

**M. Pearson  
CLERK TO THE AUTHORITY**

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

**(see below)**

**SERVICE HEADQUARTERS  
THE KNOWLE  
CLYST ST GEORGE  
EXETER  
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Our ref :  
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Date : 22 May 2012  
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**Devon & Somerset Fire & Rescue Authority**  
**(Ordinary Meeting)**

**Wednesday 30 May 2012**

A meeting of the Devon & Somerset Fire & Rescue Authority will be held on the above date, **commencing at 10:30 hours or on the conclusion of the preceding Annual Meeting of the Authority (whichever is later) in the Conference Rooms in Somerset House, Service Headquarters** to consider the following matters.

M. Pearson  
Clerk to the Authority

**AGENDA**

**1. Apologies**

**2. Items Requiring Urgent Attention**

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

**3. 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**

### **4. 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 this 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 Friday 25 May 2012.**

### **5. Addresses by Representative Bodies**

To receive addresses from representative bodies requested and approved in accordance with Standing Orders.

### **6. Questions by Members of the Authority**

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

### **7. Minutes of Committees**

#### **(a) Commercial Services Committee**

The Chairman of the Committee, Councillor Healey, to **MOVE** the Minutes of the meetings of the Committee held on 1 March, 5 April and 3 May 2012 attached (pages 1, 3 and 6 respectively).

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

(**NOTE:** the recommendations as set out at Minute CSC/42 (Delegated Limits for Commercial Activity) of the Committee meeting held on 5 April 2012 are addressed as part of report DSFRA/12/10 – Review of Constitutional Framework Documents – as set out in the agenda for the preceding Annual Meeting).

#### **(b) Human Resources Management and Development Committee**

The Chairman of the Committee, Councillor Cann, to **MOVE** the Minutes of the meeting of the Committee held on 19 March 2012 attached (page 8).

#### **RECOMMENDATIONS**

- (i) that the recommendation at Minute HRMDC/36 (Redundancy Compensation Rates) be approved;
- (ii) that the Equality Plan 2012 – 16, as referred to at Minute \*HRMDC/34, be endorsed (**note:** a copy of the Plan and associated Consultation Report has been circulated to Members. Further copies are available on request);
- (iii) that, subject to (i) and (ii) above, the Minutes be adopted in accordance with Standing Orders.

#### **(c) Audit and Performance Review Committee**

The Chairman of the Committee, Councillor Dyke, to **MOVE** the Minutes of the meeting of the Committee held on 10 May 2012 attached (page 11).

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

**(d) Resources Committee Minutes 18 May 2012**

The Vice-Chairman of the Committee, Councillor Yeomans, to **MOVE** the Minutes of the meeting of the Committee held on 18 May 2012 attached (page 14).

**RECOMMENDATIONS**

- (i) that the recommendation at Minute RC/21 (Financial Performance Report 2011/12: Quarter 4) be considered in conjunction with item 8 (Financial Outturn 2011/12) below;
- (ii) that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders

**8. Financial Outturn 2011/12**

Report of the Treasurer (DSFRA/12/14) attached (page 17)

**9. Annual Treasury Management Report 2011/12**

Report of the Treasurer (DSFRA/12/15) attached (page 33)

**10. Capital Bidding Process - Light Rescue Pump Project**

Report of the Chief Fire Officer (DSFRA/12/16) attached (page 41)

**11. Chairman's Announcements**

**12. Chief Fire Officer's Announcements**

**13. 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 in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of the Authority and other companies.

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

**14. Major Capital Project - Requirement for Additional Resources**

Report of the Chief Fire Officer (DSFRA/12/17) attached (page 45).

**MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER**

**Membership:-**

*Devon County Council*

11 appointees, appointments to be confirmed by the County Council at its Annual Meeting on 24 May 2012

*Somerset County Council*

Councillors Mrs. Bakewell MBE, Bown, Burridge-Clayton, Dyke, Healey, Horsfall, Woodman and Yeomans.

*Plymouth City Council*

Councillors Gordon, Leaves and Smith.

*Torbay Council*

Councillors Brooksbank and Mills.

## 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.

## **COMMERCIAL SERVICES COMMITTEE**

(Devon and Somerset Fire and Rescue Authority)

1 March 2012

### Present:-

Councillors Healey (Chairman), Boyd, Dyke, Gribble, Mills and Randall Johnson.

### Apologies:-

Councillor Smith.

#### **\*CSC/34.      Minutes**

**RESOLVED** that the Minutes of the meeting held on 2 February 2012 be signed as a correct record.

#### **\*CSC/35.      Partnership with Falck**

(An item of urgent business taken in accordance with Section 100B(4)(b) of the Local Government Act 1972).

The Chairman determined that this should be considered as a matter of urgency to enable the Committee to be apprised of development occurring post-despatch of the agenda for this meeting.

The Director of People and Organisational Development reported that the Service had received the legal documentation (Articles of Association; Shareholders Agreement etc.) drafted by Falck to take forward the joint venture with the Devon & Somerset Fire & Rescue Authority. This documentation would now be evaluated by the Authority's legal advisor and a report submitted in due course to a future meeting of the Committee.

#### **\*CSC/36.      Revision to Terms of Reference**

The Committee received for information a report of the Clerk to the Authority (CSC/12/4) detailing the revised Terms of Reference for the Committee as approved by the Authority at its budget meeting on 17 February 2012 (Minute DSFRA/ refers).

The Clerk commented that the revised Terms of Reference now provided, amongst other things, for the Committee to approve the overarching Business Case and annual Business Plan for commercial trading as well as the entering into (subject to confirmatory legal advice in each case) of joint trading ventures. It was noted that Members of the Committee and relevant officers would be working together to develop the Business Case and Plan which ultimately would be submitted to a future meeting for approval in line with the revised Terms of Reference.

#### **\*CSC/37.      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 items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of the Authority and other companies.

**\*CSC/38. Update on Current Commercial Leads**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting)

The Committee received for information a report of the Director of People and Organisational Development (CSC/12/5) detailing progress with the main leads and opportunities being pursued by the Commercial Services Team over and above those detailed in the FalckDS business plan and separate to those relating to the Training Academy.

**(SEE ALSO MINUTE \*CSC/39 BELOW)**

**\*CSC/39. Training Academy Update**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting)

The Committee received for information a report of the Director of People and Organisational Development (CSC/12/6) on progress to date, achievements and plans for the future in relation to the Training Academy. The report provided details of work carried out and invoiced from 1 April 2011 and bookings up to 31 March 2012.

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

The meeting started at 10.00hours and finished at 10.58hours.



**COMMERCIAL SERVICES COMMITTEE**  
(Devon and Somerset Fire and Rescue Authority)

5 April 2012

Present:-

Councillors Healey (Chairman), Boyd, Dyke, Gribble, Randall Johnson and Smith

Apologies:-

Councillor Mills

**\*CSC/40. Minutes**

**RESOLVED** that the Minutes of the meeting held on 1 March 2012 be signed as a correct record.

**\*CSC/41. 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.

**CSC/42. Delegated Limits for Commercial Activity**

The Committee considered a report of the Treasurer (CSC/12/7) that set out proposals for the delegation of financial limits to the Committee in terms of investment towards commercial activities.

During the discussion on this matter, it was suggested that the Committee should receive an update on the financial position at each of its meetings so that the cumulative levels of investment into commercial activities could be monitored to facilitate, if necessary, amendments to the delegated limits in due course. The Treasurer indicated that this information could be prepared for submission to the Committee as requested.

**RESOLVED** that the Devon and Somerset Fire and Rescue Authority be recommended to approve:

- (a) the proposed delegated financial levels for investment towards commercial activities, as outlined in paragraph 2.5 of report CSC/12/7 (and as appended to these Minutes);
- (b) the proposed revisions to Financial Regulations as set out in the Appendix to report CSC/12/7 (and as appended to these Minutes; and,
- (c) the revision to the Terms of Reference for this Committee as set out at paragraphs 2.7 and 2.8 of this report.

**\*CSC/43. Business Cases for Industrial Subcontracting and Commercial Training**

The Committee considered a report of the Director of People and Organisational Development (CSC/12/8) that outlined the individual Business Cases for Industrial Subcontracting and Commercial Training as set out in paragraphs 2 and 3 of report CSC/12/8.

**RESOLVED** that the Business Cases for Industrial Subcontracting and Commercial Training as set out at paragraphs 2 and 3 respectively of report CSC/12/7 be approved.

**\*CSC/44. 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 items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of the Authority.

**\*CSC/45. Commercial Matters**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

The Committee considered a report of the Director of People and Organisational Development (CSC/12/9) as presented by the Chief Fire Officer that addressed the production of an overarching Business Case for the Authority to support the exercise of its commercial trading activities and which also updated the Committee on the developments in relation to the joint venture enterprise with Falck DS. A representative of Bevan Brittan (the legal advisers for the Authority's commercial trading activities) was in attendance to advise the Committee on the position in respect of Falck.

In terms of the Business case, the Committee received a presentation that set out three options based on indicative profit levels for consideration. Each of the options presented outlined the scale, number and type of contract that would be required to achieve the indicative profit levels, together with associated costs.

The Chief Fire Officer advised the Committee that all of the options presented were ambitious given the current financial climate. He added that Officers' shared the Committee's aspiration to generate as much income as possible from commercial activities. He suggested that, in order that any target profit level set was achievable, close monitoring on a regular basis would be needed to ensure that any adjustments could be made by the Committee in due course as appropriate.

The Committee discussed the options put forward at length and indicated that it was felt that the Service should be aiming for the highest level of return. It was proposed by Councillor Randall Johnson (and seconded by Councillor Boyd):

"that, subject to further detailed investigation of the financial implications, the Committee pursues Option 3 - as outlined in the presentation given at the meeting - as the overarching Business Case for the Authority's commercial trading activities to develop into a full Business Case for submission to a future meeting for approval".

Upon a vote, the motion was carried unanimously.

**RESOLVED**

- (a) That, subject to further detailed investigation of the financial implications, the Committee pursues Option 3 - as outlined in the presentation given at the meeting - as the overarching Business Case for the Authority's commercial trading activities to develop into a full Business Case for submission to a future meeting for approval;
- (b) That the position in relation to the proposed joint venture with Falck be noted.

**\*CSC/46. Update on Current Commercial Leads/Opportunities**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

The Committee received for information a report of the Director of People and Organisational Development (CSC/12/10) detailing progress with the main leads and opportunities being pursued by the Commercial Services Team over and above those detailed in the FalckDS business plan and separate to those relating to the Training Academy.

**\*CSC/47. Training Academy Update**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

The Committee received for information a report of the Director of People and Organisational Development (CSC/12/11) on progress to date, achievements and plans for the future in relation to the Training Academy. The report provided details of work carried out and invoiced from 1 April 2011 and bookings up to 31 March 2012.

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

The meeting started at 10.00hours and finished at 11.55hours

**COMMERCIAL SERVICES COMMITTEE**  
(Devon and Somerset Fire and Rescue Authority)

3 May 2012

Present:-

Councillors Healey (Chair), Dyke, Gribble, Mills and Smith.

Apologies:-

Councillors Boyd and Randall Johnson

**\*CSC/48. Minutes**

**RESOLVED** that the Minutes of the meeting held on 5 April 2012 be signed as a correct record.

**\*CSC/49. 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.

**\*CSC/50. 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 items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of the Authority and other companies.

**\*CSC/51. Update on Commercial Matters**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during consideration of which the press and public were excluded from the meeting).

The Chief Fire Officer gave an oral update at the meeting in respect of the position in relation to the further development of the Business Case and the options for commercial activities within this context. He also updated the Committee in relation to the progress made with the establishment of the joint venture partnership with Falck DS.

**\*CSC/52. Update on Current Commercial Leads/Opportunities**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during consideration of which the press and public were excluded from the meeting).

The Committee received for information a report of the Director of People and Organisational Development (CSC/12/12) detailing the progress with the main leads and opportunities being pursued by the Commercial Services Team over and above those detailed in the Flack DS business plan and separate to those relating to the Training Academy.

**\*CSC/53. Training Academy Update**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during consideration of which the press and public were excluded from the meeting).

The Committee received for information a report of the Director of People and Organisational Development (CSC/12/13) on progress to date, achievements and plans for future work associated with the Training Academy. The report identified details of work carried out to date and bookings secured so far in 2012/13.

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

The meeting started at 10.00hours and finished at 12.00hours

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

19 March 2012

Present:-

Councillors Cann (Chair), Bown, Brooksbank, Burrige-Clayton, Horsfall, Mills (vice Boyd) and Wright.

Apologies:-

Councillor Boyd.

**\*HRMDC/30. Minutes**

**RESOLVED** that the Minutes of the meeting held on 23 January 2012 be signed as a correct record.

**\*HRMDC/31. 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.

**\*HRMDC/32. Assessment & Development Centre (ADC) Technical Assessment - Update**

The Committee considered a report of the Director of People and Organisational Development (HRMDC/12/4) that set out the current position in respect of technical assessment within the Service which was being introduced to replace stage 1 of the existing Assessment and Development Centre process.

The Director of People and Organisational Development advised that the technical assessment involved a paper based exercise together with both short and longer multiple choice questions. A pass mark for the examinations had been set at 70% based on the need to ensure operational competence and that the assessment was a robust test of knowledge. It was noted that the first Supervisory Management level ADC had already been undertaken and that 35 of the 84 candidates (42%) sitting the examinations had achieved the pass mark. Of the candidates who did not pass, the majority achieved a mark of over 50% which was very promising. These candidates would be offered a further opportunity to re-sit the examination in due course with appropriate support to assist with their preparation in the future.

**RESOLVED** that the Committee notes the approach taken in line with the principles of Technical Assessment and endorses:

- (a) The pass mark, and;
- (b) The Institute of Fire Engineers (IFE) equivalent level for Supervisory level technical assessment – to be Level 3 Certificate.

**\*HRMDC/33. Absence Management and Health of the Organisation**

The Committee received for information a report of the Director of People and Organisational Development (HRMDC/12/5) that set out the progress made with absence management, including an update on aspects linked to the overall health of the organisation.

The areas set out within the report included:

- Sickness absence performance 2011/12;
- Detailed breakdown of long term sickness;
- The main reasons behind sickness absence;
- Levels of wellbeing and referrals to counselling;

The Human Resources Manager stated that the current actual level of sickness absence (to the end of January 2012) was 6.55 days/shifts lost per person as compared with the same period in 2010/11 when it was 6.60 days per person. This demonstrates a gradual improvement in performance throughout the course of the year to a point where the Service had achieved a 0.8% improvement on 2010/11.

It was noted that the level of referrals to counselling in Somerset remained at a much higher level than in Devon and it was anticipated that more information on this matter would be submitted to the Committee in due course.

**\*HRMDC/34. Draft Equality Plan 2012/16 And Consultation Report**

The Committee considered a report of the Director of People and Organisational Development (HRMDC/12/6) that set out the requirements of the new Equality Act 2010, together with details of the Public Sector Equality Duty that came into force from April 2011.

The Director of People and Organisational Development reported that the Equality Act 2010 set out nine legally protected characteristics, namely - Age, Disability, Gender reassignment, Marriage and civil partnership, Pregnancy and Maternity, Race, Religion and Belief, Sex and Sexual orientation. The duty also stated that, in relation to the protected characteristics above (with the exception of marriage and civil partnership), public authorities must give due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other prohibited conduct
- Advance equality of opportunity
- Foster good relations between people by tackling prejudice and promoting understanding.

These duties required the Service to publish equality objectives and, with this in mind, a new Equality Plan entitled "Safer Lives, Brighter Futures" had been produced and had been subject to wide consultation both within the Service and with external stakeholders. As a result of the consultation, it was noted that the Equality Plan had been amended to take account of comments made and this was now commended to the Committee for approval and endorsement by the Fire and Rescue Authority.

**RESOLVED** that the Committee:

- (a) notes the contents of the Consultation Report, and;
- (b) approves the Equality Plan 2012-16, amended as appropriate in line with the outcome of the consultation, and commends it to the Devon and Somerset Fire and Rescue Authority for endorsement and adoption.

**\*HRMDC/35. 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 involved the likely disclosure of exempt information as defined in Paragraph 4 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to contemplated consultations in connection with any labour relations matter arising between the Authority and its employees.

**HRMDC/36. Redundancy Compensation Rates**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during consideration of which the press and public were excluded).

The Committee considered a report of the Director of People and Organisational Development (HRMDC/12/7) that set out the background to the current redundancy compensation rate and which set out information to assist with the review, including comparisons with other local authorities within the South West region.

The Chairman moved (and was seconded by Councillor Burrige-Clayton:

“that it be recommended to the Devon and Somerset Fire and Rescue Authority that there should be no change to the current redundancy compensation rate (a multiplier of 2) and that this matter should continue to be reviewed at least annually”.

Upon a vote (7 for, 0 against), the motion was carried.

**RESOLVED** that it be recommended to the Devon and Somerset Fire and Rescue Authority that there should be no change to the current redundancy compensation rate (a multiplier of 2) and that this matter should continue to be reviewed at least annually.

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

The meeting started at 10.00hours and finished at 10.43hours



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

10 May 2012

Present:-

Councillors Dyke (Chair), Burr ridge-Clayton, Drean and Mills

In attendance:-

Alun Williams – Audit Commission  
Rob Hutchins – Devon Audit Partnership (DAP)

Apologies:-

Councillors Gribble, Radford and Way

**\*APRC/27. Minutes**

**RESOLVED** that the Minutes of the meeting held on 1 February 2012 be signed as a correct record.

**\*APRC/28. 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.

**\*APRC/29. Audit Commission Reports**

The Committee received for information reports submitted by the Audit Commission on the following matters:

- (a) Audit Commission Progress including, amongst other matters, an overview of the 2011/12 Financial Statements Audit, an update on the externalisation of audit practices and future audit fees
- (b) Audit Plan 2011/12
- (c) Value for Money (VFM) Conclusion - Initial Risk Assessment.

Alun Williams, District Auditor, was in attendance at the meeting to represent the Audit Commission. He drew attention, in particular, to the point that the proposed audit fee for 2012/13 was to be fixed at the lower rate of £45093 (a 40% reduction on the previous year) for the next 5 years, giving stability in terms of financial planning. He added that the VFM conclusion risk assessment had been very positive and the Authority was likely to be given an unqualified opinion as a result.

**\*APRC/30. 2011-12 Internal Audit Year End Report and Internal Audit Plan 2012-13**

The Committee considered a report of the Audit & Review Manager (APRC/12/3) that set out details of the 2011/12 year end internal audit findings together with the 2012/13 Internal Audit Plan which had been prepared in conjunction with the Devon Audit Partnership (DAP).

Rob Hutchins, representing DAP, gave an overview of the work undertaken in conjunction with the Service as set out within the Audit Plan. Councillor Dyke referred to the audit of Key Financial Systems and the payroll provision in particular and enquired as to whether there was a mechanism for quality assurance of the new contract. The Clerk suggested that it would be appropriate for a report back to the Committee on the contract management aspect in due course. He added that the Service Management Board had recognised the value added by the Audit Team and the potential opportunities for improvements this provided. He indicated that a report would be submitted to a future meeting of the Committee on this matter.

**RESOLVED**

- (a) that the proposed Internal Audit Plan for 2012-13 be approved; and,
- (b) subject to (a) above, the report be noted.

**\*APRC/31. Devon and Somerset Fire and Rescue Service Performance Report: April 2011 to February 2012**

The Committee received for information a report of the Deputy Chief Fire Officer (APRC/12/4) that set out the Service's performance in April 2011 to February 2012, as measured against the targets within the Corporate Plan for 2011/12 to 2014/15.

The Committee was informed of the progress made against the targets with particular reference to work that had been undertaken in respect of Measures 7 and 8 - Emergency Response Standards. The Area Managers for Community Safety and Central Area were in attendance at the meeting and gave a presentation to the Committee focussing on the targets set for Emergency Response Standards which was "the Occasions where our response standards are met for first attendance at dwelling fires and Road Traffic Collisions (RTCs)".

The Area Managers updated the Committee on research that had been undertaken to ascertain whether the response standards set were in accordance with the Service's performance requirements. It was noted that this had demonstrated that the response time was only one aspect of performance and that there were other critical factors that contributed to the Service's overall aims of "acting to protect and save", including the prevention and protection activities that were being undertaken. A Case Study was shown at the meeting that illustrated this point to the Committee and a discussion ensued thereon.

The Deputy Chief Fire Officer advised the Committee that the Service was proposing to collate a package of information in respect of the Emergency Response Standards for publication on the Authority's website and that this would include the prevention and protection work that was being undertaken in addition to the attendance times.

Councillor Dyke indicated that it was important for the Service to communicate this message to the public in the right way and the Case Study was a good illustration of this. The Committee was supportive of the approach being taken.

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

The meeting started at 10.00hours and finished at 11.10hours

## **RESOURCES COMMITTEE**

(Devon and Somerset Fire and Rescue Authority)

18 May 2012

### Present:-

Councillors Yeomans (Vice-Chairman)(in the Chair), Bakewell MBE, Healey (vice Hughes OBE), Horsfall, Smith and Woodman.

### Apologies:-

Councillors Gordon and Hughes OBE.

### **\*RC/19.        Minutes**

**RESOLVED** that the Minutes of the meeting held on 3 February 2012 be signed as a correct record.

### **\*RC/20.        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 declare any such interests at this time.

No interests were declared at this point.

### **RC/21.        Financial Performance Report 2011/12: Quarter 4**

The Committee considered a report of the Treasurer to the Authority (RC/12/5) on the Authority's performance against the agreed financial targets for the current financial year as at 31 March 2012. In particular, the report provided a draft financial outturn indicating an underspend of £1.272m (1.69%) against the approved 2012/13 revenue budget.

The increase in underspend from the previous quarter was largely due to retained pay costs – historically a volatile budget – being significantly less than forecast as a result of fewer operational calls than anticipated. The report also detailed reasons for variance in other main areas of the budget, with overspends on wholetime, control room and non-uniformed staffing and firefighter pensions costs being off-set by underspends on retained pay, utility, repair and maintenance, equipment and furniture and communications equipment costs. Investment and the more commercial approach applied to the provision of external training had resulted in the original targets in these areas being exceeded. Higher than anticipated grant income had been received, with some £2.042m being received to fund specific purposes but which had not been spent at year end but which was eligible to be carried forward to 2012/13.

Inclusion of funding for refurbishment work at Service Headquarters (£0.204m) and for purchase of vehicle box trailer (£0.005m) had increased the capital programme by £0.209m since the last report. As these costs were, however, being met from direct revenue funding there was no consequential increase in the external borrowing requirement. Nonetheless, actual spend of £3.341m against a total programme of £7.580m indicated slippage of £4.239m, the majority of which related to estates projects such as the new Training Academy at Exeter Airport, for which it was hoped that final approvals would be in place by the end of May. The slippage in capital spending had resulted in an underspend of revenue contribution towards capital costs. The level of underspend (£0.716m) had been transferred to an ear-marked reserve for it to be available for application in the forthcoming financial year. The slippage also meant that there had been no breach of the Authority's Prudential Indicators.

The report also identified performance against the Aged Debt Analysis and Payment of Supplier Invoices within 30 days indicators, the situation in relation to Reserves and Balances (including two transfers to Earmarked Reserves included in the 2011/12 outturn figures) and proposals to utilise the £1.272m indicative underspend by making a further three transfers to Earmarked Reserves for commercial services activities (£0.300m), capital funding reserve (£0.350m) and Comprehensive Spending Review (CSR) 2010 budget strategy reserve (£0.622m).

In relation to the proposed transfer to a commercial services reserve, the Chief Fire Officer stressed that - in accordance with the statutory requirements – funding of all commercial activities would be on the basis of securing as a minimum full cost recovery together with an element of income generation.

The Chairman commended Service budget managers on their efforts to contain spending which had contributed significantly to the underspend against the approved revenue budget.

## **RESOLVED**

- (a) that the Authority, at its meeting on the 30 May 2012, be recommended to approve:
  - (i) that the underspend of £1.272m against the 2011-12 revenue budget be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 11.1 of report RC/12/5 and indicated below:
    - A. £0.300m to be transferred to a Commercial Services (Invest-to-Save) Reserve;
    - B. £0.350m to be transferred to a Capital Funding Reserve to provide further direct revenue funding to capital spending; and
    - C. the remaining figure of £0.622m to be transferred to the Comprehensive Spending Review (CSR) 2010 Budget Strategy Reserve;
  - (ii) that an amount of £0.420m within Earmarked Reserves be transferred to the General Reserve, as outlined in paragraph 13.5 of the report;

- (b) that, subject to (a) above, the performance against agreed financial targets as indicated in the report together with the following be noted:
- (i) that the draft position in respect of the 2011-12 Revenue and Capital Outturn position, as indicated in the report; and
  - (ii) that the underspend figure of £1.272m is after;
    - A. a transfer of £2.042m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised; and
    - B. a transfer of £0.716m to the Capital Funding Earmarked Reserve, relating to agreed revenue funding towards capital spending not utilised; and
    - C. an increase of £0.348m in the Provision set aside to fund the impact of the Employment Tribunal relating to Part Time Workers (Less than Favourable Working Conditions), as outlined in paragraph 3.5 of the report.

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

The meeting started at 10.00hours and finished at 10.42hours.



# DEVON & SOMERSET FIRE & RESCUE AUTHORITY

<b>REPORT REFERENCE NO.</b>	DSFRA/12/14
<b>MEETING</b>	DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (Ordinary Meeting)
<b>DATE OF MEETING</b>	30 MAY 2012
<b>SUBJECT OF REPORT</b>	FINANCIAL OUTTURN 2011/12
<b>LEAD OFFICER</b>	TREASURER
<b>RECOMMENDATIONS</b>	<p>(a) <i>That the following three proposed transfers to Earmarked Reserves, as outlined in paragraph 11.1 of this report, be approved;</i></p> <ul style="list-style-type: none"> <li><i>I. an amount of £0.300m be transferred to the Commercial Services Reserve, and;</i></li> <li><i>II. an amount of £0.350m be transferred to the Capital Funding Reserve, and</i></li> <li><i>III. an amount of £0.626m be transferred to the CSR 2010 Budget Strategy Reserve.</i></li> </ul> <p>(b) <i>That the proposed transfer of £0.420m from Earmarked Reserves to the General Reserve, as outlined in paragraph 11.3 of this report, be approved;</i></p> <p>(c) <i>That the capital determinations in relation to the funding of the 2011-12 capital spending, as detailed in paragraph 17.1 of this report, be approved;</i></p> <p>(d) <i>That subject to (a) and (b) above, the position in relation to the Revenue and Capital Outturn, as indicated in this report, be noted.</i></p>
<b>EXECUTIVE SUMMARY</b>	<p>This report provides the financial outturn position for 2011-12, for both revenue and capital spending, and makes recommendations as to how the underspend against the revenue budget of £1.276m is to be utilised.</p> <p>The figures included in this report are provisional at this stage, subject to the audit of the Accounts in July/August 2012.</p>
<b>RESOURCE</b>	As indicated within the report.

<b>IMPLICATIONS</b>	
<b>EQUALITY RISK AND BENEFIT ASSESSMENT (ERBA)</b>	Not applicable
<b>APPENDICES</b>	A. Provisional Revenue Outturn Position 2011-2012. B. Summary of Reserve and Provision Balances at 31 March 2012
<b>LIST OF BACKGROUND PAPERS</b>	Financial Performance Report 2011-12 (RC/12/5) to Resources Committee 18 May 2012



## 1. INTRODUCTION

- 1.1 This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2011-12, and makes recommendations as to how the underspend against the revenue budget is to be utilised. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.

## 2. SECTION 1 – REVENUE OUTTURN 2011-12

- 2.1 Total revenue spending in 2011-12 was £73.865m, as compared to an agreed budget of £75.141m, resulting in an underspend of £1.276m, equivalent to 1.69% of total budget. A summary of spending is shown in Table 1 below, and Appendix A provides a more detailed analysis of spending against individual, budget heads.

**TABLE 1 – SUMMARY OF REVENUE SPENDING 2011-12**

	£m	£m
<b>Approved Budget</b>		<b>75.141</b>
Gross Spending ( <i>Appendix A Line 27</i> )	77.966	
Gross Income ( <i>Appendix A Line 32</i> )	(6.837)	
Net Spending		71.129
<u>PLUS Transfers to Earmarked Reserves</u>		
- Grants Unapplied ( <i>Appendix A Line 34</i> )	2.042	
- Revenue Contribution to Capital Funding ( <i>Appendix A Line 35</i> )	0.694	
Total Transfer to Earmarked Reserves ( <i>Appendix A Line 36</i> )		2.736
<b>TOTAL NET SPENDING</b>		<b>73.865</b>
<b>NET UNDERSPEND</b>		<b>(1.276)</b>

- 2.2 An underspend of this size is clearly a very good outcome and is largely as a result of instructions given by the Chief Fire Officer and Senior Management Board to budget holders that only essential spending should be undertaken in-year on non-salary budget lines. Significant savings on retained pay costs, as a consequence of a 10% reduction over 2010-11 in the number operational mobilisations, has also contributed to the overall underspend position.
- 2.3 A draft outturn report was considered at the meeting of Resources Committee held on the 18 May 2012, including proposals on how to utilise the underspend. It should be noted that the underspend figure has increased from £1.272m to £1.276m since that meeting due to minor changes. The Committee recommended that three transfers to Earmarked Reserves be made, as follows;
- An amount of £0.300m to the Commercial Services Reserve - to be used to invest in commercial opportunities that will provide a future return in terms of income generation.
  - An amount of £0.350m to the Direct Revenue Funding to Capital Reserve - to enable additional capital investment without the need to increase external borrowing.

- That the balance (initially £0.622m as reported to the Resources Committee, now £0.626m) be transferred to the CSR 2010 Budget Strategy Reserve – to provide further financial contingency towards budget setting in 2013-14 and 2014-15.

2.4 Further details of each of these proposals are contained in paragraph 11.1 of this report.

2.5 An analysis of spending against all approved budget lines is shown in Appendix A. It is inevitable that there will be variations against individual budget lines, due to changing circumstances, volatility associated with some budget lines, and the instruction to budget holders to only commit spending that is deemed to be essential. Details of the major variations against individual budget lines are explained in paragraphs 3 to 9 below

### 3. **EMPLOYEE COSTS**

#### ***Wholetime Staff***

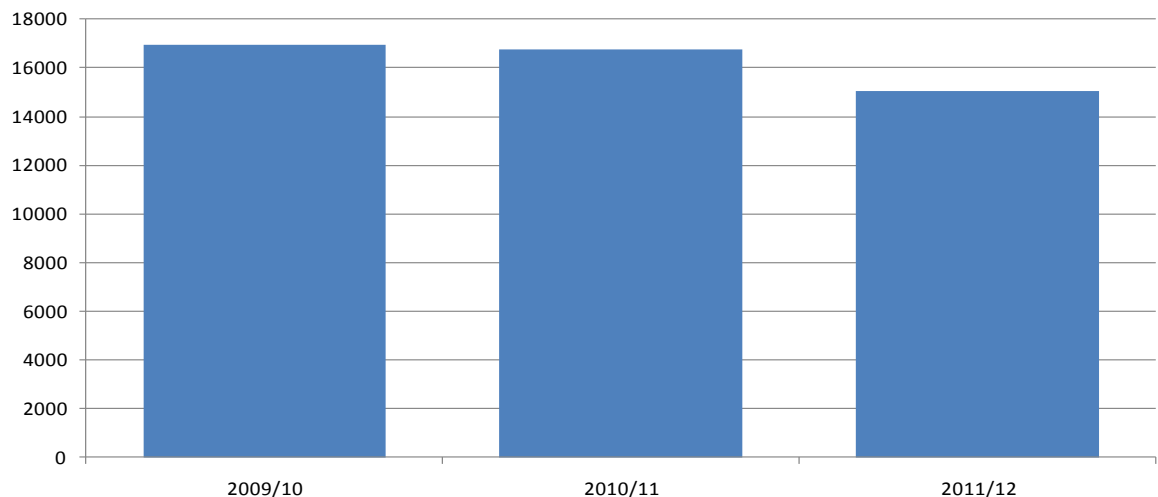
3.1 Whilst spending on wholetime pay costs is £0.286m more than the agreed budget this represents just 1.01% of the total wholetime pay budget.

#### ***Retained Pay Costs***

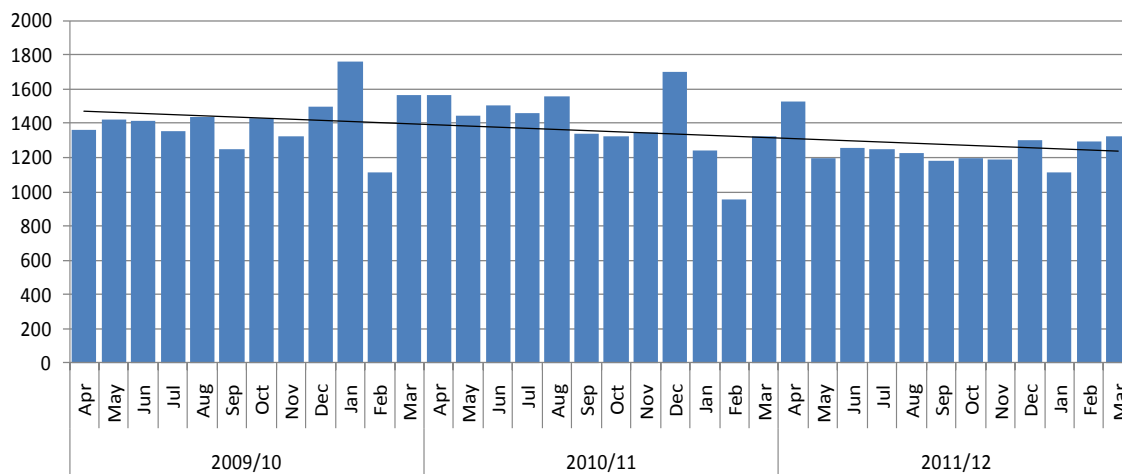
3.2 Spending against the retained pay budget is reported as £0.590m under budget. As has been highlighted in budget monitoring reports considered during the year, forecasts of spending against retained pay costs can be very difficult to predict given the fact that the majority of retained staff are paid on a 'pay as you go basis' which means that costs are directly related to the number of retained mobilisations.

3.3 For 2011-12 the total number of retained mobilisations is 10% down on the previous year, from 16,764 to 15,056. Charts 1 and 2 illustrate the trend in retained mobilisations over the period 2009-10 to 2011-12.

**CHART 1 - Number of Retained Appliance Mobilisations**



**CHART 2 - Retained Mobilisations by Month**



3.4 It should be noted that this figure of £0.590m is net of an additional provision of £0.348m for future costs in relation to the impact of the Employment Tribunal case made in 2010 under the Part Time Workers (Less than Favourable Working Conditions) Regulations. Members will recall that the Tribunal ruled that the claimants (retained staff) were engaged in broadly the same work as their named comparators (wholetime staff) and that they had been treated less favourably in respect of conditions of service e.g. access to pensions, sickness payments etc.

3.5 For Devon and Somerset FRA, as the largest employer of retained firefighters in the UK, the financial impact of this ruling is significant, particularly as the ruling includes backdated payments to the year 2000. The Authority has prudently already set aside funds of £1.505m into a Provision from previous years underspends to fund these payments. It is an accounting requirement that this Provision is reviewed at the year-end to ensure, as far as possible, that sufficient sums are made available to pay for the payments when they are actually made in the future.

3.6 The latest circular issued by the National Joint Council for Employers provided further details of the negotiated settlement, including the amounts of compensatory payments to be paid, although it does not include the element relating to pension rights, which will be subject to further negotiations between the Fire Brigades Union and the Department of Communities and Local Government (CLG). Based on the most recent information it is now estimated that this first phase of the settlement will cost the Authority an amount of £0.990m, and that the pension element will be £0.863m, giving a total liability of £1.853m. As this cost is £0.348m in excess of the existing Provision set aside, it is required to charge this amount to the 2011-2012 revenue account to increase the Provision to the required level.

**Control Room Staff**

3.7 Spending against control room staffing is £0.439m more than budget. This figure includes the one-off costs associated with the project to amalgamate the existing two control rooms into a single consolidated control room from April 2012 (Minute DSFR/51 of the Fire and Rescue Authority meeting held on the 7 November 2011 refers).

### ***Non-Uniformed Staff***

- 3.8 Whilst spending against non-uniformed staff is £0.135m more than budget it should be noted this includes costs of £0.065m relating to supporting the Change and Improvement Programmes which had originally been anticipated would need to be funded from Earmarked Reserves.

### ***Training Expenses***

- 3.9 As a consequence of the rationalisation of costs associated with the Assessment Development Centre (ADC) process, and the slippage in the delivery of some courses a saving of £0.332m has been achieved against this budget head.

### ***Firefighter Pension Costs***

- 3.10 Spending against pension costs is £0.119m more than budget as a result of back-dated injury benefit payments due to pensioners following a review prompted by the National Fraud Initiative (NFI).

## **4. PREMISES RELATED COSTS**

### ***Energy Costs***

- 4.1 A saving of £0.170m has been achieved from utility costs primarily as a consequence of less usage and the impact of new initiatives to monitor and reduce usage e.g. installation of smart meters into fire stations.

## **5. TRANSPORT RELATED COSTS**

### ***Repair and Maintenance***

- 5.1 An underspend against this budget line of £0.160m is primarily as a result of savings achieved on maintenance contracts and some slippage of projects.

## **6. SUPPLIES AND SERVICES**

### ***Equipment and Furniture***

- 6.1 Spending against this budget line is £0.160m less than budget primarily as a result of budget holders restricting spending in this area to essential items only.

### ***Communications Equipment***

- 6.2 Whilst spending on communications equipment is £0.153m less than anticipated, due to reduced costs associated with the new Firelink radio system, it should be noted that this saving is offset by a consequent reduction in grant funding from the CLG who are funding these costs from New Burden grants (Appendix A line 29).

### ***Uniforms***

- 6.3 The underspend on the uniforms budget reflects delays in the phased roll out of the replacement Personal Protective Equipment (PPE).

### ***External Fees and Services***

- 6.4 Spending reported against this budget line includes costs of £0.077m to support the delivery of those key projects identified through the Change and Improvement Programmes, which had been anticipated would be funded from Earmarked Reserves.

## **7. PAYMENTS TO OTHER AUTHORITIES**

### ***External Support Services***

- 7.1 Spending on this budget head is £0.137m more than budget, primarily from additional Occupational Health Unit costs associated with the need to address a significant backlog of firefighter medical reviews and counselling requirements.

## **8. CAPITAL FINANCING COSTS**

### ***Capital Charges***

- 8.1 Elsewhere in this report (Table 3) is the final outturn position in relation to 2011-12 capital spending which identifies that there has been some significant slippage in spending against some capital projects. As a consequence of this slippage there has been no requirement to seek any additional borrowing during the financial year resulting in savings in debt charges.

### ***Revenue Contribution to Capital Spending***

- 8.2 A further consequence of the slippage in capital spending outlined above in paragraph 8.1 is that not all of the agreed Revenue Contribution to Capital Spending will be required in 2011-12. The balance of £0.694m not utilised is required to be carried forward into 2012-13 by transferring into an Earmarked Reserve, in order that it is available to be applied, as has been approved, when that spending takes place in 2012-13.

## **9. INCOME**

### ***Treasury Management Investment Income***

- 9.1 Investment decisions made during the year, and a better than anticipated cash position, has resulted in investment income exceeding the original target by £0.113m.

### ***Grants and Reimbursements***

- 9.2 Whilst the Authority has received £1.868m more in grant income than budgeted, it should be emphasised that of the total grants received during the year an amount of £2.042m relates to grants that have been received by outside bodies to fund a specific purpose, but which have not been spent by the year-end. Under the International Financial Reporting Standards (IFRS), any such grant, where there is no requirement for it to be repaid if not spent at year-end, is to be identified to the Committee and carried forward into the next financial year by way of a transfer into an Earmarked Reserve. This Reserve will then fund those projects for which the grants were originally intended when expenditure is incurred.

### ***Other Income***

- 9.3 Income targets have been overachieved by £0.281m, primarily as a result of the more commercial approach applied by the Training Academy in relation to the delivery of training courses to external clients.

**10. CONTRIBUTION TO EARMARKED RESERVES**

10.1 The 2011-12 outturn figures in Appendix A includes two transfers to Earmarked Reserves, as follows:

- **Grants Unapplied (£2.042m)** – as is outlined in paragraph 9.2 of this report, under the new IFRS accounting arrangements, any unused grants at the year-end, which are not subject to repayment are to be identified and carried forward to 2011-12. An analysis of such grants is shown in Table 2 overleaf.

**TABLE 2 – UNSPENT GRANTS TO BE CARRIED FORWARD TO 2012-2013**

<b>Grant Received From</b>	<b>£m</b>	<b>Purpose of Grant</b>
Department of Communities and Local Government (CLG)	(1.800)	To fund the new Network control systems.
Department of Communities and Local Government (CLG)	(0.120)	To fund Urban Search and Rescue (USAR) costs associated with staffing, training equipment and accommodation.
Department of Communities and Local Government (CLG)	(0.100)	To fund equipment and upgrade of existing DSFRS Incident Command Unit and crew training.
Devon County Council	(0.015)	To fund fire safety equipment in relation to domestic violence.
Devon County Council	(0.004)	To fund Learn-to-Live road shows as per grant allocation.
Insure the Box Limited	(0.003)	To fund Learn-to-Live road shows as per grant allocation.
<b>TOTAL</b>	<b>(2.042)</b>	

- **Capital Funding Reserve (£0.694m)**. As is reported in paragraph 15.1 of this report there has been significant slippage in capital spending in 2011-12 therefore reducing the amount of capital funding required. As a consequence of this slippage only £0.742m of the agreed direct revenue funding is required to be applied. The remaining balance of £0.694m is required to be carried forward to 2012-13, through an earmarked reserve, to fund the capital spending when it is actually incurred.

**11. PROPOSALS FOR UTILISATION OF THE UNDERSPEND**

11.1 Following consideration of the financial outturn position at the meeting of Resources Committee, held on the 18 May 2012, it is recommended that the underspend figure of £1.276m be used to fund three further transfers into Earmarked Reserves, as follows:

(a) **Commercial Services Activities (£0.300m)** - Members will be well aware of the strategic aim to increase income generation by identifying new commercial opportunities for trading. The Commercial Services Committee, at its meeting on the 5 May, received an update from the Chief Fire Officer on the development of the strategic business plan for commercial activities including aspirations for potential income targets for the next 5 years. It was agreed that whilst the Committee should be ambitious in terms of setting income targets, a balance also has to be given as to what is realistic within that timeframe and the resources available. It was recognised and agreed that to maximise the income potential over this period will require some pump priming funding in the early years. The Commercial Services Manager has identified additional resource requirements of £0.300m to support exploration and delivery of new areas for trading. It is proposed that an amount of £0.300m is set aside in an Earmarked Reserve to be available to Commercial Services Committee to be used to fund additional resources required towards increasing commercial activities. In this context, it should also be noted that – in accordance with statutory requirements – funding of all commercial activities will be on the basis of securing over time, as a minimum full, cost recovery together with an element of income generation.

(b) **Capital Funding Reserve (£0.350m)** – Members will be aware that the capital programme for 2012-13 to 2014-15 has been constructed on the basis that the debt ratio (debt charges expressed as a percentage of the total revenue budget) is kept within an agreed target of 5%. Whilst this position will help to keep the authority's exposure to external debt to manageable levels, it is doubtful that this position can be sustained if the identified capital investment backlog is to be adequately funded. The Director of Service Support has highlighted the need for the 5% limit to be reviewed during 2012.

A recent issue with a major project has already identified that the agreed capital programme might be short of necessary funding by an amount of £0.350m. It is therefore proposed that an amount of £0.350m from the underspend be set aside in an Earmarked Reserve to provide further direct revenue funding towards capital spending. Subject to Authority approval this will ensure that funds are available to deliver the agreed programme without the need to increase debt levels beyond already agreed limits.

(c) **CSR 2010 Budget Strategy Reserve (£0.626m)** – it is proposed that the remaining balance of £0.626m be transferred to the existing reserve of CSR 2010 Budget Strategy Reserve, which, when added to the existing balance of £1.191m would increase the balance on the Reserve to £1.817m to be available to offset future grant reductions.

11.2 A summary position of Reserves and Provisions as at 31 March 2012, including the recommendations to Earmarked Reserves included in this report, is included as Appendix B.

11.3 In addition to the proposals for transfers to Earmarked Reserves (Appendix B Column 4), it is also recommended that an amount of £0.420m is transferred from Earmarked Reserves to the General Reserve (Appendix B Column 5). This amount relates to amounts originally transferred to Earmarked Reserve but which are no longer required for its original purpose, and is therefore eligible for transfer to the General Reserve. If Members are minded to approve this recommendation then the balance on the General Reserve will increase from £4.453m to £4.873m, equivalent to 6.49% of total revenue budget.

**12. SUMMARY OF REVENUE SPENDING**

- 12.1 Members will be well aware, from regular budget monitoring reports considered during the financial year, of the strategy adopted to seek in-year savings which can be set aside in Reserve, in response to the 25% reductions in Fire Service grants announced in CSR 2010.
- 12.2 It is therefore pleasing that the financial outturn for 2011-12 has delivered a further underspend of which a significant part is recommended to be set aside in Reserves to be available to assist budget setting in 2013-14 and 2014-15 when the grant reductions will be more severe.
- 12.3 The Authority is asked to approve the recommendations included in paragraphs 11.1 and 11.3.

**13. SECTION 2 – CAPITAL OUTTURN 2011-12**

- 13.1 The capital programme for 2011-12 was originally set at £6.502m at the budget setting meeting held on the 14 February 2011. This programme figure has been increased to £7.580m during the year to reflect slippage in spending from the previous year and new capital spending to be funded from grant income or revenue contributions. As has been reported to meetings of the Resources Committee during the year within quarterly budget monitoring reports, whilst these changes represent an increase in the 2011-12 programme they do not represent an increase in the overall borrowing requirement.
- 13.2 Total spending against this programme was £3.363m as detailed in Table 3 overleaf. Total cash payments relating to capital spending during the financial year amounted to £3.528m (including invoices paid in relation to the previous financial year for which accruals were made as at 31 March 2011), and a further £0.314m was accrued at the year-end to reflect invoices not yet received by 31 March 2012.



**TABLE 3 – SUMMARY OF CAPITAL SPENDING IN 2011-12**

Capital Programme 2011/12			Variation to budget			
Item PROJECT	2011/12	2011/12	2011/12	Slippage	Savings	Total
	£000	£000	£000	£000	£000	variation
	Budget	Draft outturn	Variation to budget			£000
<b>Estate Development</b>						
1 Exeter Middlemoor	30	31	1	(1)		(1)
2 Exeter Danes Castle	10	1	(9)		9	9
3 SHQ major building works	96	4	(92)	92		92
4 Major building works - training facilities at Exeter airport	1,000	111	(889)	889		889
5 Minor improvements & structural maintenance (including slippage)	3,560	1,542	(2,018)	2,018		2,018
6 Welfare facilities	37	22	(15)	15		15
7 New Dimensions (USAR) works	610	515	(95)	95		95
<b>Estates Sub Total</b>	<b>5,343</b>	<b>2,226</b>	<b>(3,117)</b>	<b>3,108</b>	<b>9</b>	<b>3,117</b>
<b>Fleet &amp; Equipment</b>						
8 Appliance replacement	397	749	352	(352)		(352)
9 Specialist Operational Vehicles	1,315	74	(1,241)	1,241		1,241
10 Vehicles (funded from revenue)	89	89	0	0		0
11 Equipment	127	45	(82)	82		82
12 Asset Management Plan (Miquest) software	129	0	(129)		129	129
13 Systems integration	180	180	0	0		0
<b>Fleet &amp; Equipment Sub Total</b>	<b>2,237</b>	<b>1,137</b>	<b>(1,100)</b>	<b>971</b>	<b>129</b>	<b>1,100</b>
<b>Overall Capital Totals</b>	<b>7,580</b>	<b>3,363</b>	<b>(4,217)</b>	<b>4,079</b>	<b>138</b>	<b>4,217</b>
<b>Programme funding</b>						
Main programme	3,508		(3,508)	3,370	138	3,508
Revenue funds	1,436	742	(694)	694		694
Earmarked reserves	91	76	(15)	15		15
Grants	2,545	2,545	-	0		0
	<b>7,580</b>	<b>3,363</b>	<b>(4,217)</b>	<b>4,079</b>	<b>138</b>	<b>4,217</b>

14. **FINANCING THE 2011-12 CAPITAL PROGRAMME**

14.1 Table 4 below identifies how the 2011-12 capital spending of £3.363m is to be financed.

**TABLE 4 – SUMMARY OF CAPITAL FINANCING IN 2011-12**

	<b>Actual Financing Required £m</b>
<b><u>External Borrowing</u></b>	<b>0.000</b>
<b><u>Other Financing Sources</u></b>	
<u>Revenue Contribution to Capital Spending</u>	
Purchase of appliance and light vehicles funded from revenue savings i.e. leasing rentals and vehicle sales.	0.089
Property improvements agreed to be funded from Revenue or Earmarked Reserves e.g. control consolidation and welfare facilities.	0.243
Purchase of Middleware IT solution agreed to be funded from Revenue.	0.180
Direct Revenue Funding agreed to be utilised towards general capital spending.	0.306
<b>Sub Total – Direct Revenue Funding/Earmarked Reserve</b>	<b>0.818</b>
<u>Capital/Revenue Grants</u>	
CLG Grant to support capital spending	2.021
CLG New Dimensions Grant	0.510
South West Ambulance Trust to fund station improvements at Wincanton fire station.	0.014
<b>Sub Total - Capital/Revenue Grants</b>	<b>2.545</b>
<b>Total Financing</b>	<b>3.363</b>

**Borrowing**

14.2 As a consequence of the significant slippage in capital spending in 2011-12 there was no need to take out any additional external borrowing during the year, which means that all capital spending has been funded from other financing sources.

## 15. SLIPPAGE

15.1 As is indicated from the figures in Table 3, actual capital spending during the year is £4.217m less than the agreed programme, of which an amount of £4.079m has been identified as being as a result of slippage in spending against individual projects. As this slippage only reflects changes to the timing of the costs being incurred, and not a change in the overall cost of the programme there is no adverse impact against the approved Prudential Indicators. A revised capital programme for 2012-13 will be reported to the next meeting of Resources Committee to reflect the inclusion of this slippage.

15.2 The remaining underspend of £0.138m has been identified as savings against individual projects, resulting in a reduction of the same amount in the borrowing requirement.

## 16. DRAFT PRUDENTIAL INDICATORS

16.1 The prudential indicators at this time are only in draft format, subject to the completion of the Statement of Accounts.

### 16.2 Capital Expenditure

This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £4.217m less than anticipated as a consequence of delays on progressing capital projects.

Approved Indicator	£7.580m	
Actual Expenditure	£3.363m	
Variance		(£4.217) m

### 16.3 Capital Financing Requirement (CFR) – External Borrowing

The CFR reflects the underlying need to borrow for capital purposes. Given that spending is £4.2m less than programmed, the need to borrow to fund capital spending is also reduced by a similar amount.

Approved CFR	£31.154m	
Actual CFR	£26.142m	
Variance		(£5.012) m

### 16.4 Capital Financing Requirement (CFR) – Other Long Term Liabilities

This CFR reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities. For 2011-12 the actual liabilities had been assessed as £0.272m less than the original target.

Approved CFR	£1.885m	
Actual CFR	£1.613m	
Variance		(£0.272) m

### 16.5 Authorised Limit and the Operational Boundary for External Debt

Actual external debt as at 31 March 2012 was £27.066m.

This is well within the authorised limit (absolute maximum borrowing approval) and operational boundary of £34.671m and £36.229m respectively, and therefore neither was breached.

16.6

Ratio of Financing Cost to Net Revenue Stream

This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 4.35% would be applied and the actual figure is 0.24 base points (bp) below the estimate.

Capital Financing Costs	£3.304m
Interest on investments	(£0.213) m
Net Financing Costs	£3.091m
Net Revenue Stream	£75.141m
Percentage	4.11%
Estimated	4.35%
Variance	(0.24) bp

17.

**DETERMINATION OF CAPITAL FINANCE**

17.1

The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed;

- That £2.545m is capitalised and funded from government grant.
- That an amount of £0.818m is capitalised and funded from revenue contributions to capital spending, either directly from the 2011-12 revenue budget or from Earmarked Reserve.

**KEVIN WOODWARD**  
Treasurer

**SUBJECTIVE ANALYSIS OF REVENUE SPENDING**

<b>DEVON &amp; SOMERSET FIRE AND RESCUE AUTHORITY</b>				
<b>Provisional Revenue Outturn 2011-12</b>				
		<b>2011/12</b>	<b>Draft</b>	<b>Variance</b>
		<b>Budget</b>	<b>Outturn</b>	<b>over/</b>
		<b>£000</b>	<b>£000</b>	<b>(under/</b>
<b>Line</b>		<b>(1)</b>	<b>(2)</b>	<b>£000</b>
<b>No</b>	<b>SPENDING</b>			<b>(3)</b>
	<b>EMPLOYEE COSTS</b>			
1	Wholetime uniform staff	32,168	32,454	286
2	Retained firefighters	11,895	11,305	(590)
3	Control room staff	1,948	2,387	439
4	Non uniformed staff	9,324	9,459	135
5	Training expenses	1,363	1,031	(332)
6	Fire Service Pensions recharge	1,999	2,118	119
		<b>58,697</b>	<b>58,754</b>	<b>57</b>
	<b>PREMISES RELATED COSTS</b>			
7	Repair and maintenance	1,056	1,039	(17)
8	Energy costs	631	461	(170)
9	Cleaning costs	438	363	(75)
10	Rent and rates	1,469	1,408	(61)
		<b>3,594</b>	<b>3,271</b>	<b>(323)</b>
	<b>TRANSPORT RELATED COSTS</b>			
11	Repair and maintenance	653	493	(160)
12	Running costs and insurances	1,196	1,139	(57)
13	Travel and subsistence	1,502	1,462	(40)
		<b>3,351</b>	<b>3,094</b>	<b>(257)</b>
	<b>SUPPLIES AND SERVICES</b>			
14	Equipment and furniture	2,349	2,189	(160)
15	Hydrants-installation and maintenance	105	134	29
16	Communications	2,138	1,985	(153)
17	Uniforms	1,211	888	(323)
18	Catering	180	222	42
19	External Fees and Services	320	420	100
20	Partnerships & regional collaborative projects	152	128	(24)
		<b>6,455</b>	<b>5,966</b>	<b>(489)</b>
	<b>ESTABLISHMENT COSTS</b>			
21	Printing, stationery and office expenses	416	357	(59)
22	Advertising	57	37	(20)
23	Insurances	326	285	(41)
		<b>799</b>	<b>679</b>	<b>(120)</b>
	<b>PAYMENTS TO OTHER AUTHORITIES</b>			
24	Support service contracts	604	741	137
		<b>604</b>	<b>741</b>	<b>137</b>
	<b>CAPITAL FINANCING COSTS</b>			
25	Capital charges	4,757	4,719	(38)
26	Revenue Contribution to Capital spending	1,436	742	(694)
		<b>6,193</b>	<b>5,461</b>	<b>(732)</b>
27	<b>TOTAL SPENDING</b>	<b>79,693</b>	<b>77,966</b>	<b>(1,727)</b>
	<b>INCOME</b>			
28	Treasury management investment income	(100)	(213)	(113)
29	Grants and Reimbursements	(3,053)	(4,921)	(1,868)
30	Other income	(1,331)	(1,612)	(281)
31	Internal Recharges	(68)	(91)	(23)
32	<b>TOTAL INCOME</b>	<b>(4,552)</b>	<b>(6,837)</b>	<b>(2,285)</b>
33	<b>NET SPENDING</b>	<b>75,141</b>	<b>71,129</b>	<b>(4,012)</b>
	<b>TRANSFER TO EARMARKED RESERVES</b>			
34	Grants Unapplied	-	2,042	2,042
35	Capital Funding	-	694	694
36	<b>TOTAL TRANSFERS TO EARMARKED RESERVES</b>	<b>-</b>	<b>2,736</b>	<b>2,736</b>
37	<b>TOTAL NET SPENDING</b>	<b>75,141</b>	<b>73,865</b>	<b>(1,276)</b>

**APPENDIX B TO REPORT DSFRA/12/14**

**SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2012**

<b>RESERVES</b>	<b>Balance as at 1 April 2011 £000 (1)</b>	<b>Spend £000 (2)</b>	<b>Balance at 31/3/12 £000 (3)</b>	<b>Proposed Transfer of Underspend £000 (4)</b>	<b>Proposed Transfer between Reserves £000 (5)</b>	<b>Balance Cfwd to next year £000 (6)</b>
<b>Earmarked reserves</b>						
Lundy Island Fire Cover	(25)	12	(13)			(13)
Positive pressure ventilation training	(4)	-	(4)			(4)
Mobilisation equipment	(167)	110	(57)			(57)
Property works	(55)	50	(5)		5	-
Support costs	(7)	-	(7)		7	-
Welfare building works	(37)	22	(15)			(15)
Integrated clothing project	(488)	488	-			-
Change & improvement training	(50)	44	(6)			(6)
Gold command courses	(35)	11	(24)			(24)
Interagency liaison officer costs	(36)	26	(10)			(10)
Grants unapplied in 2010-11	(1,374)	710	(664)		185	(479)
Change & improvement programme	(896)	-	(896)		223	(673)
CSR 2010	(1,191)	-	(1,191)			(1,191)
<b>Year end proposals</b>						
Support to capital programme within 2011-12 base				(694)		(694)
Additional support to capital programme				(350)		(350)
Commercial Services				(300)		(300)
Grants unapplied in 2011-12				(2,042)		(2,042)
CSR 2010				(626)		(626)
<b>Total earmarked reserves</b>	<b>(4,365)</b>	<b>1,473</b>	<b>(2,892)</b>	<b>(4,012)</b>	<b>420</b>	<b>(6,484)</b>
<b>General reserve</b>						
General fund balance	(4,453)				(420)	(4,873)
Percentage of general reserve compared to net budget						-6.49%
<b>TOTAL USEABLE RESERVES</b>	<b>(8,818)</b>	<b>1,473</b>	<b>(2,892)</b>	<b>(4,012)</b>	<b>-</b>	<b>(11,357)</b>
<b>PROVISIONS</b>						
Part time workers - retained fire fighters	(1,505)	-	(1,505)	(348)		(1,853)
<b>TOTAL PROVISIONS</b>	<b>(1,505)</b>	<b>-</b>	<b>(1,505)</b>	<b>(348)</b>	<b>-</b>	<b>(1,853)</b>



# DEVON & SOMERSET FIRE & RESCUE AUTHORITY

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/12/15</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Ordinary Meeting)</b>
<b>DATE OF MEETING</b>	<b>30 MAY 2012</b>
<b>SUBJECT OF REPORT</b>	<b>ANNUAL TREASURY MANAGEMENT REPORT 2011/12</b>
<b>LEAD OFFICER</b>	<b>Treasurer</b>
<b>RECOMMENDATIONS</b>	<b><i>That the performance in relation to the treasury management activities of the Authority for 2011/2012, as set out in this report, be noted.</i></b>
<b>EXECUTIVE SUMMARY</b>	<p>The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the Authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted.</p> <p>The report includes a performance report relating to the 2011/12 financial year.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated within the report.
<b>EQUALITY RISK AND BENEFIT ASSESSMENT (ERBA)</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	A. Prudential indicators 2011/2012.
<b>LIST OF BACKGROUND PAPERS</b>	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/12/3

## 1. **INTRODUCTION**

1.1 The Treasury Management Strategy for Devon & Somerset Fire & Rescue Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2011 Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code. The Authority fully complies with the primary requirements of the Code, which includes:

- The creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities.
- The creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives.
- The receipt by the Authority of an annual strategy report for the year ahead, a mid year treasury update report and an annual review report of the previous year.
- The 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 policies to a specific named body which in this Authority is the Resources Committee.

1.2 Treasury management in this context is defined as:

*"The management of the local Authority's investments 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. "*

## 2. **THE ECONOMY**

2.1 The financial year 2011/12 continued the challenging investment environment of previous years, specifically low investment returns and continuing heightened levels of counterparty risk.

2.2 Gross Domestic Product (GDP) growth in the UK was disappointing during the year under the weight of the UK austerity programme with weak growth in the European Union (EU) export market. The EU sovereign debt crisis grew in intensity during the year.

2.3 Bank Rate remained unchanged at 0.5% with quantitative easing in both October 2011 and February 2012. The Consumer Price Index (CPI) inflation peaked in September 2011 at 5.2% but is expected to fall below 2% over the next two years.

2.4 Gilt yields fell for much of the year as concerns continued to build over the EU debt crisis. Although this resulted in safe haven flows into UK gilts the EU crisis and use of quantitative easing combined to depress Public Works Loan Board (PWLB) rates to historically low levels.

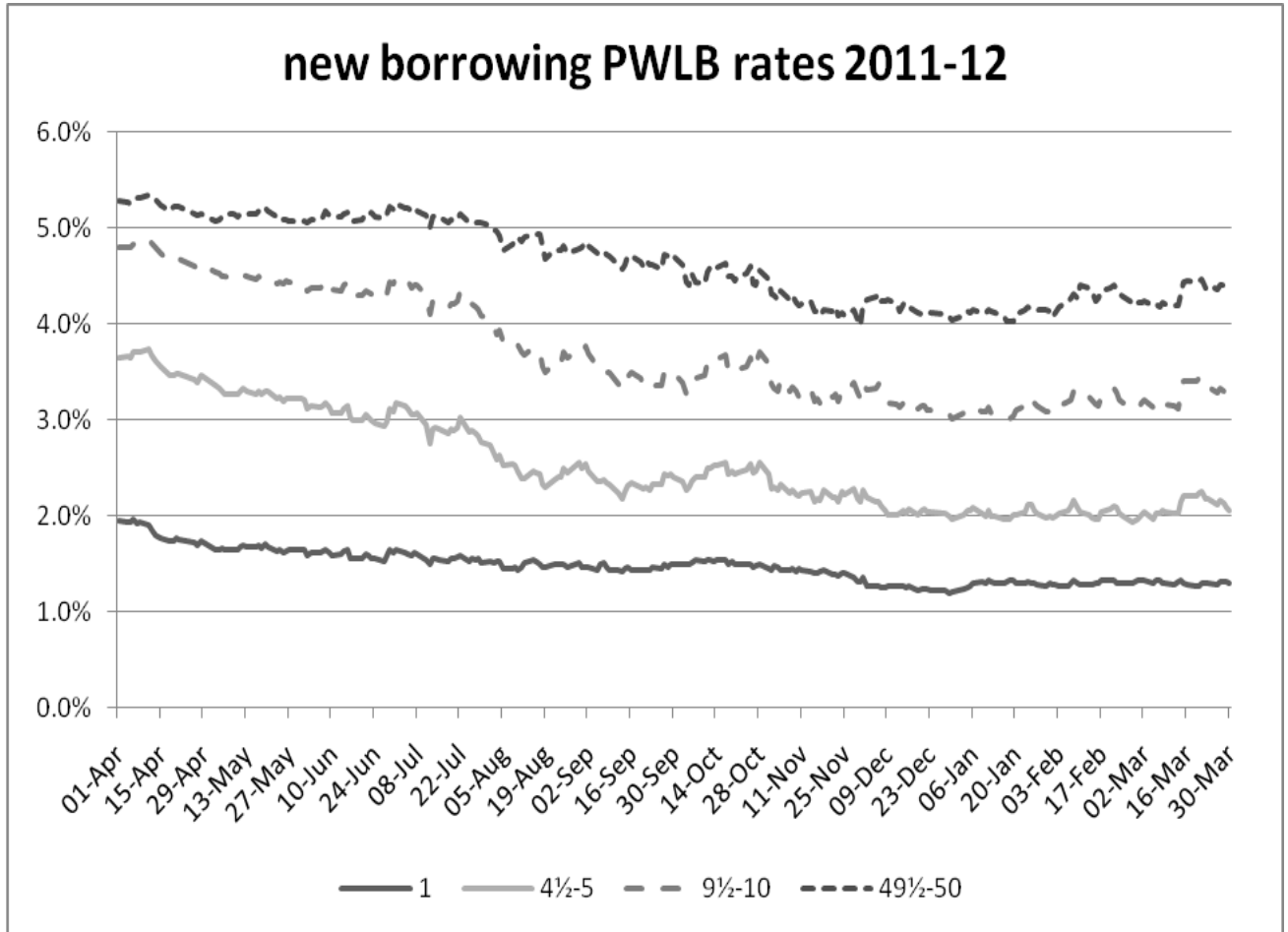
2.5 Risk premiums were also a constant factor in raising money market deposit rates in periods longer than a month. Widespread and multiple downgrades of the ratings of many banks and country sovereign status brought difficulties in finding suitable counterparties for investment periods.



**3. BORROWING**

**Public Works Loan Board (PWLB) borrowing rates 2011/2012**

3.1 The graph below shows how PWLB borrowing rates fell during the year.



**DSFRA Borrowing Strategy**

**Prudential Indicators**

3.2 It is a statutory duty for the Authority to determine and keep under review the “Affordable Borrowing Limits”. The Authority’s approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.

3.3 During the financial year DSFRA operated within the treasury limits and Prudential Indicators set out in the Authority’s annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix A.

**DSFRA Borrowing during and at the end of 2011/2012**

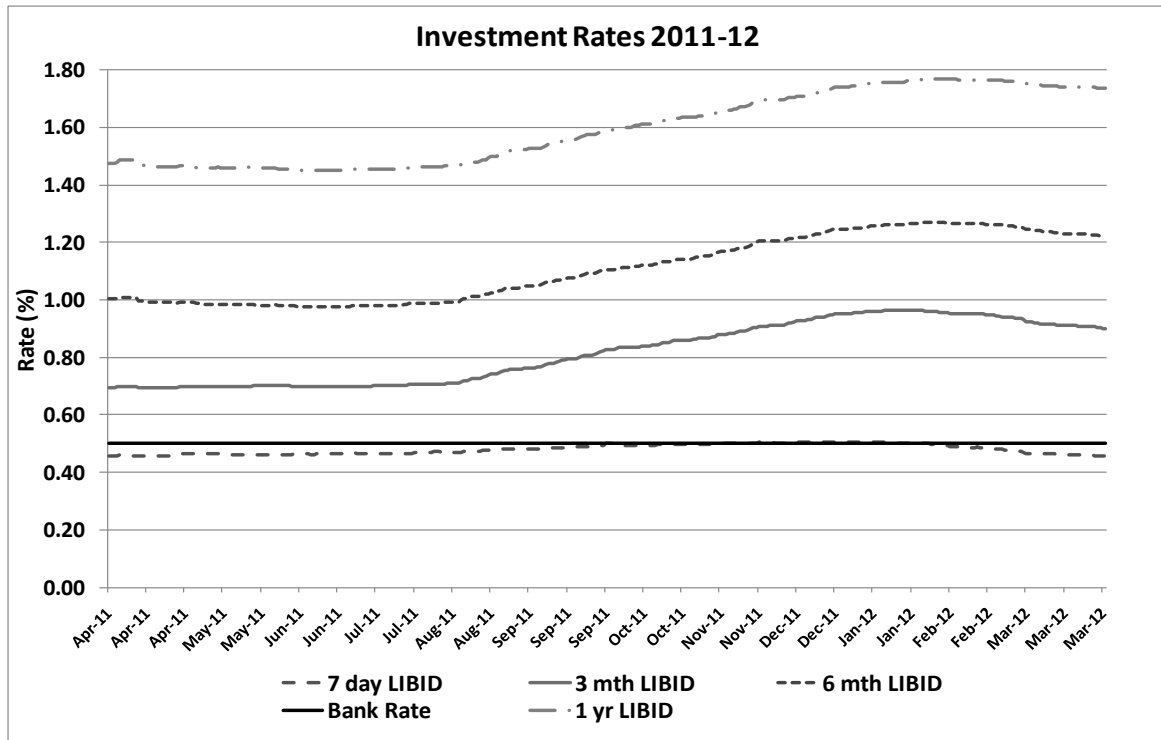
3.4 As at the end of March 2012, due to the overall financial position and support from the revenue programme there was no need to borrow for capital purposes (the Capital Financing Requirement - CFR). A summary of the loan (debt) position of the Authority is given in the table overleaf.

<b>Summary of loan movements during 2011/2012</b>				
		Amount £m		
	<b>Value of loans outstanding as at 1/4/11</b>	<b>28.608</b>		
	Loans taken during 2011/2012			
Date of Loan	Type of loan		Life (Years)	Interest Rate
	None	0		
	Loans repaid upon maturity during 2011/2012	(1.542)		
	Loans rescheduled during 2011/2012	0		
	<b>Total value of loans outstanding as at 31/3/2012</b>	<b>27.066</b>		

#### 4. **INVESTMENTS**

##### **Investment rates in 2011/2012**

- 4.1 The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However longer rates rose significantly in the second half of the year as the Euro zone crisis grew. Bank Rate remained at its historical low of 0.5% throughout the year.
- 4.2 Overlaying the relatively poor investment returns were the continued counterparty concerns generated by the Euro zone sovereign debt crisis. This emphasised the ongoing need for caution in treasury investment activity and resulted in a fall off of investment return as security of capital was paramount at cost of higher but more risky longer term financial return.
- 4.3 The table overleaf indicates investment rates during 2011/12. During 2011/12 the Authority moved from monitoring against the 7 day LIBID rate to the 3 month LIBID rate.



**DSFRA Investment Strategy**

- 4.4 The Authority’s Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Authority’s investment priorities as follows:
- Security of Capital
  - Liquidity

4.5 The Authority will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Sector. In addition to this approach the Authority has the ability to use building societies under specified and non-specified investments.

**DSFRA Investments during and at the end of 2011/2012**

- 4.6 No institutions in which investments were made during 2011/12 had any difficulty in repaying investments and interest in full during the year and the Authority had no liquidity difficulties.
- 4.7 A full list of investments held as at 31 March 2012 are shown in the table overleaf.

<b>Investments as at 31 March 2012</b>					
Counterparty	Maximum to be invested	Total amount invested	Call or Term	Period invested	Interest rate(s)
	£m	£m			
Bank of Scotland	5.0	1.5	T	1 yr	2.05%
		1.5	T	3 mths	1.40%
Barclays	8.0	1.5	T	3 mths	0.90%
		2.5	T	1 yr	1.20%
		1.5	T	3 mths	0.95%
		1.0	T	2 mths	0.78%
		1.0	T	2 mths	0.78%
Cater Allen	5.0	1.5	T	6 mths	1.59%
		1.0	T	1½ mths	1.10%
Ignis Money Market Fund	5.0	1.838	C	Instant access	0.80%
Nationwide B/S	1.5	1.5	T	3 mths	1.00%
Total invested as at 31st March 2012		<b>16.338m</b>			

- 4.8 Funds available for investment are on a temporary basis, the level of which are dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Average level of funds available for Investment	Benchmark Return	Authority Performance	Investment Interest Earned
3 month	£19.693m	0.82%	0.79%	£0.213m

- 4.9 Whilst the Authority under-performed the benchmark by 3 bp, the actual amount of investment income achieved exceeded the target by £0.113m, £0.213m against a target of £0.100m as a result of levels of fund available for investment during the year being higher than anticipated.

## 5. SUMMARY

- 5.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with a summary report of the treasury management activities during 2011/2012. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken during the year, with priority being given to liquidity and security over yield. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments continued to be dominated by risk considerations resulting in relatively low returns compared to borrowing rates. As a result of this cautious approach the Authority achieved returns slightly below the LIBID 3month rate, which is the benchmark return for this type of short term investments.

5.2 The Authority's debt and investment position at the beginning and the end of the year was as follows:

<b>SUMMARY</b>	<b>31st March 2012 Principal</b>	<b>Rate/ Return</b>	<b>31st March 2011 Principal</b>	<b>Rate/ Return</b>
Fixed Rate Funding:				
-PWLB	£27.066m	4.298%	£28.608m	4.219%
<b>Total Debt</b>	<b>£27.066m</b>	<b>4.298%</b>	<b>£28.608m</b>	<b>4.219%</b>
Investments:				
-In-House	£16.338m	0.79%	£11.645m	0.80%
<b>Total Investments</b>	<b>£16.338m</b>	<b>0.79%</b>	<b>£11.645m</b>	<b>0.80%</b>

**KEVIN WOODWARD**  
Treasurer

**APPENDIX A TO REPORT DSFRA/12/15**

<b>PRUDENTIAL INDICATOR</b>	<b>2010/11 £m actual</b>	<b>2011/12 £m approved</b>	<b>2011/12 £m actual</b>
<b>Capital Expenditure</b>			
Non - HRA	3.466	7.580	3.363
HRA (applies only to housing authorities)	0	0	0
<b>TOTAL</b>	<b>3.466</b>	<b>7.580</b>	<b>3.363</b>
<b>Ratio of financing costs to net revenue stream</b>			
Non - HRA	4.01%	4.35%	4.11%
HRA (applies only to housing authorities)	0%	0%	0%
<b>Capital Financing Requirement as at 31 March (borrowing only)</b>			
Non – HRA	29.917	33.039	27.755
HRA (applies only to housing authorities)	0	0	0
<b>TOTAL</b>	<b>29.917</b>	<b>33.039</b>	<b>27.755</b>
<b>Annual change in Cap. Financing Requirement</b>			
Non – HRA	0.041	3.122	(2.162)
HRA (applies only to housing authorities)	0	0	0
<b>TOTAL</b>	<b>0.041</b>	<b>3.122</b>	<b>(2.162)</b>
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase/(decrease) in council tax (band D) per annum	(£0.25)	(£0.47)	£(0.55)
<b>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>			
<b>Authorised Limit for external debt - borrowing</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
other long term liabilities	29.620	36.229	36.229
<b>TOTAL</b>	<b>1.641</b>	<b>1.930</b>	<b>1.930</b>
<b>Operational Boundary for external debt - borrowing</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
other long term liabilities	28.207	34.671	34.671
<b>TOTAL</b>	<b>1.558</b>	<b>1.836</b>	<b>1.836</b>
<b>TOTAL</b>	<b>29.765</b>	<b>36.507</b>	<b>36.507</b>

	Actual 31 <sup>st</sup> March 2012	upper limit %	lower limit %
Limits on borrowing at fixed interest rates	100%	100%	70%
Limits on borrowing at variable interest rates	0%	30%	0%
<b>Maturity structure of fixed rate borrowing during 2011/12</b>			
Under 12 months	5.39%	30%	0%
12 months and within 24 months	6.64%	30%	0%
24 months and within 5 years	4.28%	50%	0%
5 years and within 10 years	1.75%	75%	0%
10 years and above	81.95%	100%	50%



# DEVON & SOMERSET FIRE & RESCUE AUTHORITY

<b>REPORT REFERENCE NO.</b>	DSFRA/12/16
<b>MEETING</b>	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Ordinary Meeting)
<b>DATE OF MEETING</b>	30 MAY 2012
<b>SUBJECT OF REPORT</b>	CAPITAL BIDDING PROCESS – LIGHT RESCUE PUMP PROJECT
<b>LEAD OFFICER</b>	Chief Fire Officer
<b>RECOMMENDATIONS</b>	<p>(a) <i>that details of the Capital Bidding Process 2013/14 and 2014/15 be noted and the Authority approve in principle the submission of a bid for funding in 2013/14 linked to the Light Rescue Pump (LRP) project;</i></p> <p>(b) <i>that approval and submission of the final bid, by the deadline of 2 July 2012, be delegated to the Chief Fire Officer following consultation with the Capital Programme Working Party;</i></p> <p>(c) <i>that, to facilitate (b) above, a meeting of the Capital Programme Working Party be held in the week commencing Monday 25 June 2012 (suggested date: Monday 25 June 2012 following preceding meetings of Human Resources Management and Development Committee and Members Forum).</i></p>
<b>EXECUTIVE SUMMARY</b>	This report details the government's process for capital funding for the 2013/14 and 2014/15 financial years and sets out a proposal for bidding against the efficiency fund element of this to resource progression of the Service's Light Rescue Pumps project.
<b>RESOURCE IMPLICATIONS</b>	None associated with this report. Full resource implications will be contained within any bid submitted to the Department for Communities and Local Government (CLG).
<b>EQUALITY AND RISK BENEFIT ASSESSMENT (ERBA)</b>	Not applicable to this report
<b>APPENDICES</b>	Nil.

**LIST OF BACKGROUND PAPERS**

Department for Communities and Local Government Guidance to Fire and Rescue Authorities bidding for capital funding 2013 to 2015



## **1. INTRODUCTION**

- 1.1 At the Local Government Association Fire Conference in March 2012 the Fire Minister announced the bidding process for Fire Capital Grant funding for all Fire and Rescue Authorities for 2013-15. The bidding process is designed to incentivise and reward efficiencies.
- 1.2 A total national grant fund of £70m per year in 2013/14 and 2014/15 will be made available to individual fire and rescue authorities through a combination of;
- An efficiency fund, administered as capital grant via a bidding process, and
  - A pro rata distribution.
- 1.3 The split between the distribution methods and the amount to be allocated by competitive bidding will be dependent on the quality of the bids, with the flexibility to vary across the years.
- 1.4 For the current financial year (2012/13), the Service has received £2.021m capital funding directly from the government. This was, however, under the previous, formula-based allocation only method. As indicated, the new funding process for 2013/14 onwards features two elements – a pro-rata distribution and a bidding process against an efficiency fund. It could be, therefore, that failure to submit a bid will result in a reduction in central government capital funding received by the Authority in future years.
- 1.5 Bids against the efficiency fund in 2013/14 must be received by the Department for Communities and Local Government (CLG) by 2 July 2012.

## **2. PREPARATION OF BID DOCUMENT**

- 2.1 Since the announcement was made and bidding guidance received from CLG, officers have been working on an 'Invest to Save' bid directly linked to the Light Rescue Pump (LRP) project. This project fits with the principle of the bidding process in that it will "deliver efficiency saving outcomes whilst providing a clear demonstration of value for money".
- 2.2 The LRP project will involve the replacement of 70 Medium Rescue Pumps (MRPs) with LRPs over a five year period. This will require considerable capital investment but, if the bid against the efficiency fund is successful, the Service will be in a position to start to address the backlog in its Fleet Replacement Strategy in April 2013.
- 2.3 The outline business case for the LRP project has been approved by the Service Programme Board and the full business case is currently being finalised before going out for a full tender process compliant with – because of the quantum involved – European Union procurement legislation.
- 2.4 The detail to be contained in the full business case will be incorporated into the Capital Funding bid. This level of detail will not, however, be completed until mid-June at the earliest.

- 2.5 The CLG guidance on the bidding process contains the following requirement:  
“The Department will require confirmation that the bids have been approved by locally established governance structures/committee of the respective fire and rescue authority.”
- 2.6 Clarification has been sought from CLG as to the precise meaning of this requirement. For this Authority, given the timescales involved, it is proposed that approval of the bid be delegated to the Chief Fire Officer following consultation with the Capital Programme Working Party. This would then be reported, for information purposes, through to the next full meeting of the Authority (scheduled in the draft Calendar of Meetings for 30 July 2012). CLG has confirmed that this would satisfy with its approvals requirement.
- 3. CONCLUSION**
- 3.1 As indicated, a successful bid against the efficiency fund for 2013/14 would enable the Service to substantially progress its LRP project which in turn would go a considerable way to addressing the existing backlog in the Fleet Replacement Strategy.
- 3.2 Consequently, at this stage the Authority is invited to support in principle the submission of a bid linked to the LRP project and to delegate authority myself to approve the bid, following consultation with the Capital Programme Working Party, and to submit it to CLG by the deadline of 2 July 2012. Details of the bid so submitted will be reported for information to the next appropriate meeting of the Authority.

**LEE HOWELL**  
**Chief Fire Officer**