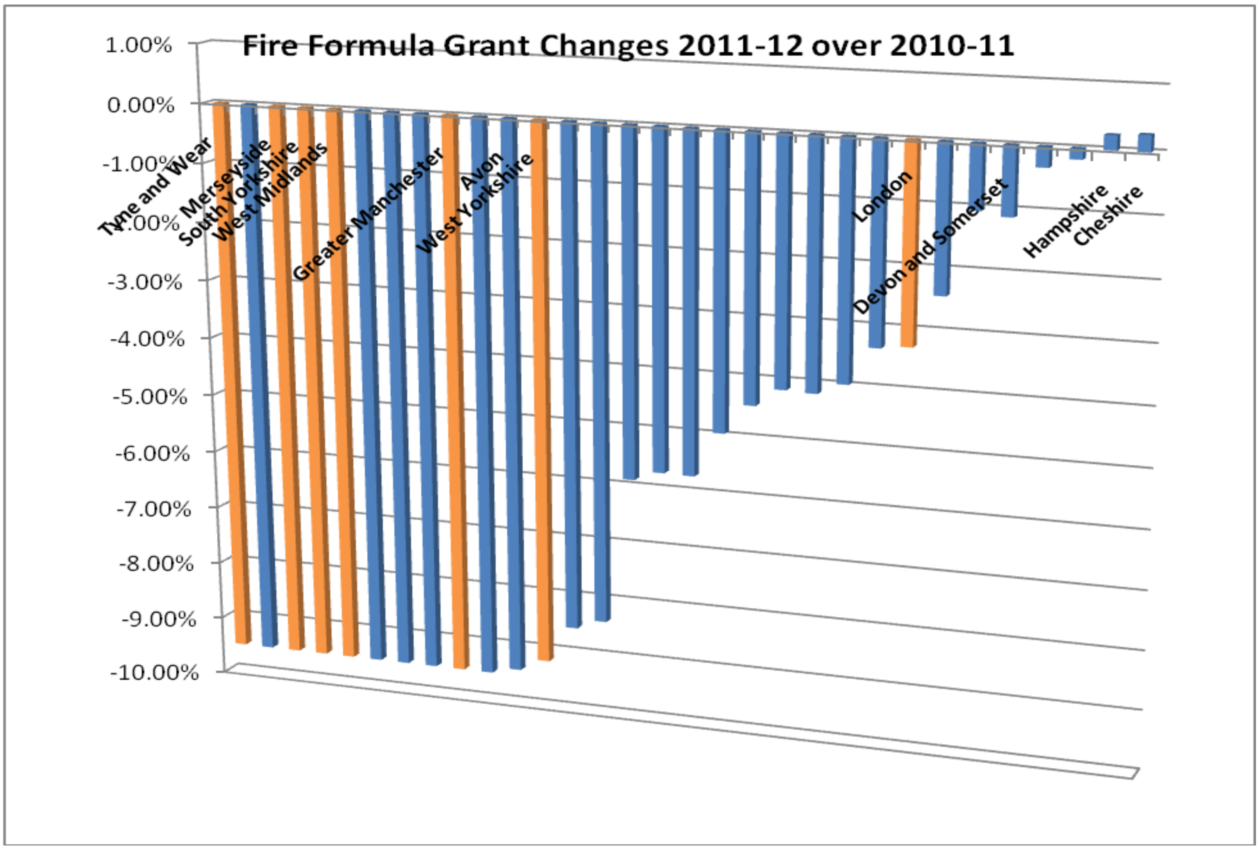
Impact of Final Grant Settlement to Devon and Somerset FRA

3.5 The actual reduction in grant for Devon and Somerset FRA in 2011-12 is -1.1% over 2010-11, and an increase of +1.9% in 2012-13 over 2011-12. Table 1 below provides a summary of the grant allocations. These figures reflect minor changes from the provisional allocations of -£1k in 2011-12 and +£2k in 2012-13.

TABLE 1 – FINAL GRANT SETTLEMENT FIGURES	£m	%
Formula Grant 2011-12	30.894	
Reduction over 2010-11 Grant	**(0.351)**	**-1.1%**
Formula Grant 2012-13	31.485	
Increase over 2011-12 Grant	**0.591**	**+1.9%**

3.6 These allocations are certainly more favourable than had had been anticipated, which is as a consequence of the government introducing changes to the way Fire Formula grant is distributed. A number of changes have been made which, in general, benefit the more rural authorities such as Devon and Somerset FRA, primarily at the expense of the larger urban FRA's, who are suffering much larger reductions in grant (-9.5%) in 2011-12. Members will be well aware that this Authority has been very active for a number of years in challenging the CLG that the previous distribution formula was flawed, which, in particular did not reflect the additional costs of providing a fire and rescue service in a sparse rural area. It is very pleasing therefore that the government has finally introduced changes which we believe makes the distribution methodology more equitable. Chart 2 below provides an analysis of changes in grant for all FRA's in 2011-12.

CHART 2



3.7 Chart 2 illustrates that whilst the average reduction in grant for Fire is -5.8% the range of reductions are from -9.5% (ten FRAs) to +0.26% (Cheshire FRA). As the government has set a floor of -9.5% no FRA has suffered a reduction of more than -9.5%.

Capping

3.8 The government has already published a consultation document setting out its intentions to abolish the capping system from 2012-13. Capping has been in place for a number of years and used as a means of government intervening where authorities are deemed to have set excessive increases in council tax. From 2012-13 capping will be replaced with a new system which will give local residents the powers to veto excessive increases in council tax through a local referendum.

3.9 As the new system will not be in place until the financial year 2012-13, the government has emphasised as part of the grant settlement that it will continue to use its capping powers in 2011-12 for those authorities which are deemed to have set excessive increases in council tax.

4. PROPOSED COUNCIL TAX AND BUDGET REQUIREMENT 2011-2012

Council Tax

4.1 The government has laid out its expectations that local authorities set a zero percent increase in council tax in 2011-12. To encourage authorities to do this the government has introduced the new grant of Council Tax Freeze Grant, which will be paid to those authorities that set a zero per cent increase, or less, in council tax for 2011-12. It should be emphasised that it is still an Authority decision to set a level of council tax that is appropriate to its funding position, and indeed it is voluntary as to whether the Authority agrees to accept the grant available.

4.2 As is stated earlier in this report the government has emphasised that it will use capping powers available to them to those authorities that set excessive increases in budget and council tax in 2011-12. At the time of writing this report the capping principles to be used by the government are not known, but are expected to have been announced by the date of this meeting. However, given that it has been announced that the amount of new Council Tax Reward Grant will be equivalent to an increase of 2.5% in council tax in 2011-12, it is likely that this is the level to be used as the benchmark for capping considerations. With this in mind this report contains two options in terms of setting a level of council tax for 2011-12.

Option A - To increase council tax for a Band D property in 2011-12 by 2.5% over 2010-11 - This would increase council tax from its current level of £71.77 to £73.56, representing an increase of £1.79.

Option B - To freeze council tax for a Band D property in 2011-12 at the same level as 2010-11 - This would freeze council tax at its current level of £71.77, and result in the Authority being entitled to receive Council Tax Freeze Grant equivalent to the amount of precept that would have been generated from an increase in council tax by 2.5%. For Devon and Somerset FRA the amount of reward is £1.099m, which will be paid for each of the four financial years covered by CSR 2010 i.e. 2011-12 to 2014-15.

4.3 Each option results in the same level of revenue budget for 2011-12, so in terms of spending power there is no difference between the two options. The advantage of choosing Option A is that the £1.099m of additional precept generated by increasing council tax by 2.5% will be built into base and will therefore be available for the Authority to spend in all future annual budgets. Option B however only guarantees that the £1.099m will be available to spend up until 2014-15, and therefore does carry the risk that in the event that the reward grant ceases from 2015-16, the Authority will be in the position of having to make the decision in 2015-16 of either increasing council tax to make up the shortfall or identifying further savings of £1.099m in that year.

4.4 Whilst Option B does carry with it some risk, given that the Authority grant settlement for 2011-12 and 2012-13 is more favourable than had been anticipated, and also given our responsibility to our council taxpayers to contain council tax increases whenever possible, it is the recommendation of this report that the Authority selects this option and agrees to freeze council tax for a Band D property at the 2010-11 level of £71.77.

4.5 A council tax for a Band D property at £71.77 will result in total funding of £76.240m being available to fund revenue spending in 2011-12. Table 2 below illustrates how this figure is calculated.

TABLE 2 – SUMMARY OF REVENUE FUNDING AVAILABLE 2011-12 COMPARED TO 2010-11	**2010-11 £m**	**2011-12 £m**	**Change £m**
Government Grant	31.245	30.894	-0.351
Council Tax Precept (based on council tax of £71.77 for a Band D property)	43.705	43.943	+0.238
Surplus on Billing Authority Council Tax Collection Funds	0.185	0.304	+0.119
Council Tax Freeze Grant	-	1.099	+1.099
TOTAL FUNDING AVAILABLE	**75.135**	**76.240**	**+1.105**

Budget Requirement 2011-12

4.6 As is illustrated in Table 2 to freeze council tax at its current level of £71.77 results in funding of £76.240m being available to set a Revenue Budget Requirement for 2011-12. To set the budget for 2011-12 at £76.240m represents an increase of £1.105m, or 1.47%, over the 2010-11 agreed budget of £75.135m. Table 3 overleaf provides a summary of a proposed revenue budget for 2011-12 on the basis of setting the budget at this level. A breakdown of the more detailed changes included in this draft budget are included in Appendix A, and a budget booklet is enclosed separately with this report which provides further analysis of the proposed budget by subjective budget headings.

TABLE 3 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2011-2012	**£m**	**%**
Approved Net Revenue Budget Requirement 2010-2011	75.135	
PLUS Provision for pay and price increases (items 1 to 4 included in Appendix A to this report)	0.081	
PLUS Inescapable Commitments (items 5 to 10 included in Appendix A to this report)	1.288	
MINUS One-off investments in 2010-11 (items 11 to 16 included in Appendix A to this report)	(0.800)	
PLUS Invest-to-Save/Essential Spending Pressures (items 17 to 19 included in Appendix A to this report)	1.578	
CORE SPENDING REQUIREMENT 2011-2012	**77.282**	
MINUS Budget Reductions (items 20 to 26 included in Appendix A to this report)	(1.042)	
REVENUE BUDGET REQUIREMENT 2011-2012	**76.240**	
INCREASE IN BUDGET OVER 2010-2011 (£m)		**1.105**
INCREASE IN BUDGET OVER 2010-2011 (%)		**1.47%**

Invest-to-Save/Essential Spending Pressures

4.7 In constructing the budget requirement for 2011-12 an amount of £1.578m has been included for new investment in the Service. In assessing how this sum is to best utilised Senior Management Board has adopted the strict criteria that any new investment has to contribute towards the Business Change and Improvement Programme and/or contribute to plans to reduce spending by 2014-15.

4.8 From the range of new investment bids that have been received from budget managers the following three areas of investment are proposed.

I. **<u>Change and Improvement Programme (invest-to-save)</u>** – an amount of £0.740m has been identified as the minimum requirement in 2011-12 to support the significant work required to bring about the changes within the Service that will contribute to the budget reductions by 2014-15. The majority of this sum will be required to fund the staffing costs of the programme and project management arrangements established to govern and implement the change programme, and also investment in new IT systems. It is anticipated that the significant savings to be delivered from this programme will begin to be realised during 2011-12.

II. **Revenue Contribution to Capital Spending (invest-to-save) -** elsewhere on the agenda is a separate report proposing a revised capital programme for the years 2011-12 to 2013-14. The proposed programme has been constructed on the basis of keeping within prudential code limits and, in particular, containing as much as possible the Authority's exposure to external borrowing, now and into the future, and keeping debt charges within a 5% limit of the revenue budget. This is achieved by reducing overall capital spending in the period 2011-12 to 2013-14, and making a contribution of £1.5m from the revenue budget (£0.750m in 2011-12 and £0.750m in 2012-13). If this revised programme is approved then it is forecast that annual savings in debt charges of £0.427m will be achieved by 2013-14.

III. **Replacement Training System –** the existing training and course management system (RTIX) is no longer supported by the supplier and a replacement system is therefore required urgently, estimated cost of £0.088m. It is important that the replacement system forms part of the Service integrated ICT strategy and minimises duplication of effort and data, and streamlines processes.

5. MEDIUM TERM FINANCIAL PLAN

5.1 In formulating the net budget requirement for the next financial year, an assessment has also been made of the indicative core budget requirements for the following three years, i.e. 2012-13 to 2014-15. This assessment has provided indicative budget figures of £78.0m for 2012-13, £79.0m for 2013-14 and £80.8m for 2014-15. Table 4 provides a summary of how these figures have been constructed.

TABLE 4 – SUMMARY OF SPENDING REQUIREMENT 2011-12 to 2014-15	**2011-12 £m**	**2012-13 £m**	**2013-14 £m**	**2014-15 £m**
Approved Net Revenue Budget Requirement 2010/2011	**75.135**	**75.135**	**75.135**	**75.135**
Provision for pay and price increases	0.081	1.342	2.930	4.556
Inescapable Commitments	1.288	1.691	1.837	1.989
One-off investments in 2010-11	(0.800)	(0.875)	(0.875)	(0.875)
Invest-to-Save	1.578	0.750	-	-
CORE SPENDING REQUIREMENT	**77.282**	**78.043**	**79.027**	**80.805**

5.2 Clearly it is difficult to provide forecasts into future years with absolute certainty, particularly in relation to future pay awards, inflationary increases and changes in pension costs. Key assumptions have therefore had to be made in these forecasts which will inevitably be subject to change. However, these figures are considered prudent forecasts of future budgets which can be used to refresh the Authority's Medium Term Financial Plan (MTFP) to inform financial planning and provide updated forecasts of the levels of budget reductions required by 2014-15 to balance the budget.

6. PLANS TO ACHIEVE BUDGET REDUCTIONS 2011-12 TO 2014-15

6.1 As is stated earlier in this report the Local Government Grant Settlement has provided details of grant allocations for the next two years. In the event, the Authority has had a more favourable settlement for those two years than had been anticipated, which is to be welcomed. However the grant reductions for 2013-14 and 2014-15 have not been announced at FRA level, which leads to uncertainty as to the scale of budget reductions that the Authority will be required to have delivered by 2014-15. Of course, what we do know is that the grant reductions for Fire have been back-loaded so the more severe reductions are still to come in 2013-14 and 2014-15.

6.2 Whilst we cannot be certain of the scale of budget reductions, the MTFP financial modelling tool can be used to assess what is considered to be 'best case' and 'worst case' scenarios. This modelling has forecast the scale of reductions required by 2014-15 to be between -4.5m (best case) and -£9.2m (worst case). Appendix B provides a summary of this modelling including key assumptions used in each case e.g. likely grant reductions and council tax increases.

6.3 Members will be well aware that plans to deliver the savings by 2014-15 are well advanced, and that we plan to meet our budget shortfall through: 1) ***improving efficiency*** 2) ***reducing spending*** and 3) ***generating income***.

1) **Improving efficiency by: -**
   - Better management and control of spending and suppliers,
   - Sharing managers and operational/business support functions,
   - Changing how we respond to co-responder calls for the ambulance service.
   - Providing better targeted prevention advice.
   - Buying slightly smaller fire engines for relevant areas.
   - Commencing discussions with staff as to how we can make the existing shift system work better rather than imposing a new shift pattern/start finish times.
   - Savings from reductions in the senior management team in 2010.
   - Managing with fewer operational and non operational staff (standardising crewing levels in Somerset & Devon, introducing Day Crewed Plus and improving business processes).

2) **Reducing costs: -**
   - Risk managed approach to reduce spend.
   - Not attending repeated false alarms from the same premises and/or charge for repeated defective alarm system call outs.
   - Ending the Regional Management Board (a political body).
   - Reducing spending by Councillors.
   - Pay restraint (recognising national conditions of service apply).
   - Using money saved in 2010/11 as a result of tight budget management (ring fenced reserves).

3) **Generating income: -**
   - Selling training and other functions to others

6.4 Many of these savings proposals have been identified from the findings of the two fundamental reviews which have been undertaken over the last two years, the first of which has been to review Service Delivery, and the second to examine Service Support areas. Officers are confident that this package of proposals can be implemented over the next four years in order to secure the necessary budget reductions by 2014-15.

6.5 The process has of course already started. This report already proposes a range of budget reductions of £1.042m to be delivered in 2011-12 (Appendix A items 20 to 26), all of which are on-going savings and will therefore contribute to the total savings requirement by 2014-15.

6.6 Elsewhere on the agenda is a separate report which considers a revised capital programme for the period 2011-12 to 2013-14. This report proposes a revision to the capital programme which reduces debt charges from new borrowing by an amount of £0.427m by 2013-14. The budget reduction forecasts included in paragraph 6.2 have already been adjusted to reflect this saving, on the basis that this revised programme is approved.

6.7 Looking further ahead, the recent launch of the draft Corporate Plan for 2011-12 to 2013-14 includes some of the proposals for budget reductions. This Plan is currently undergoing a consultation period to May 2011. On completion of this consultation period, a further report will be brought back to this Committee to report on the feedback from the consultation and how this will be used to shape our budget reduction plans.

7. PRECEPT CONSULTATION 2011-12

7.1 Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on its proposals for expenditure. The Act requires that, every financial year, consultation be completed before the first precept is issued by the authority for that financial year. The Department for Communities and Local Government (CLG) previously advised that there is no statutory requirement to consult the general public on this matter.

7.2 Telephone surveys have been used to undertake the business precept surveys because of the short timescale to complete the research. It was decided that this proven methodology should be adopted again for 2011/12. The key specifications for the survey were:

- To ask 4 key question plus demographic information;
- To collect answers to both closed and open questions;
- To provide a representative sample by constituent area (Devon County Council; Plymouth City Council; Somerset County Council; and Torbay Council).

7.3 At its meeting on 16 December 2010 the Devon and Somerset Fire and Rescue Authority (DSFRA) approved the reduction of the business sample size to 100, minute 46 refers. This provides a confidence interval of +/- 9.8% at the 95% confidence level. The survey was undertaken between 4th and 14th January 2011.

7.4 Below are the top line results that reveal:

- the majority of respondents, 77% (79), agreed that, in response to the government's request, the Council Tax charge should not be increased (see table 5.1); and that

- 79% (81) agreed that Devon and Somerset Fire and Rescue Service (DSFRS) provide value for money at a total annual budget equating to £135.66 per household (see table 5.2).

Table 5.1 – Responses to Question 1: 'The coalition government has requested that local authorities do not increase their council tax charges for 2011/12. In response to the government's request, do you agree or disagree that Devon and Somerset Fire and Rescue Authority should NOT increase (i.e. 0%) their council tax charge for 2011/12?'

Response	Number	Percentage
Agree	79	77%
Neither Agree nor Disagree	13	13%
Disagree	9	9%
Don't Know	2	2%
Total	**103**	**101%***

* Percentages may add up to 99% or 100% due to rounding down or up

Table 5.2 – Responses to Question 2: 'Devon and Somerset Fire and Rescue Service's total annual budget equates to £135.66 per household across Devon and Somerset. Do you agree that DSFRS provides value for money?'

Response	Number	Percentage
Agree	80	79%
Neither Agree nor Disagree	15	14%
Disagree	4	3%
Don't Know	4	4%
Total	**103**	**100%**

7.5 For Question 2, the cost quoted for 2011, £135.66 was calculated from the total revenue budget and capital budgets to provide a total cost of running the service per household. In previous years' questions the cost indicated represented only the Council Tax charge for a Band 'D' property. This change was made to meet legislative requirements and to provide rate payers with a more accurate assessment of the costs of DSFRS.

7.6 The results of the telephone survey indicate that, despite the higher cost presented for the value for money question, the level of agreement remained high and was above the average level (76%) set over the last four years. Although the current cost of the service to rate payers is seen as being value for money, there is a high level of support for the government's proposal to freeze the Council Tax charge for 2011/12. A small number of respondents expressed some concern about the negative impact on service delivery and fire fighter safety if there was no increase in the Council Tax. A full report on the survey results is provided in Appendix C.

8. STATEMENT ON ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE LEVELS OF RESERVES AND BALANCES

8.1 It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the 'Chief Finance Officer' to the Authority reports on the robustness of the budget estimates and the adequacy of the level of reserves. The Act requires the Authority to have regard to the report in making its decisions. This statement is included as Appendix D to this report.

9. SUMMARY

9.1 The Authority is required to set its level of revenue budget and council tax for 2011-2012 by 1 March so that it can meet its statutory obligation to advise each of the 15 billing authorities in Devon and Somerset of the required level of precept for 2011-2012. This report provides Members with the necessary background information to assist them in making decisions as to the appropriate levels for Devon and Somerset FRA.

9.2 The report recommends that the Authority agrees to freeze the 2011-12 council tax for a Band D Property at the 2010-11 level of £71.77 (Option B paragraph 4.2), resulting in a Net Revenue Budget Requirement of £75,141,300 for 2011-12. Members of the Fire and Rescue Authority are asked to consider the contents of the report with a view to ratifying the recommendations of the Resources Committee.

KEVIN WOODWARD **Treasurer**	**LEE HOWELL** **Chief Fire Officer**

DRAFT REVENUE BUDGET REQUIREMENT 2011-2012

		£m	£m	%
	Revenue Budget 2010-2011		**75.135**	
	Provision for Pay and Prices			
1.	Uniformed Pay - July 2010 (budgeted 1.0% LESS actual of 0.00%) - July 2011 (assumed 0.0%)	 (0.350) 0.000		
2.	Non-Uniformed Pay - April 2009 (budgeted 1.0% LESS actual of 0.0%) - April 2011 (assumed 0.0%)	 (0.113) 0.000		
3.	Provision for prices increases (assumed CPI of 3.0%) plus additional allowance for fuel, utilities and non-domestic rates)	0.484		
4.	Provision for inflationary increase in pension costs.	0.060		
			0.081	
	Inescapable Commitments			
5	Additional debt charges arising from proposed capital programme	0.193		
6	Pay increments and other pay changes	0.592		
7	Replacement of obsolete Hand Held Radios	0.200		
8	Enhanced Breathing Apparatus Training to comply with Fire Service Circular 18/2009	0.165		
9	Additional rates costs relating to new fire stations	0.073		
10	Other minor costs(net)	0.065		
			1.288	
	One-off Provisions included in 2010-11 Budget			
11	Removal of Temporary Posts	(0.098)		
12	Installation of Airwave radios	(0.112)		
13	Document Records Management System	(0.030)		
14	Business Change Programmes	(0.455)		
15	Enabling works to install station end equipment	(0.034)		
16	Training Costs associated with Mobile Data Terminals (MDTs)	(0.071)		
			(0.800)	
	Invest-to-Save/Essential Spending Pressures			
17	Change and Improvement Programme (invest-to-save)	0.740		
18	Revenue Contribution to Capital Spending (invest-to-save)	0.750		
19	Replacement Training system	0.088		
			1.578	
	CORE SPENDING REQUIREMENT 2011-2012		**77.282**	
	Proposed Budget Reductions			
20	Vacancy Management	(0.425)		
21	Efficiency Savings identified from devolved budget holders	(0.342)		
22	Dissolution of Regional Management Board	(0.025)		
23	Restructure of Senior Management Board in 2010	(0.050)		
24	Changes to mobilisation arrangements to co-responder and Automatic Fire Alarm (AFA) calls	(0.075)		
25	Share Management Support/Back office functions	(0.025)		
26	Surplus income from Trading Arm	(0.100)		
			(1.042)	
	TOTAL CHANGES (LINES 1 TO 26)		**1.105**	**1.47%**
	REVENUE BUDGET REQUIREMENT 2011-2012		**76.240**	

MEDIUM TERM FINANCIAL PLAN – FORECAST BUDGET REDUCTIONS

SCENARIO A – BEST CASE

KEY ASSUMPTIONS	2011/12	2012/13	2013/14	2014/15
PAY AWARD	0.0%	2.0%	2.0%	2.0%
INFLATION	3.0%	3.0%	3.0%	3.0%
GOVERNMENT GRANT REDUCTIONS OVER FOUR YEARS (OVER AND ABOVE 2010-11)	(1.1)% Actual	0.1% Actual	***(5.0%) Forecast***	***(10.0%) Forecast***
INCREASE IN COUNCIL TAX	0.0%	2.0%	2.0%	2.0%
CORE SPENDING REQUIREMENT (£m)	**77.2**	**78.0**	**79.0**	**80.8**
GOVERNMENT GRANT (£m)				
- Formula Grant	(30.9)	(31.4)	(29.7)	(28.1)
- Council Tax Precept	(44.2)	(45.1)	(46.0)	(47.1)
- Council Tax Freeze Grant	(1.1)	(1.1)	(1.1)	(1.1)
TOTAL FUNDING	(76.2)	(77.6)	(76.8)	(76.3)
FORECAST SAVINGS REQUIRED (£m)	**(1.0)**	**(0.4)**	**(2.2)**	**(4.5)**

SCENARIO B – WORST CASE

KEY ASSUMPTIONS	2011/12	2012/13	2013/14	2014/15
PAY AWARD	0.0%	2.0%	2.0%	2.0%
INFLATION	3.0%	3.0%	3.0%	3.0%
GOVERNMENT GRANT REDUCTIONS OVER FOUR YEARS (OVER AND ABOVE 2010-11)	(1.1)% Actual	0.1% Actual	***(12.0%) Forecast***	***(25.0%) Forecast***
INCREASE IN COUNCIL TAX	0.0%	2.0%	2.0%	2.0%
CORE SPENDING REQUIREMENT (£m)	**77.2**	**78.0**	**79.0**	**80.8**
GOVERNMENT GRANT (£m)				
- Formula Grant	(30.9)	(31.4)	(27.5)	(23.4)
- Council Tax Precept	(44.2)	(45.1)	(46.0)	(47.1)
- Council Tax Freeze Grant	(1.1)	(1.1)	(1.1)	(1.1)
TOTAL FUNDING	(76.2)	(77.6)	(74.6)	(71.6)
FORECAST SAVINGS REQUIRED (£m)	**(1.0)**	**(0.4)**	**(4.4)**	**(9.2)**

REPORT ON PRECEPT SURVEY RESULTS FOR 2011/12 REVENUE BUDGET

1. BACKGROUND

1.1 Section 65 of the Local Government Finance Act 1992 requires precepting authorities to consult non-domestic rate payers on its proposals for expenditure. The Act requires consultation each financial year and that it is completed before the first precept is issued by the authority for the financial year. Before the precept consultation in 2007/08 Communities and Local Government (CLG) were approached and they advised that there is not a statutory requirement to consult domestic ratepayers.

1.2 In January 2007 Devon and Somerset Fire and Rescue Service undertook its first precept survey by commissioning a telephone survey to question businesses on the proposed level of precept. This same method was used in 2008, 2009 and again in 2010.

2. SURVEY METHODOLOGY

2.1 Whilst there are many different options that could be used for public consultation, the time restriction for completing the survey renders the options of postal survey and focus groups impractical. Therefore, as in previous years a telephone survey was commissioned with an external agency. The survey was conducted in January 2011.

2.2 The key specifications of the survey were:

- To ask 4 key questions, plus demographic information
- To collect both closed and open question answers
- To provide a representative sample by constituent area (i.e. Devon County Council, Plymouth City Council, Somerset County Council and Torbay Council)

2.3 In December 2010 Devon and Somerset Fire and Rescue Authority commissioned BMG Research to undertake a Business Opinion Survey, amongst 100 businesses employing less than 250 staff. The purpose of this survey was to assess the opinions of business decision makers on how Devon and Somerset Fire and Rescue Authority should approach setting its budget for 2011/12 and on whether the Service is currently deemed to be providing value for money.

2.4 The questionnaire for the survey was provided by Devon and Somerset Fire and Rescue Authority. The contacts for the survey were purchased by BMG Research from a commercial database provider. To ensure the survey was broadly representative, quotas were set by local authority district, number of employees and broad industry sector, with weights correcting any under or over-representation in the final data set.

3 RESULTS

3.1 In total, 103 interviews were completed during January 2011 to provide a minimum level of statistical validity while minimising project costs. In 2009, 400 interviews were commissioned in the equivalent survey.

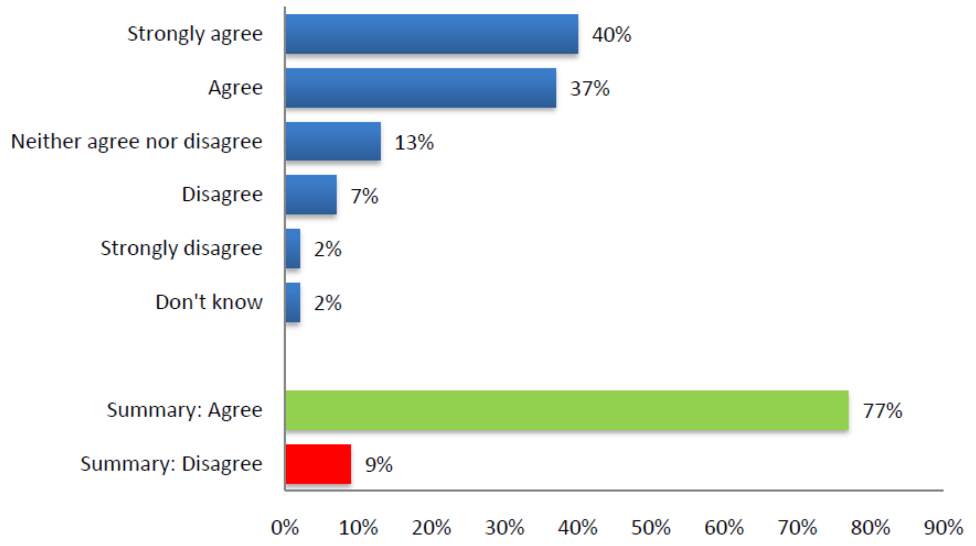
3.2 On a sample of 103 the confidence interval at the 95% level is +/- 9.8%. This means that if a statistic of 50% was observed, we can be 95% confident that the true response among the total business population lies between 40.2% and 59.8%.

3.3 This report summarises the main findings from the survey. Because of the reduced sample size commissioned in 2011 and due to considerable changes in the questionnaire content, no comparisons will be made to the previous 2010 survey. Qualitative responses have been reported verbatim and not themed due to the lower sample size.

QUESTION 1 asked: 'The coalition government has requested that local authorities do not increase their council tax charges for 2011/12. In response to the government's request, how strongly do you agree or disagree that Devon and Somerset Fire and Rescue Authority should NOT increase (i.e. 0%) their council tax charge for 2011/12?'

3.4 In response to this question respondents were asked how strongly they agree or disagree that Devon and Somerset Fire and Rescue Authority follows this government request and does not increase their council tax charge for 2011/12. Figure 1 shows that the majority (77%) of business respondents are supportive of council tax not being increased next year. Two in five (40%) strongly agree with Devon and Somerset Fire and Rescue Authority taking this approach and a further 37% agree. Fewer than one in ten (9%) respondents disagree with this approach to any extent.

Figure 1: Agreement that council tax charges for 2011/12 should not be increased (All responses)



Unweighted Sample Base: 103

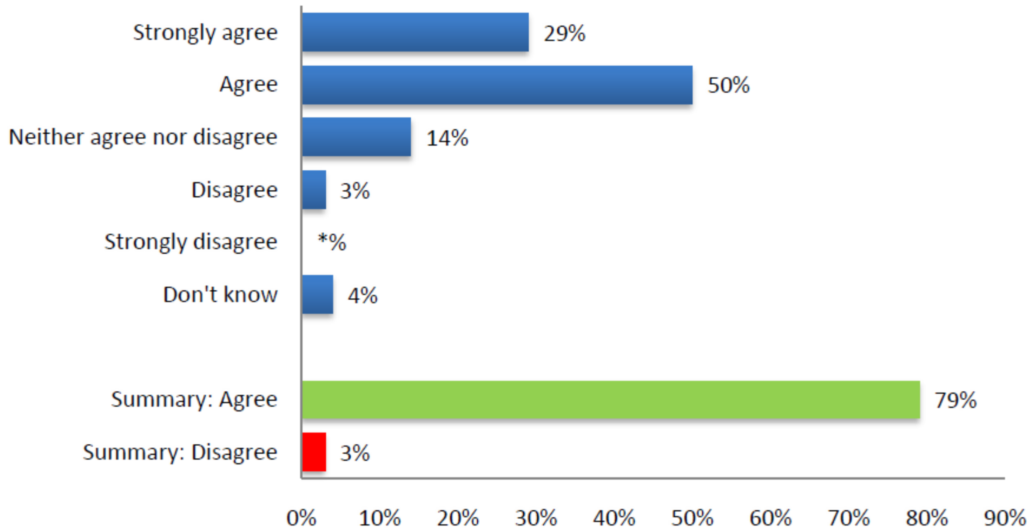
3.5 Among those who disagree that council tax charges should not increase for 2011/12, the reasons given are:

'If risking their lives, they [firefighters] should be paid more than they are.'
'Personal safety should come before costs cuts'
'If everything is rising, tax should be equal.'
'Must determine how they are to run the service properly [and the budget required for this].'
'If services start to get worse, with less money, there won't be any good services.'
'There should be some allowance to increase cost, due to the fact that costs are increasing.'
'Don't think it's right.'
'Otherwise service will be reduced'

Question 2 asked: 'Devon and Somerset Fire and Rescue Service's total annual budget equates to £135.66 per household across Devon and Somerset. Do you agree that Devon and Somerset Fire and Rescue Service provide value for money?'

3.6 Based on this information and their experience of the service (if any), four in five (79%) respondents agree that Devon and Somerset Fire and Rescue Authority provide value for money, including 29% who give the most positive opinion of strongly agree. Fewer than one in twenty (3%) disagree that Devon and Somerset Fire and Rescue Service provide value for money.

Figure 2: Agreement That Devon and Somerset Fire and Rescue Service provide value for money (All responses)



Unweighted Sample Base: 103 * denotes less than 0.5%

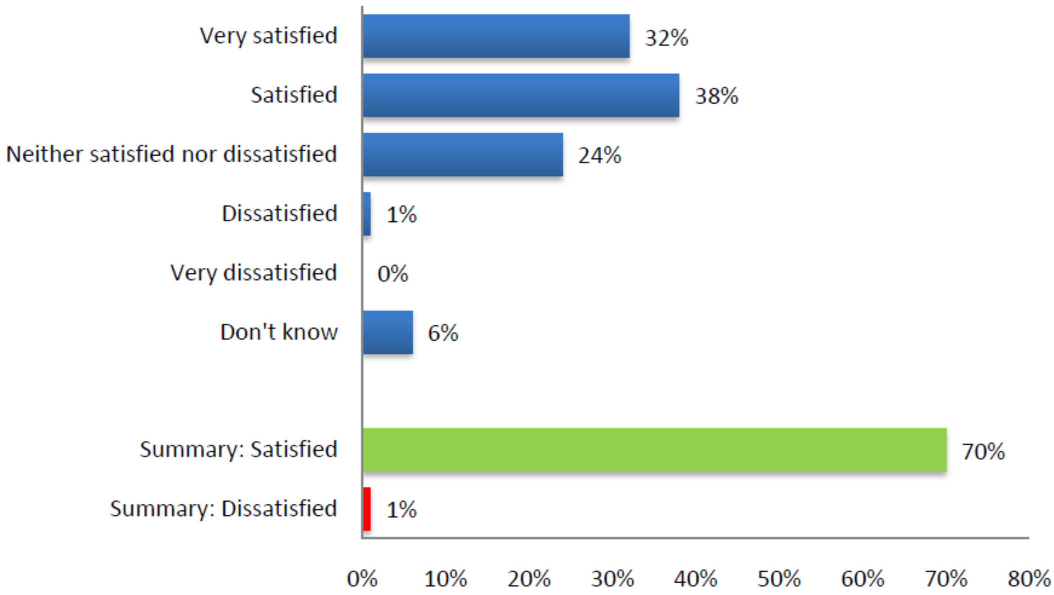
3.7 Disagreement that Devon and Somerset Fire and Rescue Service provide value for money is perceived to be due to the following reasons:

'Based on their annual budget, per household.'
'They built a very expensive control centre in Taunton costing us a lot a money per month, and now it's not being used.'
'On a personal level, I have never had to use them in an emergency. You ask for safety advice and received a leaflet, when wanting a home visit.'
'They waste money.'

Question 3 asked: How satisfied are you with the service provided by Devon and Somerset Fire and Rescue Service?

3.8 Mirroring the views given in relation to value for money it provides, the majority of business respondents are satisfied with the service provided by Devon and Somerset Fire and Rescue Service. Seven in ten (70%) express satisfaction, including 32% who are very satisfied, while only 1% are dissatisfied.

Figure 3: How satisfied are you with the service provided by Devon and Somerset Fire and Rescue Service? (All responses)

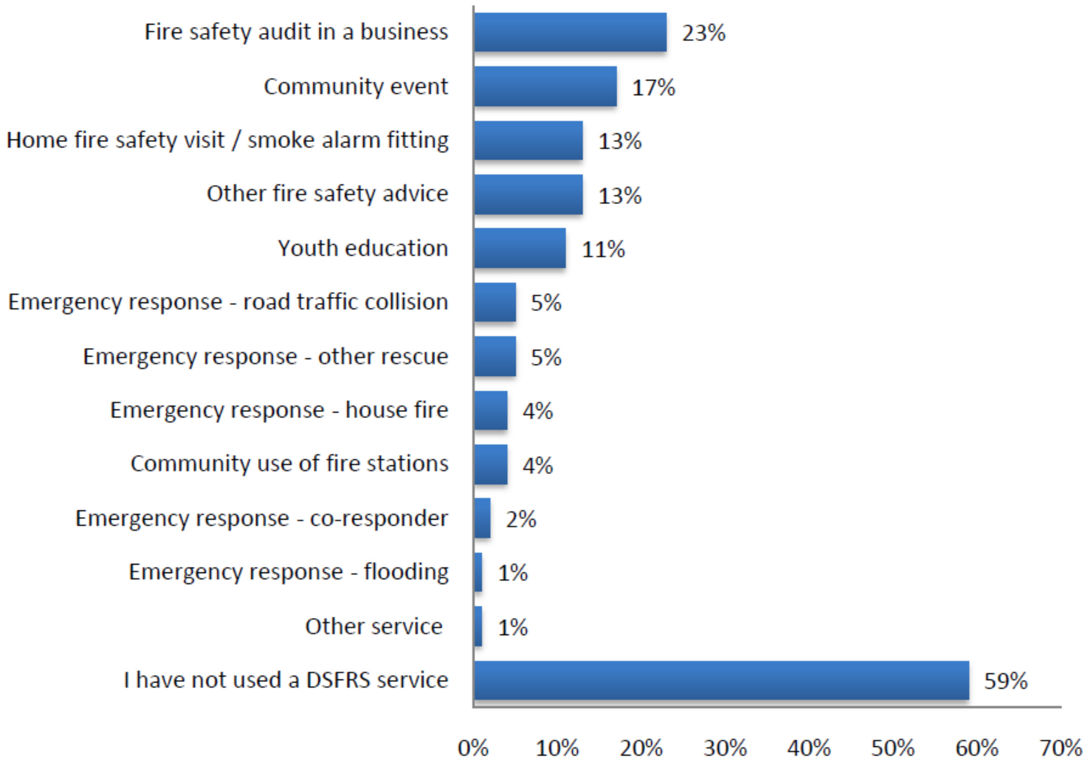


3.9 The single respondent who was dissatisfied attributed this to the services' budget being too big.

4 SERVICE USE

4.1 To contextualise the findings reported above, all respondents were asked if they have used any of ten specific services provided across Devon and Somerset. Overall, six in ten (59%) said that they had not used any of the DSFRS services they were asked about. Therefore for the majority, the views presented above will be driven by wider perceptions of the service, rather than personal experience. Among all respondents 23% have experienced a fire safety audit within a business, 17% have attended a community event where the Service was present and 13% have had a home fire safety visit/alarm fitting or have received other fire safety advice. The full extent of exposure to the Devon and Somerset Fire and Rescue Service among respondents is shown in Figure 4 below.

Figure 4: Have you used any of the following Devon and Somerset Fire and Rescue Services? (All responses)



Unweighted Sample Base: 103

5. PROFILE OF RESPONDENTS

5.1 The following tables outline the unweighted demographic profile of the sample.

Table 1 – Local authority district

Age	%	Base
Torbay	13%	13
Plymouth	13%	13
Devon	44%	45
Somerset	31%	32

Table 2 – Respondents' Age

Age	%	Base
16 – 24 years	2%	2
25 – 34 years	10%	10
35 – 50 years	42%	43
51– 64 years	37%	38
65+	10%	10

Table 3 – Respondents' Gender

Gender	%	Base
Male	69%	71
Female	31%	32

Table 4 – Respondents' Ethnic Origin

Ethnic Origin	%	Base
White – English/Welsh/Scottish/Northern Irish/ British	95%	98
White Other	3%	2
Refused	2%	2

6. CONCLUSION

6.1 The results of the telephone survey indicate that, despite the higher cost presented for the value for money question, the level of agreement remained high and was above the average level (76%) set over the last four years. Although the current cost of the service to rate payers is seen as being value for money, there is a high level of support for the government's proposal to freeze the Council Tax charge for 2011/12. A small number of respondents expressed some concern about the negative impact on service delivery and fire fighter safety if there was no increase in the Council Tax.

STATEMENT OF THE ROBUSTNESS OF THE BUDGET ESTIMATES AND THE ADEQUACY OF THE DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY LEVELS OF RESERVES

It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the 'Chief Finance Officer' to the Authority reports on the robustness of the budget estimates and the adequacy of the level of reserves. The Act requires the Authority to have regard to the report in making its decisions.

THE ROBUSTNESS OF THE 2011-2012 BUDGET

The net revenue budget requirement for 2011-2012 has been assessed as £75.141m. In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Corporate Plan. It should be emphasised that these assessments are being made for a period up to the 31st March 2012, in which time external factors, which are outside of the control of the authority, may arise which may cause additional expenditure to be incurred. For example, most retained pay costs are dependent on the number of call outs during the year. Other budgets, such as fuel are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 below, along with details of the action taken to mitigate each of these identified risks.

TABLE 1 – BUDGET SETTING 2011-2012 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO VOLATILE CHANGES

Budget Head	BUDGET PROVISION 2011-12 £000	RISK AND IMPACT	MITIGATION
Employee Salary costs	55,144	Of the total Service budget of £76m an amount of £55m relates to direct salary costs, both uniform and non-uniformed staff, including overheads for pension and national insurance contributions. No provision has been made any pay award in 2011. As the level of any pay award is subject to national negotiations there is a risk that some level of pay award is agreed.	In establishing a General Reserve for 2011/2012, allowance has been made for a potential overspend on this budget. The amount is based upon a pay award of up to 1.0% being agreed.

Budget Head	BUDGET PROVISION 2011-12 £000	RISK AND IMPACT	MITIGATION
Retained Pay Costs	12,208	Most of the costs associated with retained pay are directly as a result of the number of calls responded to during the year. The level of calls from year to year can be volatile and difficult to predict e.g. spate weather conditions. Abnormally high or low levels of calls could result in significant variations against budget provision. In addition, guidance is still awaited relating to the outcome of the Part-Time Workers (less than favourable working conditions) tribunal, which during 2008 ruled in favour of retained firefighters having the same conditions of service in relation to pension and sickness benefits as wholetime firefighters. Given the significant number of retained firefighters employed by the Service, and the fact that this ruling will be backdated to the year 2000, this ruling will have a significant impact on the Service budget.	In establishing a General Reserve for 2011/2012, allowance has been made for a potential overspend on this budget. The amount is largely based upon the required local contribution to the costs of a major incident covered under the 'Bellwin' Scheme. A 'Provision' of £0.949m has been set aside for the impact of the ruling from the Part Time Workers tribunal. However, until more definitive guidance is released, expected to be early in 2011, the full extent of the impact to the Service budget cannot be quantified.

Budget Head	BUDGET PROVISION 2011-12 £000	RISK AND IMPACT	MITIGATION
Service Control Costs	1,947	In light of the government announcement in December 2010 to cancel the national FireControl project, the Service will need to identify any outstanding issues which may require additional funding in 2011-12. For example, on-going maintenance costs of installed equipment previously funded from New Burdens grants. In addition, no financial provision has been made to support a project to review alternative fire control arrangements, or any refresh of existing control systems.	A balance of £0.108m is available in an earmarked reserve, previously established to provide some financial contingency relating to transitional costs associated with the implementation of the FireControl, and the Firelink project.
Fire-fighter' s Pensions Scheme	1,999	Whilst net pension costs funded by the government through a top-up grant arrangement, the Authority is still required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme.	In establishing a General Reserve for 2011-2012 an allowance has been made for a potential overspend on this budget. The figure is based upon a further two ill health retirements during the year; over and above the number budgeted for.
Insurance Costs	682	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority.	In establishing a General Reserve for 2011-2012, allowance has been made for a potential overspend on this budget. The amount is largely based upon the occurrence of one aerial platform appliance being totally written-off.

Budget Head	BUDGET PROVISION 2011-12 £000	RISK AND IMPACT	MITIGATION
Fuel Costs	838	Whilst the budget has made some allowance for further increases in fuel costs during 2011-12, it is highly possible that increases could be in excess of the budget provided.	In establishing a General Reserve for 2011-2012, allowance has been made for a potential overspend on this budget.
Income	(1,451)	Whilst the authority has only limited ability to generate income, the extent to which income budgets are achievable will be dependent on the full impact of the economic downturn. The delivery of income targets from external training activities and investment income, in particular, are at risk.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible. In addition, the assessment of the level of general reserve for 2011-2012 has made some allowance for a shortfall against achieving income targets.
Capital Programme	6,502	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.

Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium Term Financial Plan (MTFP) provides forecasts to be made of indicative budget requirements over a four year period covering the years 2011-12 to 2014-15. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.

Given the CSR 2010 announcement, which included average reductions in grant of 25% for fire and rescue authorities by 2014-15, the strategy for setting a budget for 2011-12 has been very mindful of the likely funding scenarios over the next four years rather than just 2011-12. Therefore the budget for 2011-12 has included some new invest-to-save funding e.g. revenue contributions to capital funding (to alleviate external borrowing and future debt charges liabilities) and support to the Change and Improvement Programmes (to identify and progress those projects that will generate the efficiencies and improvements by 2014-15).

THE ADEQUACY OF THE LEVEL OF RESERVES

It should be noted that 2011-12 is only the eighth year that Combined Fire and Rescue Authorities have had the legal power to hold reserves. This new power emanates from the legislative change from 2004-2005 that gave Combined Fire and Rescue Authorities major precepting status. This being the case a strategy was adopted, by the then Devon FRA, to build Reserve levels up over a period of time, as the only funding available to build up the Reserve balance to recommended levels was to make contributions from the Revenue budget.

The current level of General Reserve balances for the authority is £4.453m, which represents 5.9% of the revenue budget. Should there be an underspend against this year's budget, current forecast is for an underspend of £1.363m, then, subject to other Service priorities required to be funded from this figure, then the level of General Reserve could increase to over 7% of revenue budget at year-end.

In terms of a strategy for Reserve balances, the Authority has adopted an "in principle" strategy to maintain the level of reserves at a minimum of 5% of the revenue budget for any given year, with the absolute minimum level of reserves only being breached in exceptional circumstances, as determined by risk assessment. This does not mean that the Authority should not aspire to have more robust reserve balances based upon changing circumstances, but that if the balance drops below 5% (as a consequence of the need to utilise reserves) then it should immediately consider methods to replenish the balance back to a 5% level.

It is, of course, pleasing that the Authority has not experienced the need to call on reserve balances in the last four years to fund emergency spending. This has enabled the balance, through budget underspends, to be increased to a level in excess of 5%. The importance of holding adequate levels of general reserves was highlighted in recent years following the deterioration of the banking system and the loss of local authority investments from the Icelandic banks. Whilst this Authority was not directly impacted by the Icelandic bank situation (as these banks are not included on the list of financial institutions the Authority invests with), it was exposed by the problems of Northern Rock at the time that that bank was in trouble during 2007. As a consequence of the Icelandic bank position the Chartered Institute of Public Finance and Accountancy (CIPFA) immediately introduced a new Local Authority Accounting Principle in November 2008 (LAAP 77) bulletin to provide further guidance to local authority chief finance officers on the establishment and maintenance of local authority reserves and balances, which should be followed as a matter of course. Whilst this bulletin 'stopped short' of advising of a minimum level of reserves, it acted as a further reminder that it is for the authority, on the advice of the chief finance officer, to make their own judgements on such matters based upon local circumstances

The impact of flooding and the problems experienced by the global financial markets are just two examples, highlighted within the bulletin, of external risks which local authorities may need to take into account in setting levels of reserves and wider financial planning.

It should also be emphasised that this Authority is placed in the 4th quartile (lower) when compared to all fire and rescue authorities. The average reserve balance for all FRAs is 13.5% of revenue budget, with the 1st quartile being 15.0% and 4th quartile 8.0%. Consequently, even at just over 7% the Authority's reserve level would still be placed in the 4th quartile and fourth lowest of all combined fire and rescue authorities in the country, positioning the Authority at 29 out of 33.

Given the uncertainty over the scale of budget reductions that the Authority will be required to find in 2013-14 and 2014-15, it is my view that the Authority should seek to protect reserve balances, as much as possible, to provide added financial stability through the CSR 2010 period.

CONCLUSION

It is considered that the budget proposed for 2011-12 represents a sound and achievable financial plan, and will not increase the Authority's risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

KEVIN WOODWARD
Treasurer

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/11/4**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**14 FEBRUARY 2011**
SUBJECT OF REPORT	**CONFIRMATION OF RATES PAYABLE IN 2011/12 UNDER THE AUTHORITY APPROVED SCHEME OF MEMBERS ALLOWANCES**
LEAD OFFICER	**Clerk to the Authority**
RECOMMENDATIONS	***(a) that the Authority considers what uprating should apply to Basic and Special Responsibility Allowances for 2011/12;*** ***(b) that the Authority considers the levels of travel and subsistence reimbursement to apply for 2011/12;*** ***(c) that, subject to (a) and (b) above and as required by the Local Authorities (Members' Allowances)(England) Regulations 2003, the basic and special responsibility allowances and expenditure reimbursement payable under the Authority's Approved Scheme during 2011/12 be confirmed.***
EXECUTIVE SUMMARY	Regulations require the Authority to have in place its own Scheme for the payment of a basic allowance to each of its Members. The Authority may also provide for the payment of Special Responsibility Allowances and reimbursement of travel and subsistence expenditure. The Regulations also require the details of any such Schemes to be confirmed by the Authority for each financial year in question. The Authority approved its current Scheme of Allowances in May 2008 following consideration of an in-depth report prepared by an independent consultant. The Scheme provides for an annual uprating of allowances. Given this, the Authority is invited to consider and confirm the level of allowances and expenditure reimbursement payable in 2011/12. In considering this issue, the Authority may wish to note that – by its own agreement - there has been no increase in either allowance or reimbursement rates for the last two financial years.

RESOURCE IMPLICATIONS	The draft revenue budget 2011/12 makes provision for the payment of allowances at the rates as set out in this report. Provision has also been made for the basic and special responsibility allowances to be uprated by 2.9%. The financial implications of potential increases are examined in detail in Section 4 of this report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Report DSFRA/08/11 ("Devon & Somerset Fire & Rescue Authority Approved Scheme of Members' Allowances), together with report of Independent Consultant, as submitted to Annual Meeting of the Authority on 28 May 2008.

1. BACKGROUND

1.1 The Local Authority (Members' Allowances)(England) Regulations 2003 require the Authority to make a Scheme of Members Allowances that:

- MUST provide for payment of a basic allowance to every Member of the Authority (to recognise the time commitment of all Members and cover incidental costs such as postage, telephone calls etc in connection with Authority duties); and
- MAY provide:
  - for payment of a Special Responsibility Allowance for those Members undertaking additional roles (e.g. Authority and Committee Chairs); AND
  - payment of travel and subsistence expenses in relation to Authority duties.

1.2 The Regulations also require the Authority to confirm its Scheme of Allowances for each financial year in question.

2. AUTHORITY APPROVED SCHEME – CURRENT RATES FOR BASIC AND SPECIAL RESPONSIBILITY ALLOWANCE

2.1 At its Annual Meeting on 28 May 2008 the Authority considered a review of its Allowances Scheme as conducted by an independent consultant and resolved to adopt the following rates (Minute DSFRA/8 refers):

Type of Allowance	Amount per annum £
Basic	2,000
Special Responsibility	
• Chairman of Authority (5 x basic)	10,000
• Vice Chairman of Authority (3 x basic)	6,000
• Committee Chairs (2 x basic)	4,000
• Authority-appointed director to Regional Control Centre Local Authority Controlled Company (LACC) (1 x basic)	2,000
Independent Member of Standards Committee	500

2.2 The Approved Scheme also provides for the automatic annual uprating of the above allowances (by reference to annual guidance issued by Local Government Association [LGA]).

2.3 At its meeting on 6 May 2009 the Authority considered a report on the level of allowances to be payable in 2009/10 and resolved not to apply any uprating for that financial year and to freeze the rates at the 2008/09 level, as shown in the table at paragraph 2.1 above (Minute DSFRA/97 refers). The Authority, at its budget meeting on 19 February 2010, again resolved to freeze the rates payable for the 2010/11 financial year at the 2008/09 level (Minute DSFRA/48 refers).

2.4 Guidance is still awaited from the LGA as to the recommended increase for 2011/12. The guidance for 2010/11 was for a 2.3% increase. Provision has been made in the Authority's draft 2011/12 revenue budget for basic and special responsibility allowances to be uprated by up to 2.9%. The Authority is invited to consider what percentage uprating it would wish to apply for the forthcoming financial year and whether it would wish this to be in line with the LGA recommendation (once known) subject to this not exceeding 2.9%.

3. TRAVEL AND SUBSITENCE EXPENDITURE

3.1 The Authority's Approved Scheme also provides for the reimbursement of travel and subsistence expenses. The current rates payable, based on the [then] rates as advised by the National Joint Council (NJC) for Local Government Services, are shown in the table below. Members may wish to note that, in relation to mileage, the rate per mile up to 10,000 miles is the maximum tax-free amount as set by HM Revenue and Customs.

Mileage	**Rate per mile up to 10,000 miles**	**Rate per mile beyond 10,000 miles**
By car for official duties within the geographical areas of the County areas of Cornwall, Devon, Dorset, Gloucestershire, Hampshire, Somerset, Wiltshire and the area of the former Avon County Council	£0.40p	£0.124p
By motorbike for official duties within the geographical areas of the County areas of Cornwall, Devon, Dorset, Gloucestershire, Hampshire, Somerset, Wiltshire and the area of the former Avon County Council		
- up to 49cc	£0.07p	£0.07p
- 50cc – 149cc	£0.11p	£0.11p
- 150cc – 250cc	£0.14p	£0.124p
- over 250cc	£0.183p	£0.124p
General Subsistence		
- Breakfast (payable if leaving home prior to 07.30hours)	£5.57	
- Lunch (payable if leaving home prior to 11.30am and returning after 2.30pm)	£7.70	
- Tea (payable if travelling/working AFTER 7.00pm)	£3.04	
- Dinner (payable if travelling/working AFTER 8.30pm)	£9.54	
Out of Pocket Expenses		
- Per night	£4.31	
- Per week	£17.26	

3.2 The NJC for Local Government Services no longer sets advisory rates for subsistence allowances. It is, however, recommended good practice for maximum payment thresholds for subsistence allowances to be set and to require receipts when claiming, with reimbursement equating to actual expenditure up to the maximum threshold set. This principle is currently reflected in the Members' Allowances Scheme in relation to subsistence expenses.

3.3 The Authority's current subsistence rates for employees are shown in the following table. Actual expenditure is reimbursed, upon production of a receipt, up to the maximum levels shown.

Breakfast	£6.90
Lunch	£9.54
Tea	£3.76
Evening Meal	£11.82

3.4 In relation to reimbursement of mileage expenses, the current car allowance rates for Service casual users are shown below.

	Band 1	**Band 2**	**Band 3**
	451-999cc	**1000-1199cc**	**1200-1450cc**
Pence per mile first 8,500	46.9	52.2	65.0
Pence per mile after 8,500	13.7	14.4	16.4
Petrol element (pence)	9.406	10.366	11.288
Amount of VAT per mile in petrol element[1] (pence)	1.567	1.727	1.881

3.5 The current Service motor cycle expense rates for casual users are as follows:

	49cc	**50-149cc**	**150-250cc**	**Over 250cc**
Pence per mile	7.0	11.2	14.0	18.3

3.6 Additionally, the Service currently reimburses 5p per mile for each passenger carried. The Members' Allowances Scheme provides for 1p per mile per passenger.

4. FINANCIAL IMPLICATIONS OF ANY INCREASES

4.1 The maximum annual spend on Basic and Special Responsibility Allowances, based on the existing rates, is £85,200. The draft revenue budget for 2011/12 makes provision for £87,700 – an increase of £2,500 (2.9%).

4.2 With the demise of the FiReControl Project, it is understood that South West Fire Control Ltd. (the local authority controlled company [LACC] established with overall governance responsibility for the South West Regional Control Centre) is to be formally wound up. At present, the date for this is not know but once it does happen then savings would be realised in relation to payment of the Special Responsibility Allowance to the Authority-appointed Director.

4.3 Since the allowance rates were last reviewed there have been a number of significant price increases, most notably in relation to fuel. Consequently, the Authority may wish to consider an increase in allowances payable.

4.4 The table below shows, for comparative purposes, indicative travel expenditure based on:

[1] This reflects the increase in VAT to 20% with effect from 4 January 2011

- total annual mileage for all Authority Members to all ordinary Authority meetings (including Committee and Forum meetings) BUT excluding reimbursement for attendance at other events (e.g. conferences);
- an assumption of either 100% attendance at all meetings or 85% attendance; and
- a range of mileage amounts, namely the current amount payable and Bands 2 and 3 of the rates currently payable to Service casual users.

	Assuming 100% Attendance			Assuming 85% attendance		
Amount per mile (pence)	40	52.2	65	40	52.2	65
Indicative Total Annual Expenditure	£13,302	£17,359	£21,615	£11,307	£14,755	£18,372

4.5 The 2010/11 outturn position for expenditure on Members travel, based on expenditure to month 9 and projected expenditure for the remainder of the year, is £12,510. The draft revenue budget for 2011/12 makes provision of £15,500 for Members travel – some £2,990 more than the anticipated total spend for the current financial year.

5. CONCLUSION

5.1 The Authority Scheme was last subject to a major review in 2008. The Authority is invited to consider this report with a view to confirming, as required by the current regulations:

(a). what uprating (if any) it would wish to apply to basic and special responsibility allowances for the 2011/12 financial year and whether this should be in line with guidance from the Local Government Association, subject to this not exceeding a potential increase of 3.1% as provided for in the draft Revenue Budget for the year; and

(b). that the rates for reimbursement of travel and subsistence expenditure to operate for 2011/12.

MIKE PEARSON
Clerk to the Authority

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/11/5**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**14 FEBRUARY 2011**
SUBJECT OF REPORT	**PERSONAL PROTECTIVE EQUIPMENT (PPE) REPLACEMENT**
LEAD OFFICER	**DIRECTOR OF SERVICE SUPPORT**
RECOMMENDATIONS	***that the report be noted***
EXECUTIVE SUMMARY	The programme to replace Service personal protective equipment (PPE) has been problematic. Initially, the Authority approved, at its meeting on 23 October 2008, adopting the Integrated Clothing Project (ICP) contract for the replacement programme. Subsequently, and upon further investigation, a number of legal issues were identified with this contract which, had the Authority entered into the contract, would have meant that it was not securing best value for money. Other fire and rescue services (FRSs) across the country raised similar concerns and consequently, the Devon & Somerset Fire & Rescue Service commenced exploration of alternative options to secure a replacement contract on the most advantageous terms. Following this review, the Service has now entered into arrangements with the Yorkshire Purchasing Organisation consortium for the provision of PPE. This contract will improve firefighter safety and save this Authority approximately £164k compared to the ICP contract.
RESOURCE IMPLICATIONS	The cost of the PPE contract can be met within the funding previously agreed by the Authority and generates a saving of circa £164k over the life of the contract.
EQUALITY IMPACT ASSESSMENT	A full equality impact assessment has been conducted as required of the original specification.
APPENDICES	Nil.

LIST OF BACKGROUND PAPERS	Report DSFRA/8/27 (Provision of Personal Protective Equipment [PPE]) as submitted to the meeting of the Devon & Somerset Fire & Rescue Authority held on 23 October 2008. Report RC/9/9 (Personal Protective Equipment [PPE] Replacement – Integrated Clothing Project [ICP]) as submitted to the meeting of the Resources Committee held on 16 November 2009.

1. INTRODUCTION

1.1 This paper updates the Authority on the current position on the replacement and harmonisation of Personal Protective Equipment (PPE) following the initial decision on replacement made by the Authority at its meeting on 23 October 2008 (Minute DSFRA/53 refers).

1.2 There have been a number of legal issues since that meeting that have prevented contract award and as a consequence the Service has, in consultation with stakeholders, now agreed to a three year rolling replacement of PPE commencing this year.

2. BACKGROUND

2.1 In October 2008 Members received a paper outlining the need to review and harmonise PPE arrangements due to the South West (SW) contract expiring. Although the SW had been very successful in working together it was considered, after a contract review, to be more cost effective to enter into national contract arrangements through the Integrated Clothing Project (ICP), managed by Firebuy, rather than conduct a new regional procurement exercise.

2.2 The ICP has had a somewhat chequered history and consequently a further report was submitted to the meeting of the Resources Committee held on 16 November 2009 outlining concerns regarding legal issues associated with the contract, these being:

- Complexity of the Contract.
- The length of the contract (15yrs with 7 year reviews)
- The inability to terminate for convenience without penalty
- The requirement to purchase from the contract all clothing already in use, such as work wear, undress uniform and other non-PPE items.

2.3 There was also a legal challenge by another major supplier concerning the manner in which the contract had been let. During this period, it also became apparent that, nationally, there was also a lack of take up for the ICP contract by other fire and rescue services (FRSs) who were by then sharing similar concerns. Overall there was no satisfactory outcome from these protracted legal discussions.

2.4 Consequently the Service decided to formally consider alternative procurement options one of which was using the Yorkshire Purchasing Organisation (YPO) consortium. This arrangement provides more freedom of choice in our future purchasing decisions.

2.5 In addition, an updated garment came onto the market, which has been fully evaluated, incorporates all aspects of the original specification which had been developed over many years by end users through the ICP requirements and has also now been agreed locally with Representative Bodies.

3. CONCLUSION

3.1 The Authority has previously agreed to the replacement of firefighter PPE but due to legal issues associated through the national contract there have been delays in implementing a contract. This has now been progressed by using the YPO framework arrangements, allowing improved purchasing, improved Firefighter protection and has secured - over the life of the contract - a saving in the region of £164,000 compared to the ICP contract.

ACFO TREVOR STRATFORD
Director of Service Support