M. Pearson
CLERK TO THE AUTHORITY

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

(see below)

SERVICE HEADQUARTERS
THE KNOWLE
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EX3 0NW

Your ref :
Our ref :
Website : www.dsfire.gov.uk

Date : 8 February 2013
Please ask for : Steve Yates
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DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Budget Meeting)

Monday 18 February 2013

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

M. Pearson
Clerk to the Authority

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

1. Apologies

2. Minutes of the meeting held on 19 December 2012 and the Extraordinary Meeting held on 18 January 2013 attached (pages 1 and 5 respectively).

3. Items Requiring Urgent Attention

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

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 Tuesday 12 February 2013.**

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) Human Resources Management & Development Committee

The Chair of the Committee, Councillor Mrs. Bown, to **MOVE** the Minutes of the meeting held on 11 January 2013 attached (page 7).

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

(b) Commercial Services Committee

The Chair of the Committee, Councillor Healey, to **MOVE** the Minutes of the meeting held on 13 January 2013 attached (page 9).

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

(c) Audit & Performance Review Committee

The Chair of the Committee, Councillor Radford, to **MOVE** the Minutes of the meeting held on 31 January 2013 attached (page 11).

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

(d) Resources Committee

The Chair of the Committee, Councillor Gordon, to **MOVE** the Minutes of the meeting held on 4 February 2013 attached (page 13).

RECOMMENDATIONS

(i) that the recommendations at Minute RC/14 (Financial Performance Report 2012-12: Quarter 3) be approved;

(ii) that the recommendations at Minutes RC/16 and RC/ 17 (Draft Capital Programme 2013-14 to 2015-16 and 2013-14 Revenue Budget and Council Tax Levels respectively) be considered in conjunction with items 12(a) to (c) below;

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

Community Safety & Corporate Planning Committee

The Chair of the Committee, Councillor Leaves, to **MOVE** the Minutes of the meeting held on 6 February 2013 attached (page 20).

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

8. **Revenue and Capital Budgets 2013-14**

(a) Capital Programme 2013-14 to 2015-16

Report of the Chief Fire Officer and Treasurer (DSFRA/13/2) attached (page 23)

Treasury Management Strategy (Including Prudential and Treasury Indicator Reports 2013-14 to 2015-16)

Report of the Treasurer (DSFRA/13/3) attached (page 35)

2013-14 Revenue Budget and Council Tax Levels

Report of the Treasurer and Chief Fire Officer (DSFRA/13/4) attached (page 55)

9. Localism Act - Pay Policy Statement 2013-14

Report of the Director of Corporate Services (and Clerk to the Authority) (DSFRA/13/5) attached (page 79)

10. Confirmation of Scheme of Members Allowances 2013-14

Report of the Clerk to the Authority (DSFRA/13/6) attached (page 88)

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. Financial Arrangements For Commercial Activities

Report of the Treasurer (DSFRA/13/7) ***TO FOLLOW***

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey(Chair), Gribble (Vice Chair), Bakewell MBE, Bown, Brooksbank, Burridge-Clayton, Mrs. Chugg, Dyke, Eastman, Foggin, Fry, Gordon, Horsfall, Hughes OBE, Knight, Leaves, Mills, Radford, Randall Johnson, D Smith , J Smith, Way, Woodman, Yeomans

NOTES	
1.	**<u>Disclosable Pecuniary Interests (Authority Members only)</u>** If you have any disclosable pecuniary interests (as defined by Regulations) in any item(s) to be considered at this meeting then, unless you have previously obtained a dispensation from the Authority's Monitoring Officer, you must: (a) disclose any such interest at the time of commencement of consideration of the item in which you have the interest or, if later, as soon as it becomes apparent to you that you have such an interest; (b) leave the meeting room during consideration of the item in which you have such an interest, taking no part in any discussion or decision thereon; and (c) not seek to influence improperly any decision on the matter in which you have such an interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have a disclosable pecuniary interest of a sensitive nature. You must still follow (b) and (c) above.
2.	**<u>Part 2 Reports</u>** Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.
3.	**<u>Substitute Members (Committee Meetings only)</u>** Members are reminded that, in accordance with Standing Order 35, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.
4.	**<u>Access to Information</u>** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the "Please ask for" section at the top of this agenda.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

19 December 2012

Present:-

Councillors Healey (Chair), Bakewell MBE, Brooksbank, Mrs. Chugg, Dyke, Eastman, Foggin, Fry, Gordon, Gribble, Horsfall, Hughes OBE, Knight, Leaves, Mills, Radford, Randall Johnson, D Smith, Way and Woodman

Apologies:-

Councillors Bown, Burridge-Clayton, J Smith and Yeomans

DSFRA/38. Nepal Firefighter Training

The Authority received from information a report of the Chief Fire Officer (DSFRA/12/28), together with a briefing from those officers who attended, on the recent visit by Devon & Somerset Fire & Rescue Service staff to Kathmandu, Nepal, to assist in and support the establishment of a self-sustaining fire and rescue capability for that country.

The visit, which had been funded by the United Nations Development Programme, featured the delivery of training on a wide range of fire and rescue service issues (e.g. types of equipment and appliances required; mobilising and communications strategies; educational programmes) to multi-agency participants.

At the meeting the Chief Fire Officer received on behalf of the Service a framed Letter of Appreciation from the United Nations and the Nepal Ministry of Local and Federal Affairs for the work undertaken by the participating Service personnel.

DSFRA/39. Minutes

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

DSFRA/41. Minutes of Committees

(a) Commercial Services Committee

The Chair of the Committee, Councillor Healey, **MOVED** the Minutes of the meeting held on 2 November 2012 which had considered, amongst other things:

- a monitoring report on the commercial services budget as at the second quarters of the current (2012/13) financial year; and
- an update on commercial matters currently being pursued.

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

(b) Human Resources Management and Development Committee

The Vice-Chair of the Committee, Councillor Brooksbank, **MOVED** the Minutes of the meeting held on 15 November 2012 which had considered, amongst other things:

- a report on absence management and the health of the organisation;
- a monitoring report on progress during the first six months of the current year in implementing those measures contained in the Service's approved Equality Strategy; and

- a presentation on the outcome of the recent RoSPA health and safety audit which had seen the Service receive the Diamond award, RoSPAs highest possible award.

In response to comments from Members, the Director of People and Organisational Development stated that the Service was committed to improving its sickness absence management and that, as part of this, efforts were being made to secure comparative benchmarking data to inform future absence management monitoring reports.

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

(c) Audit and Performance Review Committee

The Chair of the Committee, Councillor Radford, **MOVED** the Minutes of the meeting held on 29 November 2012 which had considered, amongst other things:

- a letter from Grant Thornton on the planned External Audit fee for 2012/13;
- a report on progress during the second quarter of the current financial year against the approved internal audit plan; and
- a report on Service performance during April to September 2013 against those measures contained in the approved Corporate Plan 2012/13 to 2015/16.

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

(d) Community Safety and Corporate Planning Committee

The Chair of the Committee, Councillor Leaves, **MOVED** the Minutes of the meeting held on 7 December 2012 which had considered, amongst other things:

- an update report on progress in establishing a charitable arm to enable the Service to access funding streams otherwise unavailable to fund community safety initiatives;
- a report on the success of the “Honest Truth” campaign, a road safety partnership between the Service and other public and private sector organisations which had secured four Gold Awards at a recent Chartered Institute of Public Relations national awards cerermony;
- a progress report on the operation of the Service fatal fire review process aimed at driving down fire deaths by better dissemination of lessons learned and promotion of greater inter-agency co-operation;
- a presentation on the “Firemark” initiative, a national campaign aimed at engaging with private sector landlords to promote fire safety;
- a presentation on development by the Service of a simple but innovative product to assist people in the weekly testing of smoke alarms; and
- a presentation on the types and location of “Tier 3” (specialist) appliances currently in use by the Service in support of the main fleet.

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

DSFRA/42. Change and Improvement Programme - Budget Virement Request

The Authority considered a report of the Treasurer (DSFRA/12/29) on a proposal to transfer, in accordance with the Authority’s Financial Regulations, resources totalling £284,000 identified from efficiencies in other budget areas to fund initiatives in the Change and Improvement Programme.

The Change and Improvement Programme featured a number of projects, covering estates, procurement and ICT work, each of which was aligned to key strategic objectives and aimed at delivering a more efficient and effective organisation.

RESOLVED that, in accordance with Financial Regulations, a budget virement of £284,000, as outlined in paragraph 2.3 of report DSFRA/12/29 and set out below, be approved.

Budget Line	From £000	To £000	Reason
Equipment and Furniture	(100)		To provide additional investment of £284,000 towards key projects identified by the Change and Improvement Portfolio Board
Travel and subsistence	(100)		
Capital Charges	(84)		
Non-uniformed staff costs		184	
External fees and services		100	
TOTAL	**(284)**	**284**	

DSFRA/43. **2013/14 Council Tax Precept Consultation**

The Authority considered a report of the Treasurer (DSFRA/12/30) on proposals to consult, in accordance with legislative requirements, the business community on the level of council tax precept for 2013/14 and to extend this consultation to include the public. The costs of the consultation (£7,100) would be met from within existing resources.

RESOLVED that the proposal as outlined in report DSFRA/12/30 to consult more widely on proposed level of 2013/14 council tax precept by including the public in a telephone survey, in addition to the legislative requirement to consult the business community on the proposed level of Authority expenditure in 2013/14, be endorsed.

DSFRA/44. **Local Government Finance Settlement 2013/14**

The Authority was informed that the local government finance settlement for 2013/14 was anticipated for later that day. Once received, it would require analysis to determine the impact on the Devon & Somerset Fire & Rescue Authority.

DSFRA/45. **Chairman's Announcements**

The Chairman circulated a list of events attended and activities undertaken on behalf of the Authority since its last meeting.

DSFRA/46. **Chief Fire Officer's Announcements**

The Chief Fire Officer reported on:

- two fire fatalities not previously reported to the Authority;
- the selection of the Deputy Chief Fire Officer, Neil Gibbins, as International President of the Institution of Fire Engineers (IFE) from July 2014;

- receipt of a letter of thanks from Somerset County Council for the assistance provided by the Service during the recent flooding in both Devon and Somerset;
- the recent announcement by the Government of a Fire Service Efficiency Review, to be led by Sir Ken Knight. The Devon & Somerset Fire & Rescue Service would be visited as part of the review;
- the recent visit by the Fire Minister, Brendon Lewis MP, which had afforded the Service the opportunity to demonstrate at first hand some of its prevention and response (e.g. Light Rescue Pumps) initiatives.

The Authority asked to have placed on record its congratulations to Deputy Chief Fire Officer Neil Gibbins on his achievement.

The meeting started at 10.00am and finished at 10.40am.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Extraordinary Meeting)

18 January 2013

Present:-

Councillors Healey (Chair), Bown, Brooksbank, Burridge-Clayton, Foggin, Gordon, Gribble, Hughes OBE, Knight, Leaves, Mills, Radford, Randall Johnson, D Smith , J Smith and Woodman

Apologies:-

Councillors Bakewell MBE, Mrs. Chugg, Dyke, Eastman, Fry, Way and Yeomans

DSFRA/47 Addresses by the Fire Brigades Union

In accordance with Standing Order 12, the Authority received an address from the Fire Brigades Union (FBU) in relation to the draft Corporate Plan to be considered later in the meeting. In summary, the address:

- expressed the FBU view on the local government finance settlement for the forthcoming financial year;
- advocated an increase in Council Tax to address indicative spending pressures; and
- indicated that the FBU would respond in full to the individual Corporate Plan proposals and asked Service that performance against its emergency response standards be published in full.

DSFRA/48 Devon & Somerset Fire & Rescue Authority Draft Corporate Plan 2013/14 to 2014/15

The Authority considered a report of the Chief Fire Officer (DSFRA/13/01) to which was appended a draft Corporate Plan incorporating a public Integrated Risk Management Plan (as required by statute) and setting out the Service's aspirations to move towards organisational excellence at a time of financial constraint.

The backdrop to the draft Plan and the proposals contained therein was one of needing to secure efficiencies in response to reducing central government funding while at the same time modernising the Service to better address changing societal needs which had seen a reduction in fires by almost 50% over the last ten years. Central to the proposals was a new, long-term way of working referred to as an "integrated approach" and which it was felt would balance the need to make significant savings while at the same time maintaining or improving both firefighter and public safety. Specifically, the proposals related to:

- replacing traditional appliances with Light Rescue Pumps;
- changes in responding to false calls from automatic fire alarm (AFA) systems;
- co-responder mobilisation changes;
- a reduction in the number of middle/senior managers;
- additional financial investment in prevention activities;
- changes to the crewing arrangements for three appliances at the Plymouth fire stations of Plymstock, Plympton and Crownhill;

- a change in the crewing of the aerial ladder platform (ALP) at Crownhill fire station to “on call” thereby harmonising crewing arrangements with those for other aerial ladder platforms;
- changing the current crewing arrangements at Yeovil fire station to standardise it with that of other similar fire stations;
- changing the crewing arrangements for the second fire appliances at Taunton and Torquay fire stations; and
- changing the crewing arrangements for fire appliances at the Ilfracombe fire station.

Additionally, the Chief Fire Officer drew attention to the letter sent by the Treasurer on behalf of the Authority and expressing concerns to the Department for Communities and Central Government on the finance settlement proposed for this Authority over the next two years.

The report also set out the proposed consultation strategy for the proposals contained in the draft Corporate Plan, with a consultation period to run for a twelve week period commencing on Monday 28 January 2013 and finishing on Sunday 22 April 2013. It was intended that the results of the consultation should be reported back to a full Authority meeting to be scheduled for after the local authority elections in May.

Following debate, Councillor Gribble **MOVED**, with Councillor Bown seconding:

> “that the proposals as set out in the draft Corporate Plan 2013-14 to 2014-15, as appended to report DSFRA/13/01, be approved for consultation purposes and that recommendations (b) and (c) as set out in report DSFRA/13/01 be approved.”

The motion was put to the vote and declared **CARRIED** by 12 votes for, no votes against and 4 abstentions whereupon it was

RESOLVED

(a) that the Draft Corporate Plan 2013-14 to 2014-15, as enclosed with the agenda for this meeting, and the proposals set out therein be approved for consultation purposes;

(b) that the associated engagement plan for consultation be approved including a 12 week consultation period to commence on Monday, 28 January 2013 and close on Sunday 22 April 2013;

(c) that the outcome of the consultation period, together with appropriate recommendations be submitted to a full Authority meeting to be scheduled for after its Annual Meeting in 2013.

The meeting started at 10.00hours and finished at 10.53hours.

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

11 January 2013

Present:-

Councillors Mrs. Bown (Chairman), Brooksbank, Burridge-Clayton, Mrs. Chugg, and J Smith

Apologies:-

Councillor Knight

***HRMDC/16. Minutes**

RESOLVED that the Minutes of the meeting held on 15 November 2012 be signed as a correct record.

***HRMDC/17. Fitness Testing of Operational Staff**

The Committee received for information a presentation on firefighter fitness and the Fire-Fit Conference and covering, specifically:

- the Service approach to firefighter fitness and recent changes in fitness testing;
- The Fire-Fit Steering Group and research commissioned on behalf of this group into fitness testing, which the Service was able to benefit from;
- the importance of having legally defensible standards (e.g. role-specific tests), case law relating to this and factors that should be included in a fit-for purpose, legally-defensible Fitness Policy;
- proposals for further enhancements and refinements to the Service Fitness Policy to encompass fitness, wellbeing and lifestyle training and which would see fitness recognised as a core competency.

***HRMDC/18. Sickness Absence Management**

The Committee received for information a presentation from the Human Resources Manager on management actions being taken to mitigate against sickness absence within the organisation.

The Committee had previously resolved to receive a detailed, annual statistical report on absence management within the organisation, with a "light touch" six-monthly update report.

The presentation to this meeting focussed on the background and context to the Service's current sickness policy and included, amongst other things:

- information on the contractual entitlement to sick pay for both uniformed and support staff;
- the mechanism for reporting and recording sickness;
- the mechanisms for return to work (including use of a "return to work interview" in all cases);
- the inclusion of absence "trigger points" to prompt management actions;

- use of occupational health provision;
- proposals to enhance and refine the absence management policy (e.g. provision of easily-accessed, on-line sickness absence information for line managers; introduction of a capability policy and procedure).

***HRMDC/19.** **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public were 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 5 of Part 1 of Schedule 12A (as amended) to the Act, namely information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

***HRMDC/20.** **Part Time Workers Pension Liabilities**

(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 Human Resources Manager briefed the Committee on legal advice currently being sought by the Service relating to liability for the payment of pension contribution costs arising from the successful test case on application of the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000.

RESOLVED that the briefing be noted.

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

The meeting started at 10.00hours and finished at 11.32hours.

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

11 January 2013

Present:-

Councillors Dyke (Vice-Chair)(in the Chair), Gribble, Mills, Randall Johnson and Woodman.

Apologies:-

Councillor Healey.

***CSC/26. Minutes**

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

***CSC/27. Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public were 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/28. Commercial Services Budget 2012/13 - Monitoring Quarter 3**

(An item considered under 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 Treasurer to the Authority (CSC/13/01) on performance in the second quarter of the current financial year against the Commercial Services budget and indicative income target for 2012/13.

While a moderate shortfall was indicated, it was emphasised that this was more than offset by savings elsewhere in the Service Training budget.

CSC/29. Financial Arrangements for Commercial Activities

(An item considered under 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 Treasurer to the Authority (CSC/13/02) on financial arrangements to be applied to commercial activities to support delivery of approved business plans and provide robust accounting and reporting arrangements.

RESOLVED

(a) that option 3 as identified in report CSC/13/02 be adopted for financial arrangements to be applied to commercial activities from April 2013;

(b) that the Devon & Somerset Fire & Rescue Authority be recommended to approve the arrangements to support commercial activities as identified in paragraph 3.1 of the report.

***CSC/30.** **<u>Update on Commercial Matters (including current commercial leads and opportunities)</u>**

(An item considered under 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 verbal update on commercial opportunities currently being explored or progressed.

***INDICATES DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 14.00hours and finished at 14.55hours.

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

31 January 2013

Present:-

Councillors Radford (Chair), Burridge-Clayton, Gribble, Mills, J Smith and Way

Apologies:-

Councillor Dyke

***APRC/53. Minutes**

RESOLVED that the Minutes of the meeting held on 29 November 2012 be signed as a correct record.

***APRC/54. Audit for the Year Ended 31 March 2013**

The Committee received for information a letter from Grant Thornton, together with a verbal briefing from David Bray (Grant Thornton), on the proposed workplan for external audit for the year ended 31 March 2013. Both Grant Thornton and the Service acknowledged that the transition from the Audit Commission had, to date, been seamless and the new arrangements should secure cost savings of approximately 40% for the Authority, largely as a result of the removal of certain overheads (e.g. previous national research work undertaken by the Audit Commission.

The audit of the Authority's 2012-13 financial statements would again be conducted in accordance with the Audit Commission's Code of Audit Practice and would feature three main elements:

- an opinion on the Authority's financial statements;
- a conclusion on the economy, efficiency and effectiveness of the Authority's use of resources (the value for money conclusion); and
- a review of the whole of government accounts return.

Following agreement with the Service, this work would commence in July 2013 with the intention of reporting the findings back to this Committee prior to the statutory deadline of 30 September 2013.

***APRC/55. Audit & Review 2012-13 Third Quarter Progress Report**

The Committee received for information a report of the Audit and Review Manager (APRC/13/01) setting out progress as at the third quarter of 2012-13 of internal audit work against the approved plan for the year. All work was on track for completion, at least to draft report stage, by the end of the year. The report provided assurance statements for completed audits together with key/high risk findings from the recently completed audits of:

- the Operational Risk Information System (ORIS);
- Home Safety initiatives; and
- Road Safety initiatives.

The report also detailed additional work completed either by the Audit & Review Team or the Devon Audit Partnership and not included in the original plan.

***APRC/56.** **<u>Devon & Somerset Fire & Rescue Service Performance Report April to November 2012</u>**

The Committee received for information a report of the Deputy Chief Fire Officer (APRC/13/02) on performance by the Service during April to November 2012 against those measures contained in the approved Corporate Plan. The following issues in particular were discussed:

Measure 1 (fire deaths where people live): There had been a higher number of deaths when compared to the same period last year, albeit that the numbers involved were very small. Work was in hand to seek to identify any underlying trends and to quantify the potential impact of societal/welfare changes;

Measure 2 (fire injuries where people live): Although performance was not to target (to secure a downward trend), there was an improvement in performance when compared to the same period last year;

Measure 3 (fire incidents where people live): There had been a slight increase in the number of incidents when compared to the same period last year albeit that overall the target to achieve a downward trend was being achieved;

Measures 4 (fire deaths where people visit), 5 (fire injuries where people visit) and 6 (fire incidents where people visit): Performance was largely as reported to the previous meetings, on target and with improved performance when compared to the same period last year for Measures 5 and 6; with improved performance against the same period last year but a neutral trend for Measure 4;

Measures 7 (dwelling emergency response standard) and 8 (road traffic collision [RTC] emergency response standard): Efforts were ongoing to fully understand and address shortfalls in performance against the published emergency response standards and this continued to be a significant priority for the Service. Difficulties associated with rurality were highlighted as was the fact that for the vast majority of incidents actual attendance was only a matter of seconds outside the published standards. Also, it was again stressed that performance against the published response standards had no correlation whatsoever to the incidents, injuries and deaths recorded.

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

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

RESOURCES COMMITTEE
(Budget Meeting)
(Devon and Somerset Fire and Rescue Authority)

4 February 2013

Present:-

Councillors Gordon (Chair), Mrs Bakewell MBE, Hughes OBE, D Smith, Woodman and Yeomans.

Also in attendance:-

Councillor Healey

***RC/13. Minutes**

RESOLVED that the Minutes of the meeting held on 19 October 2012 be signed as a correct record.

RC/14. Financial Performance Report 2012-13: Quarter 3

The Committee considered a report of the Treasurer to the Authority (RC/13/1) on financial performance to the third quarter against those agreed targets and measures for the current (2012-13) financial year.

In terms of the revenue budget, spending was at this stage predicted to be £1.564m (1.98%) less than the approved budget. The report set out explanations for the major variations, with the underspend being largely attributable to positive management action by budget holders with the aim of securing £1m savings by the end of the current financial year as part of the overall strategy to build reserve balances to off-set some of the effects of grant reductions in future years. Retained pay costs were also underspent, in part because of the volatility of this budget line but also because of positive efforts over recent years to promote prevention works and thereby reduce the number of operational incidents. The outcome of negotiations on pensions issues related to the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 was, however, still awaited which could have a significant financial impact on the Authority.

Capital Spending of £5.884m was projected against a total programme of £10.663m. It was not, however, proposed to carry forward all the slippage and elsewhere on the agenda for the meeting was a paper setting out the proposed Capital Programme for 2013-14 to 2015-16. Although the current level of external borrowing to fund the capital programme was in excess of projected expenditure, it was still well within the authorised limit for external debt. The report also indicated that, on the basis of the projected performance for the 2912-13 approved Capital Programme, there would be no breach of the associated Prudential Indicators.

The report also identified a virement in excess of £150,000 (thereby requiring Authority approval) purely to address an accounting issue to capitalise a sum of £0.490m included in the approved 2012-13 revenue budget to fund refurbishment of the Fire Control building at Service Headquarters.

RESOLVED

(a) that the Authority be recommended to approve the following virement as detailed in paragraph 10.1 of report RC/13/1;

Budget Line	From £m	To £m
Premises Related Costs – repair and maintenance	(0.490)	
Revenue contribution to capital spending		0.490

(b) That, subject to (a) above, the monitoring position in relation to projected spending against the 2012-2013 revenue and capital budgets and performance against the 2012-13 financial targets, as set out in the report, be noted.

(SEE ALSO MINUTES RC/16 AND RC/17 BELOW)

***RC/15. Treasury Management Performance 2012-13 - Quarter 3**

The Committee received for information a report of the Treasurer to the Authority (RC/13/2), together with a presentation from Mr. Adam Burleton (for Sector, the Authority's Treasury Management advisor), on treasury management activities up to Quarter 3 of the current financial year (2012-13), in accordance with the Authority's approved Treasury Management Strategy for that year and in compliance with the Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice on Treasury Management.

The report concluded that none of the Prudential Indicators had been breached and that a prudent approach had been adopted for investment decisions taken so far, with priority being given to liquidity and security over yield. While investment returns were still low because of the fall in interest rates, it was still anticipated that returns on investment for the Authority would be greater than originally budgeted.

RC/16. Draft Capital Programme 2013-14 To 2015-16

The Committee considered a joint report of the Director of Service Support and the Treasurer to the Authority (RC/13/03) on a proposed Capital Programme for the Authority for 2013-14 to 2015-16. The report identified the difficulties in meeting the full capital expenditure requirement for the Authority, a position exacerbated by a 30% reduction in central government grant for capital funding in 2013-14 (to £1.4m) and the failure of the Authority bid to central government (as part of its revised capital funding mechanism) for £4.760m to support the introduction of Light Rescue Pumps throughout the Devon & Somerset Fire & Rescue Service (the Service).

The proposed programme, separated between Estates work and Operational Assets, had been constructed on the basis of keeping the debt ratio within the 5% limit (approved by the Authority in 2008) at least until 2015/16 and potentially beyond. Previous capital programmes had seen a priority given to estates work over fleet replacement. Consequently, the proposed programme included a twelve-month moratorium on major new estates work during which time a comprehensive review of the Service's property portfolio would be undertaken which would include an assessment of professional and commercial opportunities that may exist to be developed into the medium to longer term plan. Revenue funding for essential maintenance work would be retained, however, and it was proposed that slippage from the previous year would be used to complete projects already committed including the Service's Carbon Management Programme, essential work to Hartland fire station and the shared used of Axminster fire station with the Devon & Cornwall Constabulary.

Work would also be progressed on development of the new Training Academy facility at Exeter Airport (including reinstatement of the previously deleted features of an additional appliance bay for all training vehicles, a training tower and confined space training facility – all of which should enhance the commercial potential for the project) and to complete Phase 2 of improvements to the Service Headquarters Fire Control building for which funding was available both from the Authority's 2012-13 revenue budget and from central government funding made available following cancellation of the Regional Control Centre (RCC) project.

For Operational Assets, the proposed programme focussed on the introduction of Light Rescue Pumps which played a key part in the modernisation proposals contained within the draft Corporate Plan currently subject to consultation. Funding would also be used to complete specialist vehicle replacement commenced in the current financial year and aligned to the Service Tiered Approach initiative. Initial proposals for harmonisation of breathing apparatus (BA) would be "slipped" to 2014/15, partly as a result of financial constraints but also to provide greater time for "4G" technological advancements supporting use of telemetry to mature.

The report indicated that the focus on the introduction of Light Rescue Pumps against a backdrop of a reducing revenue budget meant that whilst the proposed programme would remain within the 5% debt ratio to 2015-16, there was a risk that this ratio could be breached from 2016-17 onwards. In light of this, the report also exemplified an indicative programme for 2016-17 to 2018-19. It was hoped, however, that income from commercial trading activities would mitigate this. The Treasurer commented that, by 2015-16, the 5% debt ratio would have been maintained for some seven years – in itself a considerable achievement - and that, even were the ratio to be breached, the extent of the breach would not be significant given the size of the Authority's capital investment needs. The Authority would, however, need to continue to ensure that debt charges committed to the revenue budget from capital investment decisions were affordable against a shrinking revenue budget over the next six years.

The draft Capital Programme as set out in the report had been considered by the Capital Programme Working Party at a meeting on 21 January 2013 when the Working Party had acknowledged the implications for the 5% debt ratio but had nonetheless commended the draft Programme for approval.

In debating the report, Members commented on the costs, particularly fuel costs, associated with operating a sizeable appliance fleet over a largely rural area and whether any assistance might be afforded to the Authority to off-set such costs. The Chief Fire Officer commented that the Authority did not pay VAT but that, as with many authorities, a move had been made away from bulk storage of fuel (thereby facilitating economy of scale benefits/discounts) to use of a "bunker card" system at public filling stations. Given recent issues of fuel costs and availability, however, consideration might need to be given to moving back to a system of bulk storage. Additionally, it was felt that there could be merit in seeking to lobby the government for improved financial assistance in meeting the true costs of running a largely rural service, particularly in relation to fuel costs.

RESOLVED

(a) that the report and specifically the potential impact of the proposed Capital Programme, from 2016-17 onwards, on the 5% debt ratio Prudential Indicator be acknowledged;

(b) that, nonetheless, the full Authority be recommended:

(i) to approve the draft Capital Programme 2013-14 to 2015-16 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to these minutes; and

(ii) to approve in principle the indicative Capital Programme 2016-17 to 2018-19 and associated Prudential Indicators, again as as summarised in Appendices A and B to these minutes;

(c) that the Treasurer be asked to benchmark costs associated with fuelling a large appliance fleet in a rural compared to a metropolitan/urban area and to use the information compiled to lobby the government to implement measures to redress any financial detriment as appropriate.

(SEE ALSO MINUTE RC/14 ABOVE).

RC/17. <u>2013-14 Revenue Budget and Council Tax Levels</u>

The Committee considered a joint report of the Treasurer to the Authority and the Chief Fire Officer (RC/13/4) on options for the Authority revenue budget and associated council tax level in 2013-14. It was a legislative requirement for the Authority to set a balanced budget and determine an associated council tax level prior to 1 March each year.

The report set out the background of 2010 Comprehensive Spending Review (CSR) reductions in government grants of 25% by 2014-15, which for fire and rescue services had been backloaded to 2013-14 and 2014-15 to allow time to implement change without affecting the quality and breadth of service to local communities.

In December 2012 the government had announced the provisional local government finance settlement for 2013-14 and 2014-15. For this Authority, this would mean a reduction in funding of -10.3% in 2013-14 and a further -7.3% in 2014-15, or -17.6% (-£5.5m) over the two year period. Appended to the report was a copy of the letter sent to the government by the Treasurer, on behalf of the Authority, expressing disappointment at this draft settlement. While it was unlikely these representations would change the draft settlement for the next two financial years, it was hoped they could have a bearing on future settlements.

Linked to the draft local government finance settlement, the report also identified the "principles" agreed by the government under the provisions of the Localism Act 2011 and relating to increases in council tax. For 2013-14, the government had indicated that the requirement to hold a public referendum would be triggered by any council tax increase in excess of 2%. The costs of such a referendum for this Authority had, however, been estimated as in excess of £2.3m. Consequently, the report did not propose a council tax increase in excess of 2%.

The report identified the net revenue budget requirement for the Authority and funding sources for the budget which, in addition to the "formula funding" from central government and council tax, now featured – under new funding arrangements - Council Tax Support Grant. The core budget requirement and proposed "invest to save" initiatives were identified as were indicative budget savings in the sum of £1.668m, achieved largely as a result of positive action by budget managers.

The report identified the following three options in relation to level of council tax for 2013-14:

- Option A: Accept the government Council Tax Reward Grant (£0.459m) and freeze council tax at the 2012-13 level (£73,92 for a Band D property). This option would, however, result in a further base budget reduction from 2015/16 onwards, with the removal of the Council Tax Reward Grant;
- Option B: Increase Council Tax by 1% above the 2012-13 level (to £74.66 for a Band D Property);
- Option C: Increase Council Tax by 2% above the 2012-13 level (to £75.40 for a Band D Property).

In relation to Option C, the Treasurer reported that further consideration of the figures indicated that, should the Authority be minded to consider an increase above 1%, this should be no higher than 1.99% (to £75.39 for a Band D property) to minimise the risk of breaching the requirement for a referendum.

The report also indicated the outcome of consultations on the level of increase in council tax. The Authority was required to consult the business community but had determined to extend this to the public. Of those responding to the consultation, 53% of businesses and 50% of the public agreed that it was reasonable for the Authority to consider increasing the level of council tax. Of those that did agree, 69% of the public and 65% of business also responded in favour of a 2% increase.

The Treasurer indicated that the report indicated only draft budgetary requirements and associated funding and it was likely that these figures would change by the full Authority budget meeting to reflect, amongst other things, variations in billing authority council tax bases.

Following debate on the report, Councillor Yeomans **MOVED**, with Councillor Mrs. Bakewell MBE seconding:

> "that, so as to safeguard the base budget of the Authority as far as practicable going forward and facilitate delivery of those options contained in the draft Corporate Plan, this Committee recommend to the Authority for 2013-14 an increase in council tax of 1.99% above the 2012-13 level (to £75.39 for a Band D property)".

The Motion was then debated following which it was, by 5 votes for to 1 vote against,

RESOLVED that, so as to safeguard the base budget of the Authority as far as practicable going forward and facilitate delivery of those options contained in the draft Corporate Plan, the Authority be recommended to approve for 2013-14 an increase in council tax of 1.99% above the 2012-13 level (to £75.39 for a Band D property).

(SEE ALSO MINUTE RC/14 ABOVE).

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

The meeting started at 10.00hours and finished at 12.10hours

APPENDIX A TO THE MINUTES OF THE RESOURCES COMMITTEE (Budget) MEETING HELD ON 4 FEBRUARY 2013

Capital Programme (2013/14 to 2017/18)

2012/2013 Revised Programme (£000)	2012/2013 Predicted outturn (£000)	Item	PROJECT	PROPOSED PROGRAMME 2013-14 TO 2015-16 2013/14 (£000)	2014/15 (£000)	2015/16 (£000)	INDICATIVE PROGRAMME 2016-17 TO 2018-19 2016/17 (£000)	2017/18 (£000)	2018/19 (£000)
			Estate Development						
92	77		SHQ major building works	15					
3,284	2,184		Major Projects - Training Facility at Exeter Airport	1,100					
			Minor improvements & structural maintenance	300	2,050	1,750	1,750	1,750	1,750
15	15		Welfare Facilities						
105	105		USAR works						
343	343		Minor Works slippage from 2010-11						
1,674	1,063		Minor Works slippage from 2011-12	566					
2,140	530		Minor Works slippage from 2012-13	530					
52	52		STC ship structure						
7,705	4,369		**Estates Sub Total**	2,511	2,050	1,750	1,750	1,750	1,750
			Fleet & Equipment						
			Appliance replacement	1,015	2,480	3,125	2,480	2,480	1,395
			Specialist Operational Vehicles				400	400	
177	177		Vehicles funded from revenue						
242	91		Equipment	451	1,184	300	300	300	200
889	648		Appliance & Specialist Operational Vehicle slippage 2011-12						
1,620	599		Appliance & Specialist Operational Vehicle slippage 2012-13	1,021					
2,928	1,515		**Fleet & Equipment Sub Total**	2,487	3,664	3,425	3,180	3,180	1,595
10,633	**5,884**		**SPENDING TOTALS**	**4,998**	**5,714**	**5,175**	**4,930**	**4,930**	**3,345**
			Programme funding						
4,179	602		Main programme	2,428	4,316	5,175	4,930	4,930	3,345
4,433	3,261		Revenue funds	1,172					
2,021	2,021		Grants	1,398	1,398				
10,633	**5,884**		**FUNDING TOTALS**	**4,998**	**5,714**	**5,175**	**4,930**	**4,930**	**3,345**

APPENDIX B TO THE MINUTES OF THE RESOURCES COMMITTEE (Budget) MEETING HELD ON 4 FEBRUARY 2013

PRUDENTIAL INDICATORS

	2013/14 £m estimate	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate
Capital Expenditure						
Non - HRA	4.998	5.714	5.175	4.930	4.930	3.345
HRA (applies only to housing authorities						
Total	4.998	5.714	5.175	4.930	4.930	3.345
Ratio of financing costs to net revenue stream						
Non - HRA	3.76%	3.81%	4.43%	5.08%	5.65%	6.17%
HRA (applies only to housing authorities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	25,395	27,873	30,940	33,462	35,734	36,153
HRA (applies only to housing authorities	0	0	0	0	0	0
Other long term liabilities	1,532	1,509	1,444	1,374	1,299	1,209
Total	26,927	29,382	32,384	34,836	37,033	37,362
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	537	2,455	3,002	2,450	2,195	327
HRA (applies only to housing authorities	0	0	0	0	0	0
Total	537	2,455	3,002	2,450	2,195	327
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.49	-£1.27	-£1.04	N/A	N/A	N/A

PRUDENTIAL INDICATORS - TREASURY MANAGEMENT

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,210	34,856	37,281	37,826	38,890	39,697
Other long term liabilities	1,521	1449	1371	1278	1177	1070
Total	33,731	36,305	38,652	39,104	40,067	40,767
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	30,940	33,462	35,734	36,153	37,103	37,889
Other long term liabilities	1,444	1,374	1,299	1,209	1,112	1,010
Total	32,384	34,836	37,033	37,362	38,215	38,899

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2012/13		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

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

6 February 2013

Present:-

Councillors Leaves (Chair), Mrs. Bakewell MBE, Brooksbank, Foggin and Healey.

Apologies:-

Councillor Fry

***CSCPC/23. Minutes**

RESOLVED that the Minutes of the meeting held on 7 December 2012 be signed as a correct record.

***CSCPC/24. Receipt of National Award**

(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 a recent development at the earliest opportunity.

The Community Safety Manager advised the Committee that, at its annual meeting on 5 February 2013, the Market Analysis Segmentation Toolkit organisation had awarded the Devon & Somerset Fire & Rescue Service a national award to recognise innovative use by the Service of data in seeking to reduce road traffic casualties.

The Committee asked to have placed on record its congratulations for this achievement.

***CSCPC/25. Fire 999 DVD - Plymouth People First**

The Committee received for information a report of the Director of Service Support (CSCP/13/1) together with a presentation from Plymouth People First (a self-advocacy organisation for adults with a learning disability) on production of the organisation, in partnership with the Devon & Somerset Fire & Rescue Service, of a fire safety DVD – "Fire 999". Adults with a learning disability were directly involved in the planning and performance of the 30 minute film which, in discreet sections, covered night time routines, what to do in the case of a house fire and how to book a home fire safety check. The DVD also featured an interactive element on how to spot a fire hazard.

The accessible nature of the film made it appropriate for many different community and protected characteristic groups. To date, some 500 copies had been dispersed in the Plymouth area and feedback indicated considerable success in promoting fire safety awareness particularly amongst adults with a learning disability.
Wider plans for use of the DVD included making it an e-learning package for sale to other UK fire and rescue services, with the income generated being reinvested to facilitate adults with a learning disability delivering appropriate training alongside Service advocates, thereby providing meaningful employment while promoting fire safety prevention to numerous vulnerable groups.

***CSCPC/26. Specialist Rescue Provision Update**

The Committee received for information a report of the Director of Service Support (CSCP/13/2) together with a presentation on the specialist rescue provision currently available within the Devon & Somerset Fire & Rescue Service. There were currently four specialist rescue facilities currently located at Barnstaple, Plymouth, Exeter and Bridgwater. Each was equipped to deal with incidents involving safe working at heights and confined spaces, large animal rescues and water rescues with the facilities being strategically located with the intention of providing a specialist response, if required, within 40 minutes. Supporting this was a network of 23 Specialist Rescue Advisors – flexible duty response officers specially trained to support the Specialist Rescue Teams in their operational activities.

The report highlighted partnership working with a number of organisations, including the British Equine Veterinary Association, the police, ambulance and coastguard services and the Royal National Lifeboat Institution. The Service's water rescue resources (which featured 3 Type B powered rescue boat teams and 4 Type C swift water rescue teams) were each declared on the Department for the Environment, Food and Rural Affairs (DEFRA) National Assets Register established following the widescale floods of 2007 to hold details of all assets trained and equipped to a national standards and available for national deployment.

Future developments for the Specialist Rescue capability included the introduction of an additional water rescue provision at Exmouth fire station together with joint training exercises with partner organisations to secure a full understanding of inter-agency working.

***CSCPC/27. Promotion of Domestic Sprinklers**

The Committee received for information a presentation on Service activities to promote the installation of both domestic and commercial sprinklers. Rather than adopt a traditional lobbying route, the Service stance was to seek ways to directly influence the community to educate, inform and promote the installation of sprinklers in both commercial and domestic premises. To do this, the Service had produced a series of innovative posters, leaflets and DVDs and was currently engaged in a project with a social housing provider initially to install sprinkler systems in two properties identified as being most vulnerable, with a view to then using this as a model to promote further installations.

The aim of the Service was to encourage all social housing organisations to:

- either fit all existing properties with sprinkler systems; or
- fit sprinkler systems into all new-builds or significant refurbishments; or
- to fit sprinkler systems in the most vulnerable properties.

Additionally, the Service was seeking to encourage the National House Building Council to promote the fitting of sprinklers in all new builds as a way for that organisation to demonstrate a commitment to enhancing community safety.

The presentation highlighted the benefits associated with sprinkler systems (which included both a reduction in fire deaths and fire related injuries and reduced risk to operational crews), debunked certain myths around sprinkler systems (e.g. that a fire would cause all sprinkler heads to actuate; or that systems resulted in considerable water damage) and indicated that the cost of fitting sprinkler systems had, in recent times, reduced considerable to approximately £1,500 to £2,000 for fitting a system in a standard, "two up, two down" residence.

***CSCPC/28.** **Job Centre Plus - Building on Success**

The Service received for information a presentation on the next steps in taking forward its innovative initiative with Job Centre Plus. The initiative, aimed at unemployed people between the ages of 18 to 24, had a number of defined “hard” outcomes (e.g. achieving, on completion, a job, interview or access to another Job Centre initiative; achieving a qualification) together with “soft” outcomes such as increased motivation, self-esteem, attitude etc.

To date the Service had delivered 20 programmes involving 240 participants. Of the 216 participants having completed a programme, all had secured three qualifications, with 60% gaining employment and 40% other Job Centre Plus programmes.

Going forward, the Service had secured a commercial contract with Job Centre Plus to deliver, in 2013-14, 48 programmes reaching approximately 600 unemployed 18 – 24 year olds, of which it was anticipated some 300 – 400 would secure employment at the end of the programmes.

While this required an increase in support afforded by the Service to the initiative, this increase was more than off-set by the value of the contract which should see the Service secure a profit and provide deliver an invaluable opportunity to deliver community safety messages to one of its prime target audiences.

***CSCPC/29.** **Marketing Update**

The Service received for information a presentation on the Service Christmas 2012 fire safety campaign together with the proposed 2013 campaign aimed to coincide with the national Fire Kills initiative.

The Christmas 2012 campaign had featured the use of posters with “quick response” (“QR”) codes which, when scanned, directed the viewer to a fire safety message on the Service website. Distribution of the poster had been targeted at those locations where a positive response to this approach had been received during the 2011 campaign.

The 2012 campaign also featured the production of a video, inspired by the corporate advertising of a well-known high street store, focused on the prevention of cooking related fires (which accounted for approximately 50% of all domestic fires attended, some 70% of which were caused by human distraction).

The spring 2013 campaign would focus on promoting the testing of smoke alarms for which the Service, in conjunction with a local distributor, had recently launched an innovative tester. Orders for the testing device had already been placed by both the Mid and West Wales and Humberside Fire & Rescue Services, with the Service receiving a percentage of sales made.

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

The meeting started at 10.00hours and finished at 12.20hours.

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/13/2**
MEETING	**DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY**
DATE OF MEETING	**18 February 2013**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2013-14 TO 2015-16**
LEAD OFFICER	**CHIEF FIRE OFFICER AND TREASURER**
RECOMMENDATIONS	***That the following recommendations of the Resources Committee be approved:*** ***(a) that…the potential impact of the proposed Capital Programme, from 2016-17 onwards, on the 5% debt ratio Prudential Indicator [as indicated in this report] be acknowledged;*** ***(b) that, nonetheless, the full Authority be recommended:*** ***(i) to approve the draft Capital Programme 2013-14 to 2015-16 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to [this report]; and*** ***(ii) to approve in principle the indicative Capital Programme 2016-17 to 2018-19 and associated Prudential Indicators, again as summarised in Appendices A and B to [this report].***
EXECUTIVE SUMMARY	This report sets out the proposals for the 2013-14 to 2015-16 Capital Programme and also details the difficulties in meeting the full capital expenditure requirement for this Authority, given its size, number of fire stations and fire appliances required to be maintained and eventually replaced. The Committee has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator against a reducing revenue budget. All aspects of the programme have been considered. It is proposed to significantly reduce the Estates budget for 2013/14, along with slippage from 2012/13 to keep within the 5% limit. The fleet budget for the same period has also been adjusted to support the introduction of the Light Rescue Pump (LRP).

	The Prudential Indicator has been profiled over 6 years instead of the usual 3 years to ensure sufficient funds are available for the LRP programme pending approval for contract award. Whilst the proposed Capital Programme, as set down in Appendix A, is recommended for approval, this programme comes with some risks to this Authority in maintaining the 5% ceiling for the Prudential Indicator. Nonetheless, following consideration at its meeting on 8 February 2013, the Resources Committee agreed to recommend the Capital Programme as detailed to the Authority for approval.
RESOURCE IMPLICATIONS	As indicated within the Report
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Summary of Proposed Capital Programme 2013/14 –2015/16 (and indicative Capital Programme 2016/17 to 2018/19). B. Prudential Indicators 2013/14 – 2015/16 (and indicative Prudential Indicators 2016/17 to 2018/19).
LIST OF BACKGROUND PAPERS	Report RC/13/03 “Draft Capital Programme 2013-14 to 2015-16” - as reported to Resources Committee 8 February 2013.

1. INTRODUCTION

1.1 Each year the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme. Each year considerable effort is made to ensure that the impact of borrowing is maintained below the 5% ratio of financing costs to net revenue stream – one of several Prudential Indicators previously approved by the Authority. The impact of a reducing revenue base on the Service's ability to borrow whilst maintaining debt charge below this ceiling has, however, made the allocation of funds between the main cost centres of fleet and estates increasingly difficult.

1.2 In the last two financial years this Authority has been in receipt of approximately £2m grant from the Department for Communities and Local Government (CLG). From 2013/14 and going forwards, however, CLG has revised the capital funding process to provide for part to be by allocation and part subject to a bidding process. The Authority previously approved submission of a bid by the Service of £4.760m to support the introduction of the Light Rescue Pump. The bid was not successful and the remaining distribution of grant (based on population) has been reduced by over 30% to £1.4m.

1.3 Over the last 4 years funds have been directed towards specific Estates projects culminating in the Training Academy build at Exeter Airport, reducing the available budget for the vehicle replacement programme, thereby creating a significant backlog. There is an increasing need to reinstate this programme in the next financial year, with the proposed introduction of the Light Rescue Pump.

1.4 Whilst this report proposes a programme for 2013/14 to 2015/16, balancing what is affordable in terms of its exposure to external borrowing and taking account of the current economic position, a reducing budget and changing interest rates, it does come with some risk in terms of progression of the Programme from 2016/17 onwards which may require a reconsideration by the Authority of its previous stance on the 5% Prudential Indicator.

1.5 An earlier version of this report was submitted to the meeting of the Resources Committee on 4 February 2013. It should be noted that the associated Prudential Indicators figures, as contained in Appendix B of this report, have been subject to some minor adjustments since 4 February to reflect a change in the financing requirement in 2012-13. These changes, however, have no impact on the overall proposed programme for 2013-14 to 2015-16. Following consideration of the issues raised in the report, the Committee resolved (Minute RC/16 refers):

"(a) that…the potential impact of the proposed Capital Programme, from 2016-17 onwards, on the 5% debt ratio Prudential Indicator be acknowledged;

(b) that, nonetheless, the full Authority be recommended:

(i) to approve the draft Capital Programme 2013-14 to 2015-16 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to [the Minutes of the meeting]; and

(ii) to approve in principle the indicative Capital Programme 2016-17 to 2018-19 and associated Prudential Indicators, again as summarised in Appendices A and B to [the Minutes of the meeting]."

2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

2.1 In 2010/11 a report RC/08/10 - "Affordable Capital Investment Plans for 2009-2010 to 2011-12" was submitted to the Resources Committee regarding the instigation of a principle that debt repayments be kept below 5% of the total revenue budget. This may be breached in future years, although will not be as a consequence of borrowing being in excess of agreed limits, but future revenue budgets being lower than originally forecast at the time following the Comprehensive Spending Review (CSR) 2010 announcement. This, along with the reduction in government grant has a direct impact on the Capital Programme going forward.

2.2 The tests of affordability are measured by compliance with the CIPFA Prudential Code for Capital Financing for Local Authorities. Under this code, the Authority is required to set a suite of indicators to provide assurance that capital spending is prudent, affordable and sustainable. The indicators are reviewed annually, although set for the three year period. They also include setting maximum borrowing limits to provide assurance around prudence and the setting of maximum debt ratios to provide assurances in relation to affordability and sustainability.

2.3 The issue of affordable capital spending has been the subject of several reports to both this Committee and the Authority in recent years. The most recent report was considered in February 2012 (report DSFRA/12/2 refers) when setting the existing capital programme. The proposed programme contained in this report increases the external borrowing requirement to £31m by 2015/16, which would increase the debt ratio to 4.43%. The external borrowing requirement figure at the end of 2012/13 is forecast to be £27.2m.

2.4 Whilst a debt of £31m is not considered excessive for this size Authority, given the large size of the asset portfolio, it is clear that the Committee will want to monitor its exposure to further debt levels as the Service moves forward in the next 3 to 5 years, to ensure that the debt levels are affordable in the context of reducing budget and the ability to service debt repayments.

2.5 The focus of this Authority, over recent years, has been to control spending within the 5% limit. To achieve this, the Service has reduced the spend on the appliance replacement programme to support Estates projects, utilising revenue funding wherever possible. It has always been the intention to re-commence the fleet programme in full by 2013/14, however, the extent to which this can be achieved is subject to affordability as measured by the Prudential Indicators.

2.6 The revised programme has again been constructed on the basis of keeping the debt ratio within the 5% limit by 2015/16. This inevitably means that not all of the Service's capital investment backlog can be delivered in this period, and the position will need to be reviewed in twelve months' time when a clearer picture is available as to the extent of the future revenue grant reductions for 2015/16 once the next CSR announcement is known.

3. SERVICE ESTATES

3.1 Whilst combination provided many benefits, the Estates department inherited additional building stock with no increase in budget or staffing, limiting the ability of the department over recent years. Last year the department was subject to a review and has been re-structured, which will provide improved efficiencies and ways of working.

3.2 The budget for Estates remains, however, insufficient for the Authority's extensive property portfolio and associated maintenance requirements. Outside of specific projects the budget is normally in the range of £1.75 - £2m. This figure does not reflect the true costs which should be in the region of £5m per annum. Whilst the temporary increase in recent years, to meet specific Service projects, has proved successful; the level of future funding will only exacerbate this problem.

3.3 In seeking to present the Authority with an affordable programme it is proposed to cease all new projects for 2013/14 leaving a budget of £0.315m to complete the Service's Carbon Management Project. It is also proposed to limit those projects that will slip into the 2013/14 to £2.2m, providing a further saving of £1.1m. This will complete projects already committed, which include the shared use of Axminster fire station with Devon & Cornwall Police, along with essential works to Hartland fire station. This moratorium will be reviewed in 12 months' time. The maintenance budget, funded from revenue, remains in place.

3.4 Throughout 2013/14 it is intended to undertake a comprehensive review of the Authority's property portfolio, looking at what future professional and commercial opportunities may best be developed into a medium to longer term plan. The Service Management Property Plan will be revised and reported to the Committee in due course.

Training Academy - Exeter Airport

3.5 Following protracted lease negotiations and extensive site investigation works, the contract was awarded to 'Interserve' with a total project cost of £3.5m. The negotiation of contract delayed the original start date and as such they did not commence work on site until September 2012, resulting in slippage on spending of £0.760m into 2013-14. The inclement wet weather has further delayed works, although completion of the project is programmed for May 2013.

3.6 The Committee has been informed that planning consent for the Training Academy at Exeter Airport included an appliance bay for all training vehicles, a training tower and a facility for confined space training. Adjustments made to the original plan in reconciling the final project costs against available funding at the time, however, resulted in the removal of these elements. In rationalising the estates budget for 2013/14 there is an opportunity to replace these elements, at a cost of £0.340m. This will improve training capacity and commercial income potential for the future.

Fire Control

3.6 The contract for the refurbishment of fire control was awarded to Morgan Sindall and work has commenced on Phase 2. This second phase principally involves the construction of a new server room plus general refurbishment and improvements to the Control building. Authority funding for the project was identified in the 2012-13 budget process with some additional funds made available from the central government grant following the cancellation of the Regional Control Centre (RCC) project.

4. OPERATIONAL ASSETS

Vehicle Replacements/Equipment

4.1 The Authority has the second largest fleet of all fire and rescue services in England. Over the last four years, this budget has been reduced in support of the Estates programme, creating a significant backlog in vehicle replacement. This is becoming increasingly difficult to manage especially with increases in associated maintenance costs. Whilst this situation is far from ideal, the proposed re-investment in the Light Rescue Pump (LRP) programme, commencing in 2013/14, will help reduce this. The Authority has previously consulted on these vehicles and over the last twelve months the LRP has been subject to a pilot and a full procurement exercise.

4.2 There has however, been slippage within the Fleet replacement programme from 2012/13 of £1m resulting from the alignment of the Specialist Vehicle replacement with the Tiered Approach at Tier 3. Such slippage is not unusual and remains within the arrangements for a three rolling capital programme. The vehicles are, however, essential to the programme and include, Environmental Units, Incident Command Units, Prime Movers and 4 x 4 capability recognising the need to have improved arrangements for flooding and snow. Also included are vehicles for the Training Academy at Exeter Airport. These vehicles are all in various stages of build and the slippage reflects the continuations payments which allow the vehicles to be completed during 2013/14.

However, given the difficulties in proposing an affordable capital programme the replacement of both the foam tender and water bowsers have been slipped from 2013/14 and have been programmed to commence in 2016/17.

The equipment replacement needs for the Service have been set at £0451m, which incorporates equipment for the LRP Programme.

Light Rescue Pumps

4.3 It was planned that funding for the introduction of the Light Rescue Pump (LRP) would be part funded from government grant. The Minister reported last year that the grant would be:

- an efficiency fund, administered as a capital grant via a bidding process, and
- a pro-rata distribution using the current distribution method.

4.4 The Service submitted a bid for £4,760m over a two year period to offset future borrowing costs. It has now been confirmed that the Service has been unsuccessful in its application for funding and that the distribution of remaining grant has been reduced by over 30% to £1.4m. It is very disappointing that our bid of £4.760m has not been successful as this adversely impacts on our ability to roll out the LRP programme over the next 4 years. However given that the £4.760m will now need to be funded from external borrowing it is proposed that this programme takes place over a 6 year period. This additional borrowing runs the risk that the 5% Prudential Indicator will be breached at some point in the next 6 years. This report provides indicative prudential indicator figures beyond the normal 3 year period which highlights that the indicator is likely to be breached in 2016-17 (5.08%).

4.5 This risk will be offset to the extent that additional income is achieved from commercial activities during this period. It has been agreed in principle by the Authority that additional income, over and above current levels, will be utilised to fund capital projects in order to contain external borrowing as much as possible.

4.6 Despite this, the LRP programme remains the bedrock of the Authority's future fleet replacement strategy for introducing 'Tiered Response'; meeting future service delivery arrangements with a more cost effective vehicle, improved service to local communities, along firefighter safety. The capital programme has been adjusted to support this proposal over a six year term. The procurement timetable will provide for the introduction of 6 LRP's in 2013-14 requiring a financial commitment of £1.015m and 16 vehicles, per annum, in future years.

Breathing Apparatus Replacement Programme

4.7 There is an operational need to harmonise the breathing apparatus equipment between Somerset (Scott Sabre) and Devon (InterSpiro) and a full business case has been developed to consider the most appropriate and cost effective options. The programme for 2012/13 indicated that an estimated £1.4m would be required for the harmonisation Breathing Apparatus (BA) equipment in 2013/14.

4.8 However, again recognising the financial constraints on the Capital Programme, the purchase of BA has been slipped to 2014/15 subject to future decisions regarding "4G" technology which supports the use of telemetry and understanding the consequences, the next Comprehensive Spending Review may have on future operational arrangements. This position will be reviewed in 12 months' time. The figure for the purchase of BA has also been revised to £0.884m reflecting the outcome of the Business Case.

5. REVISED CAPITAL PROGRAMME FOR 2013/14 – 2015/16

5.1 Appendix A provides an analysis of the proposed programme for the three years 2013/14 to 2015/16 as contained in this report. This programme represents a decrease in spending of £2.5m over the previously agreed programme as illustrated in Figure 1 below.

	Estates £m	Fleet & Equipment £m	Total £m
EXISTING PROGRAMME			
2012/2013	7.7	2.9	10.6
2013/2014	1.7	4.1	5.8
2014/2015	1.7	2.1	3.8
2015/2016 (provisional)	1.7	2.3	4.0
Total 2012/13 to 2015/16	12.8	11.4	24.2
PROPOSED PROGRAMME			
2012/2013 (forecast spending)	4.4	1.5	5.9
2013/2014	2.5	2.5	5.0
2014/2015	2.0	3.7	5.7
2015/2016	1.7	3.4	5.1
Total 2012/13 to 2015/16	10.6	11.1	21.7
PROPOSED CHANGE	**-2.2**	**-0.3**	**-2.5**

Figure 1

5.2 The schedule in Appendix A also provides indicative capital requirements beyond 2015/16 up to 2018/19.

5.3 Appendix B provides a summary of the Prudential Indicators associated with this level of spending over this period. It is forecast that Capital Financing Requirement (the need to borrow to fund capital spending) will have increased from current levels of £25m to £36m by 2018/19. Figure 2 below provides further analysis for each year.

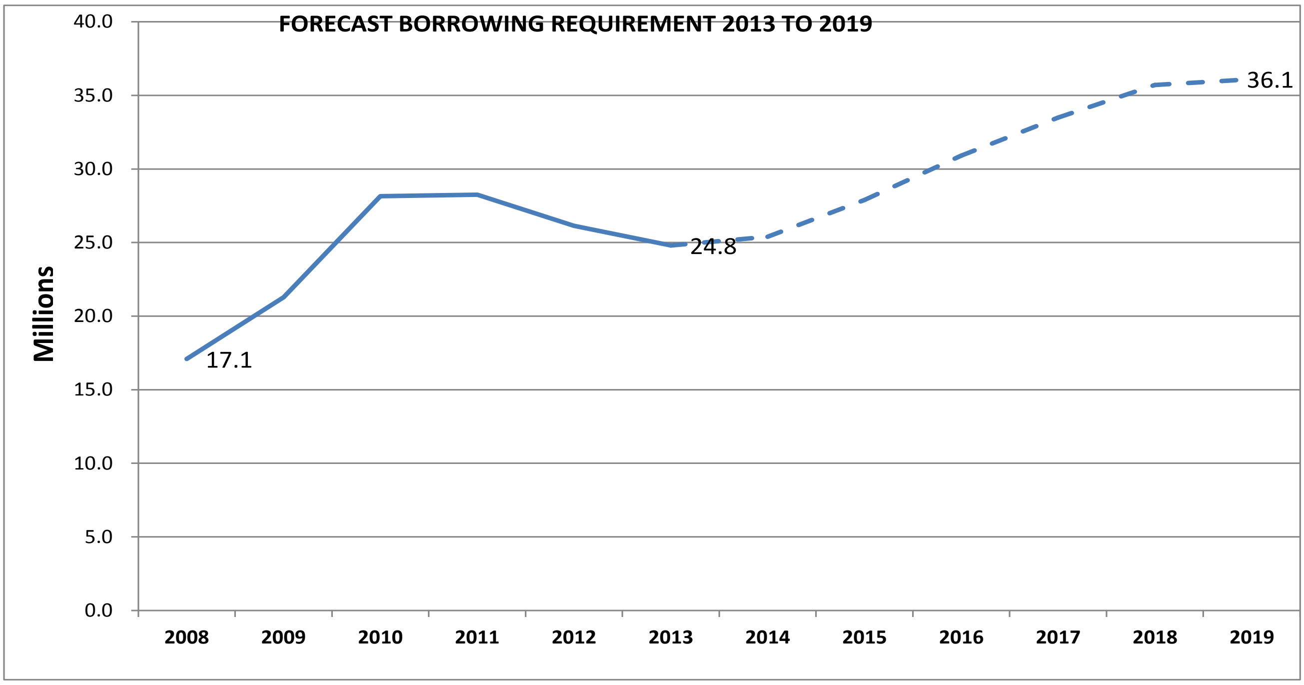


Figure 2

5.4 The estimated debt charge emanating from this revised spending profile is illustrated in Figure 3. These amounts are included in the 2013/14 revenue budget proposal and Medium Term Financial Plan 2013/14 to 2017/18.

<u>Summary of Estimated Capital Financing Costs</u>

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Base budget for Capital Financing costs Debt charges and operating leasing rentals	4.753	4.625	4.398	4.660	4.848	5.206	5.535
Change over previous year		-0.128	-0.227	0.262	0.188	0.358	0.329
Debt ratio	***3.71%***	***3.89%***	***3.83%***	***4.42%***	***5.08%***	***5.64%***	***6.17%***

Figure 3

5.5 The forecast figures for external debt and debt charges beyond 2015/16 are based upon the indicative programmes as included in Appendix A for the years 2016/17 to 2018/19, and exclude any additional income from the Commercial Trading Arm which has been agreed will be utilised to fund capital spending during this period. The affordability of these programmes will need to be subject to annual review based upon the financial position of the Authority at the time given that the next CSR announcement is expected to announce further significant reductions in our revenue funding over this same period.

6. PRUDENTIAL INDICATOR

6.1 The reducing revenue budget impacts significantly upon the borrowing capacity of this Authority. Whilst the programme now presented maintains borrowing within 5% to 2015/16, it does come with a risk that this could be breached from 2016/17 onwards albeit that the Service considers it has measures in place to mitigate against this. Previous Capital programmes and the borrowing profile has been reasonable and affordable.

6.2 The Treasurer has reported previously that the borrowing profile for 2012/13 at £33m was not excessive for this Authority, given the size of our asset portfolio. Reducing the programme for the next three years however, keeps the consequences of borrowing below 5% and reduces the Service debt exposure to £31m by 2015/16.

6.3 The LRP project is now planned to be rolled out over 6 years and the prudential indicator has been profiled beyond 2015/16 to reflect the on-going impact. This is mainly to provide reassurance that the replacement programme for vehicles keeps the overall programme within 5% for the first three years.

6.4 Whilst the budget for Estates has been increased in recent years, this has been for specific projects, such as the Training Academy at Exeter Airport. It has been reported previously that the Authority has a property portfolio that requires significant investment, with a backlog of some £16m. Whilst reducing this budget for one year will assist pump priming the introduction of the LRP and stabilise the backlog of for Medium Rescue Pump (MRP – the more traditional size appliance) replacement, the moratorium will have a significant impact on Service fire stations and difficulty in maintaining these properties with a reducing revenue budget.

7. CONCLUSION

7.1 This report emphasises the difficulties in meeting the full capital expenditure requirement for the Service, given the geographical size, number of fire stations and fire appliances required to be maintained and eventually replaced. The Committee has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator. The consequence of a reducing revenue budget and the impact on borrowing limits was reported to the Authority last year when it was also indicated that it was becoming increasingly likely that, in light of these factors, the Authority may need to breach the 5% ceiling at some point in the future. While the Service has proposed a programme that maintains expenditure within current limits at present, the risk of breaching the 5% ceiling from 2016/17 is also indicated.

7.2 It is very disappointing that the Service capital bid of £4.760m was not successful as this would have provided much needed funding to enable the roll out the LRP programme as planned. The roll out is now planned over a 6 year period which will help to keep within the 5% limit over the next 3 years. As is indicated in this report, however, the ability to address the significant capital investment needs of the Service and keep within the limit is becoming increasing difficult. Indications are that there is a risk this limit is breached by 2016/17 (5.08%). It is, however, anticipated that profits from commercial activities will be used to mitigate this risk beyond 2015/16.

7.3 The impact of restricting borrowing will affect many aspects of this Authority, the general maintenance of the current building stock in particular which has returned to pre-2009 levels and the opportunity to harmonise BA equipment in support of firefighter safety.

7.4 The proposed capital programme for 2013-14 to 2015-16 as set down in Appendix A limits future spending whilst providing some funding towards reducing the fire appliance replacement backlog. The programme is therefore recommended for approval.

LEE HOWELL
Chief Fire Officer

KEVIN WOODWARD
Treasurer

Capital Programme (2013/14 to 2017/18)

2012/2013 Revised Programme (£000)	2012/2013 Predicted outturn (£000)	Item PROJECT	PROPOSED PROGRAMME 2013-14 TO 2015-16 2013/14 (£000)	2014/15 (£000)	2015/16 (£000)	INDICATIVE PROGRAMME 2016-17 TO 2018-19 2016/17 (£000)	2017/18 (£000)	2018/19 (£000)
		Estate Development						
92	77	SHQ major building works	15					
3,284	2,184	Major Projects - Training Facility at Exeter Airport	1,100					
		Minor improvements & structural maintenance	300	2,050	1,750	1,750	1,750	1,750
15	15	Welfare Facilities						
105	105	USAR works						
343	343	Minor Works slippage from 2010-11						
1,674	1,063	Minor Works slippage from 2011-12	566					
2,140	530	Minor Works slippage from 2012-13	530					
52	52	STC ship structure						
7,705	4,369	**Estates Sub Total**	2,511	2,050	1,750	1,750	1,750	1,750
		Fleet & Equipment						
		Appliance replacement	1,015	2,480	3,125	2,480	2,480	1,395
		Specialist Operational Vehicles				400	400	
177	177	Vehicles funded from revenue						
242	91	Equipment	451	1,184	300	300	300	200
889	648	Appliance & Specialist Operational Vehicle slippage 2011-12						
1,620	599	Appliance & Specialist Operational Vehicle slippage 2012-13	1,021					
2,928	1,515	**Fleet & Equipment Sub Total**	2,487	3,664	3,425	3,180	3,180	1,595
10,633	**5,884**	**SPENDING TOTALS**	**4,998**	**5,714**	**5,175**	**4,930**	**4,930**	**3,345**
		Programme funding						
4,179	2,670	Main programme	360	4,316	5,175	4,930	4,930	3,345
4,433	1,193	Revenue funds	3,240					
2,021	2,021	Grants	1,398	1,398				
10,633	**5,884**	**FUNDING TOTALS**	**4,998**	**5,714**	**5,175**	**4,930**	**4,930**	**3,345**

PRUDENTIAL INDICATORS

				INDICATIVE INDICATORS 2016/17 TO 2018/19		
	2013/14 £m estimate	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate
Capital Expenditure						
Non - HRA	4.998	5.714	5.175	4.930	4.930	3.345
HRA (applies only to housing authorities						
Total	4.998	5.714	5.175	4.930	4.930	3.345
Ratio of financing costs to net revenue stream						
Non - HRA	3.89%	3.83%	4.42%	5.08%	5.64%	6.17%
HRA (applies only to housing authorities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	25,312	27,791	30,858	33,379	35,651	36,070
HRA (applies only to housing authorities	0	0	0	0	0	0
Other long term liabilities	1,532	1,509	1,443	1,374	1,299	1,209
Total	26,844	29,300	32,301	34,753	36,950	37,279
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	-1,615	2,456	3,001	2,450	2,195	327
HRA (applies only to housing authorities	0	0	0	0	0	0
Total	-1,615	2,456	3,001	2,450	2,195	327
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.33	-£1.25	-£1.04	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,123	34,769	37,194	37,739	38,803	39,610
Other long term liabilities	1,520	1,449	1,371	1,278	1,177	1,070
Total	33,643	36,218	38,565	39,017	39,980	40,680
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	30,858	33,379	35,651	36,070	37,020	37,806
Other long term liabilities	1,443	1,374	1,299	1,209	1,112	1,010
Total	32,301	34,753	36,950	37,279	38,132	38,816

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2013/14		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/13/3**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**18 FEBRUARY 2013**
SUBJECT OF REPORT	**TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS REPORT 2013/14 TO 2015/16)**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***(a) That the following be approved:*** ***(i) the Treasury Management Strategy and the Annual Investment Strategy as set out in this report;*** ***(ii) the prudential indicators and limits, as contained as Appendix A to this report;*** ***(iii) the Minimum Revenue Provision (MRP) statement for 2013/2014, as contained as Appendix B to this report;*** ***(iv) delegated authority to the Treasurer to effect movements between the separately agreed prudential limits for borrowing;*** ***(v) a revision to the Authority's Financial Regulations as outlined in paragraph 7.21 of this report and Appendix C to it and specifically relating to Financial Regulation C17 (dealing with treasury management activities) and the Schedule to Financial Regulations, so as to include the granting of loans to organisations in which the Authority has an interest;*** ***(b) that the statement at paragraph 4.4 of this report that borrowing limits and the debt management strategy have been set to ensure that in the medium term the gross borrowing will return to below the capital financing requirement for 2012/2013 to 2015/2016, in line with the requirements of the CIPFA Prudential Code, be noted.***

EXECUTIVE SUMMARY	This report sets out a treasury management strategy and investment strategy for 2013/2014, including the Prudential Indicators associated with the capital programme for 2013/2014 to 2015/2016 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2013/2014 is also included for approval.
RESOURCE IMPLICATIONS	As indicated in this report
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable.
APPENDICES	A. Prudential and Treasury Management Indicators 2013/2014 to 2015/2016. B. Minimum Revenue Provision Statement 2013/2014 C. Proposed Revised Schedule to Financial Regulations
LIST OF BACKGROUND PAPERS	Local Government Act 2003. Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code.

1. INTRODUCTION

Background

1.1 Treasury management 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.”

Statutory requirements

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

1.3 The Act therefore requires the Authority to set outs its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 8 of this report); this sets out the Authority’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.4 The Department of Communities and Local Government (CLG) issued revised investment guidance which came into force from 1 April 2010. This guidance was captured within the revised CIPFA Treasury Management Code 2011.

CIPFA requirements

1.5 The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Authority on 19 February 2010. The Code was reissued in 2011 with cross sectorial guidance notes.

1.6 The primary requirements of the Code are as follows:

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

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

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

Treasury Management Strategy for 2013/14

1.8 The suggested strategy for 2013/14 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury advisor, Sector.

1.9 The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Authority
- treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers

- capital plans and prudential indicators
- the Minimum Revenue Provision (MRP) strategy

Balanced Budget Requirement

1.10 The Authority has to set a balanced budget, which means that revenue raised in year should meet expected expenditure. In particular a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:-

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- Any increases in running costs from new capital projects

are set at a level which is affordable within the projected income of the Authority for the foreseeable future.

2. TREASURY LIMITS FOR 2013/14 TO 2015/16

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

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

2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in paragraph 4.5 of this report.

3. CURRENT POSITION

3.1 The capital expenditure plans which inform the indicators, as proposed in the Capital Programme report considered elsewhere on the agenda, are shown in Table 1 below. Other long term liabilities such as PFI and leasing arrangements which already include borrowing instruments are excluded.

TABLE 1 Capital programme	2011/12 Outturn £m	2012/13 Predicted outturn £m	2013/14 Budget £m	2014/15 Budget £m	2015/16 Budget £m
Land and buildings	2.234	4.369	2.511	2.050	1.750
Vehicles, Plant and Equipment	1.137	1.515	2.487	3.664	3.425
TOTAL CAPITAL EXPENDITURE	**3.371**	**5.884**	**4.998**	**5.714**	**5.175**

3.2 Table 2 below summarises the financing of the capital programmes shown in table 1. Additional capital finance sources may become available during the year, for example, additional grants or external contributions. The Authority will be requested to approve increases to the capital programme to be financed from other capital resources as and when the need arises.

TABLE 2 Capital programme financing	2011/12 Outturn £m	2012/13 Predicted outturn £m	2013/14 Budget £m	2014/15 Budget £m	2015/16 Budget £m
Programme per Table 1	**3.371**	**5.884**	**4.998**	**5.714**	**5.175**
Financed by:					
Borrowing		2.670	0.360	4.316	5.175
Revenue	0.826	1.193	3.240		
Grants	2.545	2.021	1.398	1.398	

Capital Financing Requirement (CFR)

3.3 The Capital Financing Requirement represents the authority's underlying need to borrow for capital purposes. The forecast CFR for 2013/14 to 2015/16, based on the spending plans are shown in Table 3.

TABLE 3 Capital Financing Requirements (CFR)	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital Financing Requirement as at 31 March – borrowing	26.142	26.901	25.312	27.791	30.858
Capital Financing Requirement as at 31 March – other long term liabilities	1.613	1.558	1.532	1.509	1.443
Total Capital Financing Requirement as at 31 March	**27.755**	**28.459**	**26.844**	**29.300**	**32.301**

3.4 The CFR does not increase indefinitely as the minimum revenue provision (MRP) is a statutory annual revenue charge which ensures that there are sufficient funds to repay borrowing. By approving Appendix A, the Authority is approving the CFR projections shown in table 4 below.

TABLE 4 CFR projections	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Total CFR 1 April	29.917	27.755	28.459	26.844	29.300
Financing need for the year		2.670	0.360	4.316	5.175
Less MRP	(2.162)	(1.966)	(1.975)	(1.860)	(2.174)
Total Capital Financing Requirement as at 31 March	27.755	28.459	26.844	29.300	32.301
Movement in CFR	**(2.162)**	**0.704**	**(1.615)**	**2.456**	**3.001**

4. PRUDENTIAL AND TREASURY INDICATORS 2013/14 – 2015/16

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

Current borrowing position

4.2 The Authority's treasury portfolio position at 31 March 2012, with forward projections are summarised below in Tables 5 and 6. Table 5 shows the actual external debt (the treasury management operations). Table 6 shows the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

TABLE 5 Gross debt	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt (1 April)	28.608	27.066	27.167	26.213	27.791
New Borrowing	0	2.000	0	1.848	3.194
Replacement debt	0	0	0	0	0
Repaid debt	(1.542)	(1.899)	(0.954)	(0.270)	(0.127)
External debt (31 March)	27.066	27.167	26.213	27.791	30.858
Other long-term liabilities (OLTL) (1 April)	1.666	1.613	1.558	1.532	1.509
Expected in year changes to OLTL	(0.053)	(0.055)	(0.026)	(0.023)	(0.066)
OLTL (31 March)	1.613	1.558	1.532	1.509	1.443
Total Gross debt at 31 March	**28.679**	**28.725**	**27.745**	**29.300**	**32.301**

TABLE 6 Capital Financing Requirement	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
	Actual	Estimate	Estimate	Estimate	Estimate
Total Gross Debt from Table 5	28.679	28.725	27.745	29.300	32.301
Capital Financing Requirement 31 March from Table 4	27.755	28.459	26.844	29.300	32.301
Under / (over) borrowed 31 March	**(0.924)**	**(0.266)**	**(0.901)**	-	-

4.3 In November 2012, CIPFA revised one of the indicators effective from the 2013/14 financial year in that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

4.4 As Table 6 indicates, over borrowing will occur in the short-term. However, although this indicator is a measure of prudence, the Authority should be re-assured that firstly, in 2014/15 the over borrowed debt will be applied to fund the capital programme and secondly that it has not breached its operational boundary as indicated in Table 8. By utilising the short-term flexibility permitted within this indicator, the Authority has been able to borrow at interest rates lower than anticipated in future years and it is planned that in the medium-term gross debt will return to a position where it does not exceed the multi-year CFR measure.

Limits to Borrowing Activity

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

- The *authorised limit* - this represents the maximum limit beyond which any additional borrowing is prohibited until the limit is revised by the Authority. Revision may occur during the year if there are substantial and unforeseen changes in circumstances, for example, a significant delay in achieving forecast capital receipts. In normal circumstances this limit will not require revision until the estimate for 2014/15 is revised as part of the 2014/15 budget process.
- The *operational boundary* – this indicator is based on the probable external debt during the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year.

4.6 Tables 7 and 8 detail, respectively:

- the recommended Authorised Limits for 2013/14 and the medium term; and
- the recommended Operational Boundaries for 2013/14 and the medium term.

TABLE 7 Authorised limits	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Authorised limit for External Debt				
- External Debt	29.136	32.123	34.769	37.194
- Other long term liabilities	1.587	1.520	1.449	1.371
TOTAL AUTHORISED LIMIT FOR EXTERNAL DEBT	**30.723**	**33.643**	**36.218**	**38.565**

TABLE 8 Operational boundary	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Operational Boundary for External Debt				
- External Debt	27.791	30.858	33.379	35.651
- Other long term liabilities	1.509	1.443	1.374	1.299
TOTAL OPERATIONAL BOUNDARY FOR EXTERNAL DEBT	29.300	32.301	34.753	36.950

4.7 It is estimated that the actual external debt at 31 March 2013 will be £27.167 million.

Prudential Indicators for Affordability

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

4.9 A key indicator of the affordability of capital investment plans is the ratio of financing costs to the net revenue stream; this indicator identifies the trend in the cost of capital financing (borrowing costs net of investment income) against the Authority's net budget requirement. Annual capital financing costs are a product of total debt outstanding, the annual repayment regime and interest rates. The forecast ratios for 2013/14 to 2015/16 based on current commitments and the proposed Capital Programme are included in Table 9.

TABLE 9 Financing v Net revenue	2011/12 Actual %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Ratio of Financing Costs to Net Revenue Stream	4.11	3.71	3.89	3.83	4.42

4.10 At its meeting on 4 February 2013, the Resources Committee considered again the need to determine a level of borrowing for the Authority which would be deemed to be affordable, sustainable and prudent. At that time and in line with previous considerations the Treasurer advised that debt repayments should be kept within a ceiling of 5% of the net revenue stream for the period 2013/14 to 2015/16.

4.11 The estimate of the incremental impact of capital investment decisions proposed in the recommended Capital Programme over and above capital investment decisions that have previously been taken by the Authority are given in Table 10. These figures do not represent the total impact on the Authority tax over and above 2012/13 as a consequence of the total capital programme, only the incremental impact over and above previous decisions made on capital investment. The figures given represent the incremental impact for a Band D property.

TABLE 10	2013/14 Estimate £ p	2014/15 Estimate £ p	2015/16 Estimate £ p
Element of Authority tax for New Capital Spending	(£0.33)	(£1.25)	(£1.04)

5. BORROWING STRATEGY

Borrowing rates

5.1 The Sector forecast for the PWLB new borrowing rate is shown in Table11: -

TABLE 11

	Now	Mar 13	Sep-13	Dec-13	Mar-14	Mar-15	Mar-16
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.75%
5yr PWLB rate	1.85%	1.50%	1.60%	1.60%	1.70%	2.20%	2.90%
10yr PWLB rate	2.87%	2.50%	2.60%	2.60%	2.70%	3.20%	3.90%
25yr PWLB rate	4.02%	3.80%	3.80%	3.80%	3.90%	4.30%	5.00%
50yr PWLB rate	4.15%	4.00%	4.00%	4.00%	4.10%	4.50%	5.20%

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

The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. In view of the overall forecast for long-term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long-term costs if the opportunity is missed for taking loans at long-term rates which will be higher in future years.

Temporary borrowing from the money markets or other local authorities

PWLB variable rate loans for up to ten years.

Short dated borrowing from non PWLB sources.

Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

PWLB borrowing to spread debt maturities away from a concentration of longer dated debt.

Any consideration of further PWLB debt will be in accordance with the authority agreed maturity structure limits, as included in Appendix A.

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

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

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

5.4 The Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

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

5.6 In determining whether borrowing will be undertaken in advance of need the Authority will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need

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

6. DEBT RESCHEDULING

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

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

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

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

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

7. ANNUAL INVESTMENT STRATEGY

Investment Policy

7.1 The Authority will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Authority's investment priorities are: -

(a) the security of capital and

(b) the liquidity of its investments.

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

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

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

Creditworthiness Policy

7.5 This Authority uses the creditworthiness service provided by Sector Treasury Services. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. It does not, however, rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

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

7.7 The selection of counterparties with a high level of creditworthiness will be achieved by selecting institutions down to and including the durational band of no more than three months within Sector’s weekly credit list of worldwide potential counterparties. These will be referred to as highly credit rated institutions.

7.8 CIPFAs 2011 TM Code removed the requirement to have regard to the “lowest” credit rating from the credit rating agencies of Fitch, Moodys and Standard and Poors. Historically, this Authority chose to follow the Sector colour matrix credit assessment as it gave a more balanced approach. With the removal of this lowest common denominator requirement from CIPFA the Authority’s will continue to use a combination of the Sector colour matrix and any additional information available locally on which to base investment decisions.

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

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

Approved Instruments for Investments

7.11 Investments will only be made with those bodies identified by the authority for its use through the Annual Investment Strategy. A non specified investment covers those counterparties where there is either no recognised credit rating and/or an anticipation that an investment will be for greater than one year in duration. Table 12 below shows those bodies with which the Authority will invest.

TABLE 12	
Specified Investments	Non Specified Investments
Deposits with the Debt Management Agency Deposit Facility	Deposits with the Debt Management Agency Deposit Facility
Term Deposits with UK government, UK local authorities, highly credit rated banks and building societies (including callable deposits and forward deals)	Term Deposits with UK government, UK local authorities, highly credit rated banks and building societies (including callable deposits and forward deals) Non credit rated building societies
Banks nationalised or supported by the UK government	Banks nationalised or supported by the UK government
Money Market Funds	
Non UK highly credited rated banks	
UK Government Treasury Bills	
Certificates of Deposit	
Corporate Bonds	
Gilts	

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

Investment Strategy

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

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

Sector Bank Rate forecast for financial year ends (March)

2013 0.50%

2014 0.50%

2015 0.75%

2016 1.75%

There is downside risk to these forecasts if lack of economic growth continues, with there being a potential for the Bank Rate increases being further delayed

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

7.16 For 2013/14 the Authority has budgeted for an investment return of 0.50% on investments placed during the financial year.

End of year investment report

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

Policy on the use of external service providers

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

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

Treasury Management Scheme of Delegation

7.20 Full Authority:

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

Resources Committee;

- Receiving and reviewing regular monitoring reports and acting on recommendations

Role of the Section 151 officer

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

- Ensuring the adequacy of internal audit and liaising with external audit.
- Recommending the appointment of external service providers.

Loans to companies in which the Authority has an interest

7.21 The Authority's Financial Regulations (C17) relating to Treasury Management activities currently give the Treasurer delegated powers for borrowing, investment and financing, but exclude any mention relating to the granting of loans. Given that the Authority may wish to provide a loan facility to companies in which it has an interest, the Authority is requested to approve a change to regulation C17 to include "loans". It is also recommended that the accompanying Schedule to Financial Regulations be amended to determine the delegated limits to be applied before the decision is referred to either to the Resources Committee or the full Authority. A revised regulation C17 is provided below, and the revised Schedule to Financial Regulations is provided as Appendix C. In both cases, the proposed revision is indicated by ***bold, italics***.

> *C17. The Treasurer has delegated responsibility for implementing and monitoring the Treasury Management Policy Statement. All decisions on borrowing, investment****, loans*** *or financing shall be delegated to the Treasurer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities****, and in relation to loans shall be up to and including the maximum as indicated in the Schedule to these Regulations. Any loan in excess of this amount will be subject to approval either by the Resources Committee or the full Authority as indicated in the Schedule.***

8. MINIMUM REVENUE PROVISION (MRP) STRATEGY

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

8.2 ***New statutory duty*** - Statutory Instrument 2008 no. 414 s4 stipulates that: "A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."

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

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

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

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

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

Option 1 – Regulatory Method

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

Option 2 – CFR Method

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

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

Option 3 – Asset Life Method

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

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

Option 4 – Depreciation Method

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

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

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

8.9 A draft MRP statement for 2013/14 is attached as Appendix B for approval. The financing of the approved 2013/14 capital programme, and the resultant prudential indicators, have been set on the basis of the content of this statement.

9. SUMMARY AND RECOMMENDATIONS

9.1 The Authority is required to consider and approve the Treasury Management Strategy to be adopted prior to the start of the financial year. This Strategy must also include proposed prudential indicators and a minimum provision statement (MRP). Approval of the Strategy for 2013/14 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice in 2011.

KEVIN WOODWARD
Treasurer

PRUDENTIAL INDICATORS

	2013/14	2014/15	2015/16	INDICATIVE INDICATORS 2016/17 TO 2018/19		
	2013/14 £m estimate	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate
Capital Expenditure						
Non - HRA	4.998	5.714	5.175	4.930	4.930	3.345
HRA (applies only to housing authorities						
Total	4.998	5.714	5.175	4.930	4.930	3.345
Ratio of financing costs to net revenue stream						
Non - HRA	3.89%	3.83%	4.42%	5.08%	5.64%	6.17%
HRA (applies only to housing authorities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	25,312	27,791	30,858	33,379	35,651	36,070
HRA (applies only to housing authorities	0	0	0	0	0	0
Other long term liabilities	1,532	1,509	1,443	1,374	1,299	1,209
Total	26,844	29,300	32,301	34,753	36,950	37,279
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	-1,615	2,456	3,001	2,450	2,195	327
HRA (applies only to housing authorities	0	0	0	0	0	0
Total	-1,615	2,456	3,001	2,450	2,195	327
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.33	-£1.25	-£1.04	N/A	N/A	N/A

PRUDENTIAL INDICATORS - TREASURY MANAGEMENT

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,123	34,769	37,194	37,739	38,803	39,610
Other long term liabilities	1,520	1,449	1,371	1,278	1,177	1,070
Total	33,643	36,218	38,565	39,017	39,980	40,680
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	30,858	33,379	35,651	36,070	37,020	37,806
Other long term liabilities	1,443	1,374	1,299	1,209	1,112	1,010
Total	32,301	34,753	36,950	37,279	38,132	38,816

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2013/14		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

MINIMUM REVENUE STATEMENT (MRP) 2013/14

Supported Borrowing

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

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

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

Finance Lease and PFI

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

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

SCHEDULE TO FINANCIAL REGULATIONS

	Resources Committee	**Full Authority**
In-Year Virements		
(a) Movement between objective budget headings (i.e. Service function headings)*	£100,000	£200,000
(b) Movement between subjective budget headings (i.e. individual budget headings within objective headings)*	£50,000	£150,000
* In the event of any virement between both objective and subjective budget headings, the lower limit will apply		
Capital Programme		
(a) Financing of individual scheme from revenue budget	£50,000	£150,000
(b) Excess of estimated expenditure for individual major capital scheme over approved Capital Programme provision *	10% or £100,000 (whichever is the lesser)	20% or £200,000 (whichever is the lesser)
(c) Excess of overall expenditure on Other Projects or Ring Fenced generic capital budgets over approved budget provision. *	5%	10%
* subject always to the additional expenditure being contained from within the overall Capital Programme limit for the year in question		
Assets		
(a) Material Asset	£25,000	£50,000
(b) Redundant Stock and Equipment – individual item or cumulative amount of the same item	£25,000	£50,000
(c) Stock and equipment discrepancies – individual item or cumulative amount of the same item.	£10,000	£50,000
Income and Expenditure		
Debt Write off	£10,000	£50,000
Overpayment of salary or allowance	£5,000	£25,000
Making of Grants	£5,000	£25,000
Loans to Devon & Somerset Fire & Rescue Service controlled organisations	***£50,000***	***£200,000***
Settlement of Claims*		
Employee claims	£25,000	£75,000
Ex gratia payments to employees	£5,000	£25,000
Claims made by the Authority	£50,000	£100,000
All other claims	£10,000	£50,000
* excludes claims covered by insurance arrangements which as such are delegated entirely to the Chief Fire Officer.		

COMMERCIAL ACTIVITY		
	Commercial Services Committee	Full Authority
Variations on commercial services budget (including approval of additional resources, subject to these being matched by corresponding income.	**£50,000**	**£150,000**

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/13/4**
MEETING	**DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**18 FEBRUARY 2013**
SUBJECT OF REPORT	**2013-2014 REVENUE BUDGET AND COUNCIL TAX LEVELS**
LEAD OFFICER	**Treasurer and Chief Fire Officer**
RECOMMENDATIONS	***(a) That the following recommendation of the meeting of the Resources Committee, held on 4 February 2013, be approved:*** ***(i) that the level of council tax in 2013-14 for a Band D property be set at £75.39, as outlined as Option C in paragraph 5 of this report, representing a 1.99% increase over 2012-13;*** ***(b) that, accordingly, a Net Revenue Budget Requirement of £76,783,500 be set for 2013-14;*** ***(c) that as a consequence of recommendations (a) and (b) above:*** ***(i) the tax base for payment purposes and the precept required from each billing authority for payment of the total precept of £41,458,324, as detailed on Page 2 of the budget booklet provided separately with this report, be approved;*** ***(ii) the council tax for each property bands A to H associated with a total precept of £41,458,324, as detailed on Page 2 of the budget booklet provided separately with this report, be approved; and*** ***(iii) that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances' as included as Appendix C to this report, be noted.***

EXECUTIVE SUMMARY	It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year by the 1 March each year. The meeting of Resources Committee held on the 4 February 2013 considered three options for a level of council tax for 2013-14: OPTION A – Freeze council tax at 2012-13 level **(£73.92 for a Band D Property).** OPTION B – Increase council tax by 1.0% above 2012-13 **(increase of £0.74 to £74.66).** OPTION C – Increase council tax by 1.99% above 2012-13 **(increase of £1.47 to £75.39).** The Fire and Rescue Authority is asked to consider the contents of this report, and ratify the recommendation made from the meeting of the Resources Committee for Option C (increase in council tax of 1.99%).
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable.
APPENDICES	A. Proposed Net Revenue Budget Requirement 2013-14. B. Letter of Representation sent to the CLG regarding the Provisional Local Government Finance Settlement. C. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances. D. Report on Precept Consultation for 2013-14 Revenue Budget (page numbered and enclosed separately with the agenda for this meeting).
LIST OF BACKGROUND PAPERS	Nil.

1. INTRODUCTION

1.1 It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year, before 1 March, in order that it can inform each of the fifteen council tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2013-2014. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels for the Authority.

1.2 The Localism Act 2011 includes new provisions which require an authority to hold a council tax referendum where an authority's council tax increase in 2013-2014 exceeds the council tax "excessiveness principles" applied for that year. These new rules replace the previous capping regime where the government would impose a cap on council tax increases.

1.3 The Secretary of State has proposed the council tax principles he is minded to set for 2013-2014. These are that, except those fire and rescue authorities in the lower quartile of Band D council tax levels, who can set an increase up to a maximum of £5, all other fire and rescue authorities will be required to seek the approval of the local electorate in a referendum if, compared with 2012-2013, they set a council tax increase that exceeds 2.0%:

1.4 Given that the administration costs associated with holding a local referendum for one year are estimated to be in the region of £2.3m, this report does not include any proposals beyond 2.0%. Instead it considers three options, A to C below, of which the maximum proposed increase is 1.99%.

OPTION A – Freeze council tax at 2013-14 level (£73.92 for a Band D Property).

OPTION B – Increase council tax by 1.00% above 2013-14 (£74.66).

OPTION C – Increase council tax by 1.99% above 2013-14 (£75.39).

1.5 The meeting of Resources Committee held on the 4 February 2013 considered the implications of each of these options, and have recommended that Option C (increase in council tax of 1.99%) be recommended to the Fire and Rescue Authority for approval.

2. COMPREHENSIVE SPENDING REVIEW 2010 (CSR 2010)

2.1 Members will be well aware of the economic background which has led to the government announcing its plans to reduce the national structural deficit. The Comprehensive Spending Review (CSR) in October 2010 provided specific details of how public spending would be reduced over the four year period 2012-13 to 2014-15, including significant reductions in local authority grants over this period.

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

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

3. LOCAL GOVERNMENT FINANCE SETTLEMENT 2013-14 AND 2014-15

3.1 The **provisional** Local Government Finance Settlement, announced in late December 2012, provided local authorities with individual formula funding allocations for the two financial years 2013-14 and 2014-15. It should be noted that as a result of significant changes to the local government finance system to be introduced in 2013-14 around the new Business Rates Retention Scheme, the new terminology attached to settlements is “Formula Funding”, which replaces the previous “Revenue Support Grant”.

3.2 For fire and rescue authorities (FRAs) the average reductions in formula funding are -8.9% in 2013-14 and a further -7.5% in 2014-15, consistent with the government commitment that the larger reductions in Fire funding are back-loaded to 2013-14 and 2014-15.

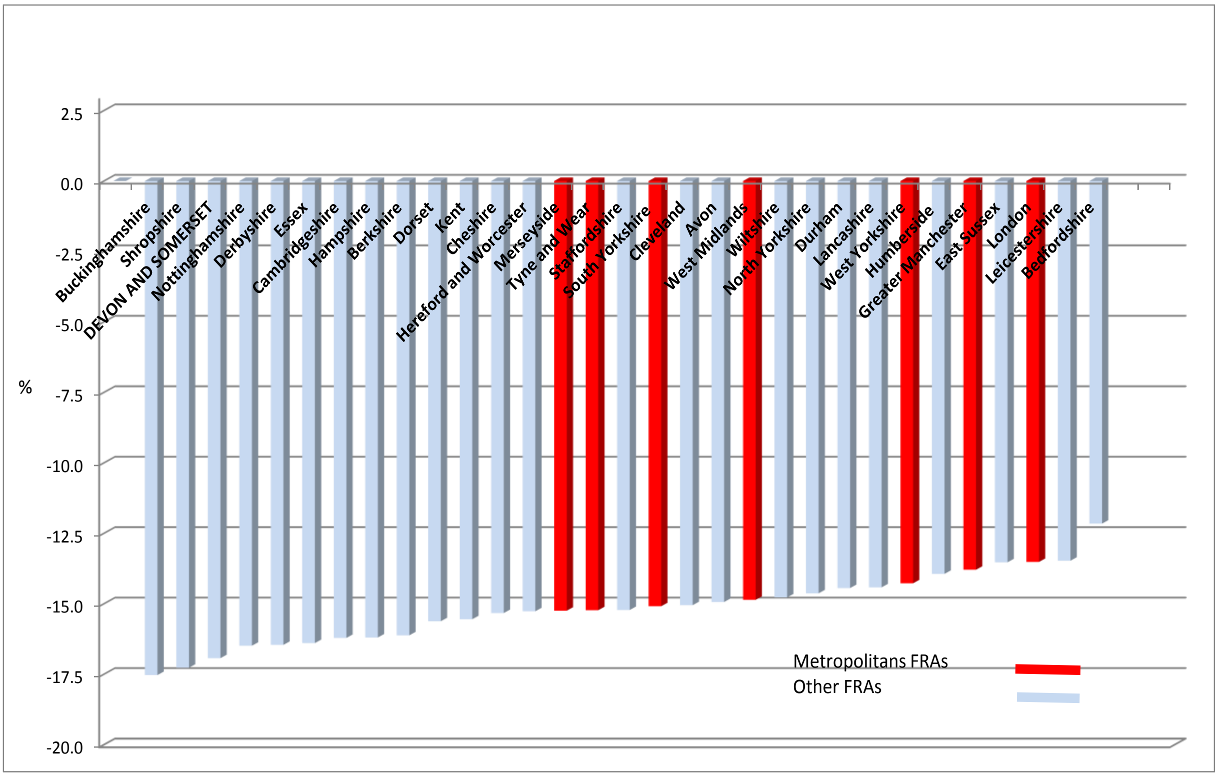
Impact of Final Grant Settlement to Devon and Somerset FRA

3.3 The changes in formula funding for this Authority see a reduction in 2013-14 of -10.3% over 2012-13, and a further reduction of -7.3% in 2014-15 over 2013-14. Table 1 below provides a summary of the grant allocations.

TABLE 1 – FORMULA FUNDING FIGURES FOR DSFRA	£m	%
Formula funding 2013-14	29.211	
Reduction over 2012-13	**-3.373**	**-10.3%**
Formula Funding 2014-15	27.069	
Reduction over 2013-14	**-2.142**	**-7.3%**

3.4 Over the two years these allocations result in a reduction in funding of -£5.5m by 2014-15, equivalent to -17.6%. Chart 1 overleaf provides an analysis of changes in formula funding for all FRA’s over these two years.

CHART 1 – ANALYSIS OF CHANGES IN FRA FORMULA FUNDING 2012-13 TO 2014-15



3.5 Chart 1 above illustrates that this Authority has suffered the third worst settlement of all FRAs over the two years. This is very surprising given that in the previous settlement, in 2010, we had the third best settlement, and that the formula used to distribute fire formula funding for 2013-14 now includes a sparsity factor for the very first time. Given that Devon and Somerset provides fire and rescue cover over the largest geographical area in the country, this Authority should have been the biggest gainer from the inclusion of the sparsity factor. It would appear, however, that other changes in the formula have worked against us.

3.6 I have written a letter to the CLG on behalf of the Authority expressing our disappointment with the provisional settlement and seeking a review of the settlement in time for the final settlement announcements next month. A copy of this letter is attached as Appendix C.

3.7 At the time of writing this report I have not received a response from the CLG to answer the points I had raised in my letter, but disappointingly I have been advised by CLG officials that the final Local Government Finance Settlement to be announced in the House on the 13 February 2013 will not result in any significant change to our provisional figures announced in December in relation to 2013-14.

3.8 It is obviously disappointing that the CLG are not prepared to review the grant allocation for 2013-14 and we shall seek to have a meeting with the Minister as soon as possible to provide us with opportunity to present our case in time to effect the 2014-15 provisional settlement allocations.

4. REQUIREMENT TO HOLD A LOCAL REFERENDUM FOR EXCESSIVE COUNCIL TAX INCREASES

4.1 Members will be aware of the new rules introduced last year which would require the Authority to hold a local referendum should it propose to increase council tax beyond a government set limit (principles). A referendum would need to be held on our behalf by all of the billing authorities in Devon and Somerset by May of the financial year in question. The administrative costs associated with holding such a referendum would have to be funded by the Authority.

4.2 If the referendum results in a 'yes' vote then the increase will stand, however, if a 'no' vote is the outcome then the Authority will need to revert to a council tax increase limited to the government set limit. This means that, in such circumstances at the budget meeting, two budgets will need to be considered, the budget at the excessive council tax level, and a second "shadow budget" based on the government set limit for council tax increases.

4.3 Given that Band D council tax figures for fire and rescue authorities are relatively low, typically only 4% of the total council tax bill, we have argued with the Department of Communities and Local Government (CLG), that fire and rescue authorities should be exempt from this requirement as the costs associated with holding a referendum are disproportionate to the amount of additional precept gained from any increase. For this Authority the position is exacerbated by the fact that it has fifteen billing authorities that would be required to hold referendums on its behalf, resulting in estimated referendum costs in the region of £2.3m. It is felt that, rather than applying a percentage increase, a cash amount could be used for fire and rescue authorities.

4.4 The government has shown that it is sympathetic to this suggested approach as for 2013-14 it has exempted a small number of fire and rescue authorities, along with some district councils and police authorities, from a percentage limit and replaced it with a £5 cash increase. Only those authorities in the lower quartile of their authority type in terms of the size of Band D council tax have been exempted, however, which does not include Devon and Somerset FRA.

4.5 For 2013-14, the Secretary of State has announced that the referendum limit has been set at 2.0%. Given the high costs associated with holding a local referendum this report does not recommend any proposal to increase council tax beyond 2.0%, as I do not believe that incurring an administration cost of £2.3m would represent a good use of taxpayers' money.

5. COUNCIL TAX AND BUDGET REQUIREMENT 2013-2014

Council Tax

5.1 Members will be aware that the government has again laid out its expectations that local authorities should freeze council tax in 2013-14 and to encourage this has again announced that it will pay a further Council Tax Freeze Grant to those authorities that set a zero per cent increase in council tax for 2013-14. This grant will be equivalent to an increase in council tax of 1.0%, estimated to be £0.459mm (subject to confirmation of council tax base for 2013-14) for this authority.

5.2 It is important to recognise, however, that the government has announced that this grant will be payable in 2013-14 and 2014-15 only, which means that if accepted further on-going savings would need to be identified in 2015-16 to replace this loss of grant income.

5.3 It is of course still an Authority decision to set a level of council tax that is appropriate to its funding position, and indeed it is voluntary as to whether the Authority agrees to accept the grant available. As Members will be aware, whilst the Authority agreed to freeze council tax in 2011-12 and take the reward grant of £1.099m (equivalent to 2.5% increase in CT), twelve months ago in setting the council tax for 2012-13 it decided to ignore the grant and increase council tax by 3.0%. The decision not to take the grant was largely taken because the grant of £1.3m that the Authority would have received would be payable in 2012-13 only, whilst the decision to increase council tax by 3.0% meant that the exact same sum of £1.3m is now in the Authority's base funding for all future years. If the Authority had decided to take the grant last year, then, in addition to the reduction in Formula Funding of £3.4m, as reported in paragraph 3.3 of this report, the budget for 2013-14 would have to manage a further £1.3m loss of government funding.

5.4 For 2013-14, therefore, the Authority has to decide whether it wishes to freeze council tax, and if not, decide on what level of increase is appropriate. Each 1% increase in council tax represents a £0.74p increase for a Band D property, and is equivalent to a £0.407m variation on the revenue budget. This report considers three options:

OPTION A – Freeze council tax at 2012-13 level (£73.92 for a Band D Property).

OPTION B – Increase council tax by 1.0% above 2012-13 (£74.66).

OPTION C – Increase council tax by 1.99% above 2012-13 (£75.39).

5.5 Each of the options will result in a reduction in the amount of revenue funding for 2013-14. Table 2 below provides a summary of the reduction associated with each option.

TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – INCREASE IN SPENDING POWER OVER 2012-13

	OPTION A	OPTION B	OPTION C
	Council Tax Freeze at £73.92	Council Tax Increase of 1.0% to £74.66	Council Tax Increase of 1.99% to £75.39
	£m	£m	£m
TOTAL FUNDING 2012-13	**78.677**	**78.677**	**78.677**
Reduction in Formula Funding (including adjustment for Business Rates Retention Share)	-3.245	-3.245	-3.245
Council Tax Support Grant (New)	5.624	5.624	5.624
Changes in Council Tax Precept			
- changes in Council Tax Base resulting from introduction of local Council Tax Benefit System and increase in number of properties	-4.985	-4.985	-4.985
- resulting from an increase in Band D Council Tax	-	0.407	0.808
Reduction in Share of Billing Authorities Council Tax Collection Funds	-0.095	-0.095	-0.095
2013-14 Council Tax Reward Grant	0.459	-	-
TOTAL FUNDING AVAILABLE 2012-2013	**76.435**	**76.383**	**76.784**
REDUCTION IN SPENDING POWER	**-2.242**	**-2.294**	**-1.893**

5.6 The impact of each of the options over 2012-13 is summarised below:

- **Option A** offers the second largest reduction in spending power in 2013-14 -£2.242m, and the reward grant of £0.459m will be removed in 2015-2016 as the grant is payable in 2013-14 and 2014-15 only.

- **Option B** offers the largest reduction in spending power in 2013-14 -£2.294m however the amount available from the 1% increase in council tax of £0.407m would be built into base and will therefore be available for the Authority to spend in all future annual budgets.

- **Option C** offers the smallest reduction in spending power in 2013-14 -£1.893m and the amount available from the 1.99% increase in council tax of £0.808m would be built into base and will therefore be available for the Authority to spend in all future annual budgets.

Net Budget Requirement

5.7 Table 3 below provides a summary of a proposed revenue budget for 2013-14 on the basis of setting the budget at £76.784m i.e. Option C. A breakdown of the more detailed items included in this draft budget are included in Appendix A, and a budget booklet is enclosed separately with this report which provides an analysis of the proposed budget by subjective budget headings e.g. employee costs, property costs, transport costs etc.

TABLE 3 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2013-2014	**£m**	**%**
Approved Net Revenue Budget Requirement 2012/2013	78.677	
PLUS Provision for pay and price increases (items 1 to 4 included in Appendix A to this report)	0.869	*+1.1%*
MINUS One-off investments in 2012-13 (items 5 to 9 included in Appendix A to this report)	(4.102)	*-5.2%*
PLUS Inescapable Commitments (items 10 to 16 included in Appendix A to this report)	1.160	*+1.5%*
PLUS Invest-to-Save Items (items 17 to 20 included in Appendix A to this report)	1.753	*+2.2%*
CORE SPENDING REQUIREMENT 2013-2014	**78.357**	
MINUS Budget Savings (items 21 to 23 included in Appendix A to this report)	(1.573)	*-2.0%*
NET REVENUE BUDGET REQUIREMENT 2013-2014	**76.784**	
REDUCTION IN BUDGET OVER 2012-2013 (£m)	**(1.893)**	***-2.4%***

Invest-to-Save Items

5.8 The Authority has recognised the need to invest in introducing new capabilities that will allow us to provide better service at less cost. The potential for technology to transform the Service is immense and investment in this area is a cornerstone of the Service strategy to change the way it works allowing it to manage in the future with fewer people. An amount of £0.846m is included in the invest-to-save total allowing the Service to:

- replace or upgrade end of life systems such as Training Records and Workforce (HR);
- introduce new systems to replace paper based manual processes such as Accident Reporting;
- pilot the replacement of paper records with an Electronic Document Records Management System; and
- enhance our recently acquired middleware technology to improve the development and testing capabilities.

In addition, there is an amount of £0.397m for other business support initiatives such as procurement and process improvement. The sum total of the business support initiatives will deliver an estimated annual budget saving of £1.615m by 2016/17. Also included in the invest-to-save element is an amount of £0.408 to run the Light Rescue Pumps Project and the Fire-Control Project, together with other work that supports the development of the Corporate Plan proposals.

Budget Savings

5.9 As is indicated in Table 3, the Core Budget Requirement for 2013-14 (which includes provision for pay and inflation) inescapable commitments and new investment has been assessed as £78.357m. This is more than the amount of funding available under Option C i.e. £76.784m, and therefore budget savings of £1.573m are required in order that a balanced budget can be set. It is proposed that these savings are achieved from three areas:

- **Budget Management Savings (£1.082m)** – As was reported to the last meeting of Resources Committee held on the 4 February within the 2012-13 Financial Performance Report Quarter 3, all budget holders across the organisation had been tasked with identifying in-year budget savings within their area of budget responsibility. In addition, budget holders were also tasked with identifying on-going savings from 2013-14 to contribute towards the budget deficit. This exercise has identified an amount of £1.082m to be delivered in 2013-14 from a range of budget headings.
- **Business Support Changes (£0.150m)** – Changes to be delivered to business support functions during 2013-14 e.g. investment in new technology will result in the delivery of efficiency savings in 2013-14, estimated to be £0.150m.
- **Vacancy Management (£0.341m)** – A reduction in salary budgets of £0.341m to reflect savings to be achieved from the natural turnover of staff e.g. retirements during 2013-14. This would be in addition to the £0.150m already taken out in 2012-13 increasing the total vacancy management saving to be achieved in 2013-14 to £0.491m.

6. MEDIUM TERM FINANCIAL PLAN

6.1 As is stated earlier in this report the Local Government Grant Settlement has provided details of formula funding for the next two years 2013-14 and 2014-15, which has reduced this Authority's funding allocation by £5.5m by 2014-15.

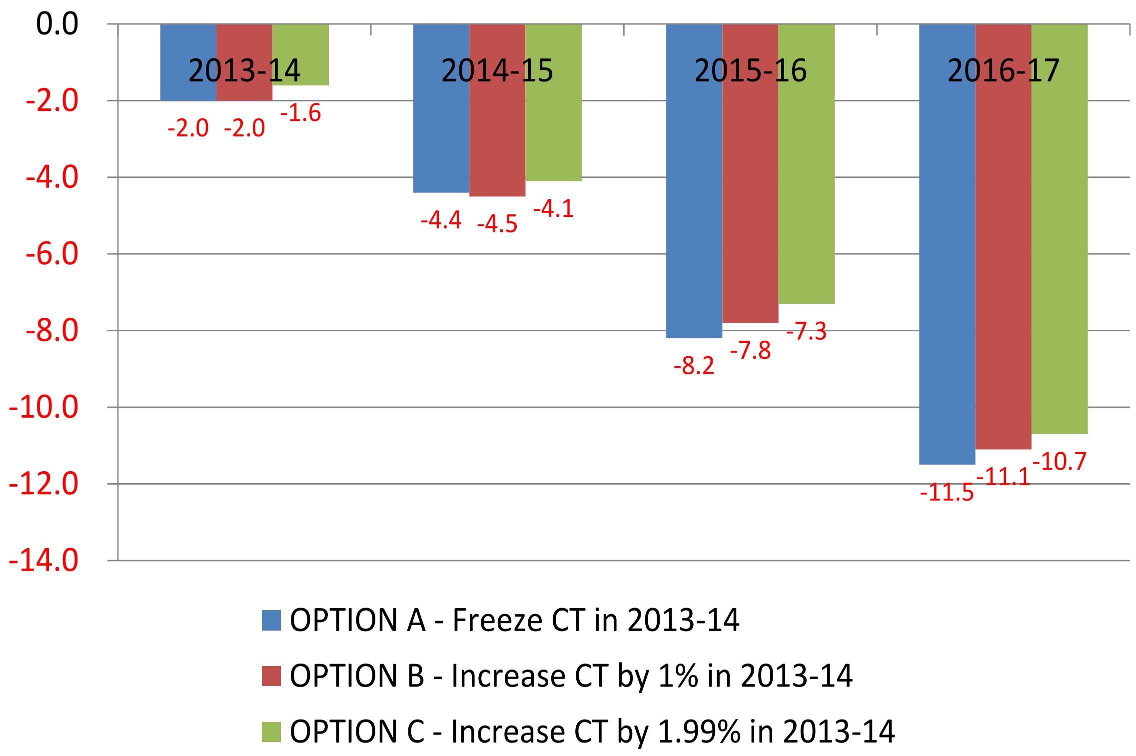
6.2 Looking beyond 2014-15, the Chancellors' Autumn Statement in December 2012 has confirmed that the austerity measures to reduce the structural deficit will need to continue for at least three years beyond 2014-15 i.e. until 2018. The next CSR announcement is expected to be made during the first half of 2013 which, in particular, will inform government department control totals for 2015-16. This will inevitably mean that in addition to the £5.5m of reductions already suffered further significant reductions must be planned for beyond 2014-15.

6.3 Clearly it is difficult to provide forecasts into future years with absolute certainty, particularly in relation to future pay awards, inflationary increases and changes in pension costs. Key assumptions have therefore had to be made in our forecasts which will inevitably be subject to change. Prudent forecasts of future budgets can, however, be used to refresh the Authority's Medium Term Financial Plan (MTFP) to inform financial planning and provide updated forecasts of the levels of budget reductions required by 2016-17 to balance the budget.

7. PLANS TO ACHIEVE BUDGET REDUCTIONS 2013-14 TO 2016-17

7.1 The MTFP financial modelling tool has assessed a likely 'base case' scenario in terms of savings required over the period 2013-14 to 2016-17. Chart 2 below provides an analysis of those forecast savings required over and above the 2012-13 base budget based upon each of the Options A to C contained in this report.

CHART 2 – FORECAST BUDGET SAVINGS (CUMULATIVE) 2013 TO 2017 (BASE CASE) - £MILLIONS



7.2 As is illustrated in Chart 2, based on Option C (1.99% increase in CT), the budget savings required in 2013-14 are -£1.6m. This saving requirement rises to -£2.0m if either Options A (CT freeze) or B (1% increase) are agreed. This budget report proposes how required savings of -£1.6m are to be delivered in 2013-14 in order that a balanced budget can be set.

7.3 If the Authority was minded to opt for Option A then it should be emphasised that the amount of budget savings estimated beyond 2014-15 will be exacerbated by the removal of the CT reward grant in 2015-16. This option would require estimated savings of -£8.2m in 2015-16, as compared to an estimated figure of -£7.3m if council tax is increased by 1.99%.

Corporate Plan 2013-14 to 2014-15

7.4 This budget report proposes a balanced budget for the next financial year 2013-14 including proposals as to how -£1.6m of budget savings can be achieved. Looking ahead to 2014-15, as is illustrated in Chart 2, the forecast savings requirement increases to £4.1m (based on Option C).

7.5 The Corporate Plan for 2013-14 to 2014-15 was agreed at the extraordinary Fire and Rescue Authority meeting held on 18 January 2013 and is now subject to a twelve week consultation period, before being considered by the Authority in June/July of 2013. In terms of planning and lead in times it is essential that proposals for the delivery of savings in 2014-15 are agreed well in advance in order that the Authority has the confidence that it will be in a position to set a balanced budget in 2014-15.

7.6 The Plan includes a range of proposals which, if agreed, will deliver savings of £6.8m in total. It is recognised, however, that this sum will not be deliverable by 2014-15 as the speed at which it can be delivered will be dependent on the natural turnover of staff during the next two years. Should this turnover not meet required levels then the Authority will need to utilise reserve balances in 2014-15 to meet any shortfall.

7.7 Delivery of savings beyond 2014-15 (forecast to be in the region of £11m by 2016-17) will need to be subject to a further range of proposals to be considered by the Authority well in advance of 2015 once further clarification has been received of our funding levels from 2015-16.

8. PRECEPT CONSULTATION 2013-2014

8.1 Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on its proposals for expenditure.

8.2 The consultation also included members of the public as it was deemed inappropriate not to include the public's views on the option of increasing Council Tax at a time of economic difficulty.

8.3 A telephone survey methodology was used as in previous years due to the short timescale to complete the research. The key specifications for the survey were:

- To ask 4 key question plus demographic information;
- To collect answers to both closed and open questions;
- To provide a representative sample of 400 business and 400 members of the public by constituent authority area (Devon County Council; Plymouth City Council; Somerset County Council; and Torbay Council).

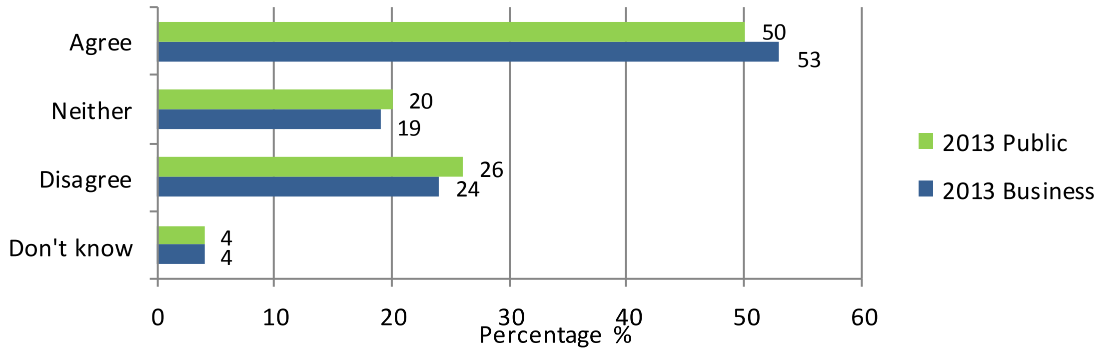
8.4 The survey commenced the week beginning Monday 7 January 2013 and was undertaken by BMG Research. Appendix D to this report (page numbered separately and enclosed with the agenda to this meeting) provides the full report of the results produced by BMG Research.

RESULTS

Question 1. How strongly do you agree or disagree that it is reasonable for the Authority to consider *increasing* its council tax charge for 2013/14 in order to limit the impact of the funding cuts on the levels of emergency service?

8.5 The results to Question 1 show that the results are very similar between the public and business samples demonstrating that the two groups hold similar views. The top line results in Graph 1 reveal that more business and public respondents agree than disagree that it is reasonable to consider increasing its Council Tax charge for 2013/14.

Graph 1: Business and public results as to whether they agree it is reasonable for the Authority to consider increasing its council tax charge for 2013/14



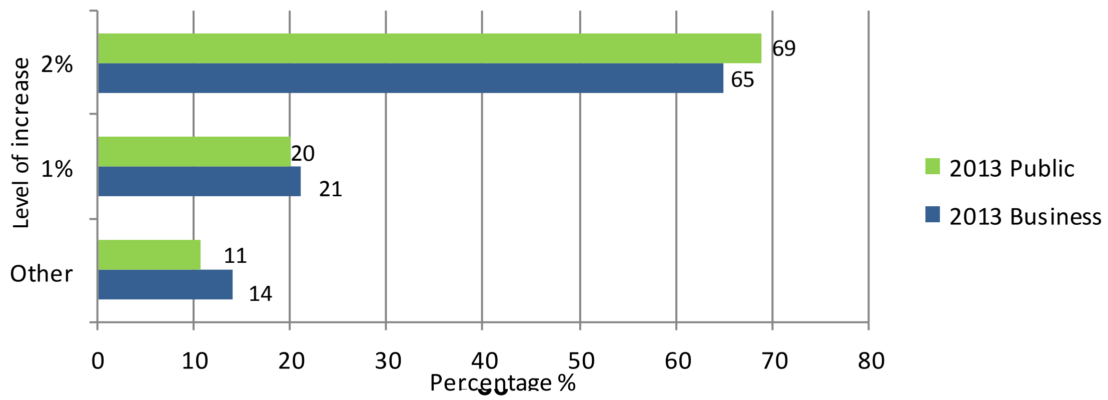
8.6 In the 2012 survey, 33% of business respondents and 30% of public respondents disagreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2013/14. The 2013 survey results, therefore, suggest that opinion has changed over the year with less respondents disagreeing.

8.7 Respondents who answered strongly agree or agree to Question 1 were asked:

Question 2. From the following, what level of increase would you consider it reasonable for the Authority to increase its element of the Council Tax charge by? Please give one answer only

8.8 The results to Question 2, shown in Graph 2, demonstrate that the support for increasing the Council Tax does not, as may be assumed, decline as the percentage increases. Instead the greatest level of support is for 2% this is consistent for both public and business responses.

Graph 2: The percentage level increase considered reasonable by respondents who agreed to Question 1

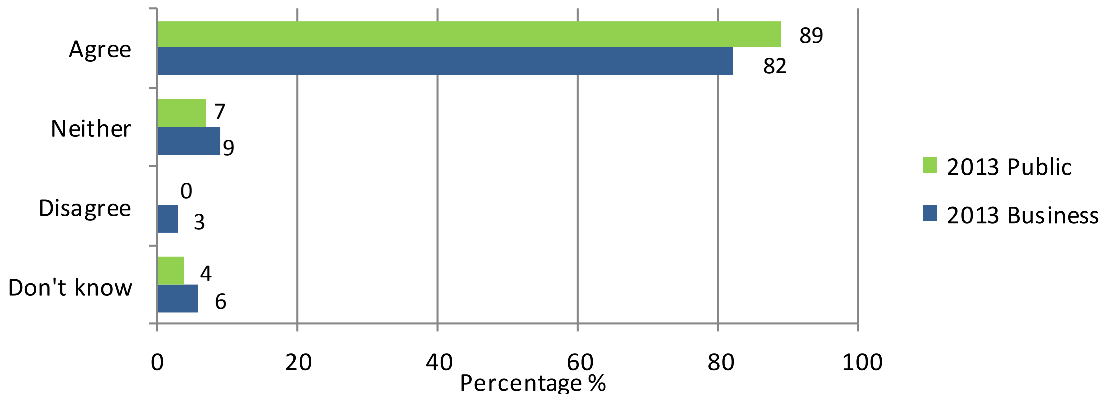


Question 3. How strongly do you agree or disagree that Devon and Somerset Fire and Rescue Service provides value for money?

8.9 A total cost of £47 per head of population was quoted to provide context for an assessment of value for money. In previous years' this question has referred to the total cost of running the service in terms of the Band 'D' Council Tax charge. It was considered that this may cause some confusion as the survey would contain two Band 'D' costs: the total cost of running the Service and the precept figure. The results in Graph 3 show that both public and business respondents agree that the Service provides value for money and that there is a higher level of agreement from members of the public.

8.10 In 2012, 84% of public respondents and 77% of business respondents agreed that the Service provided value for money. Therefore, the 2013 results suggest improvement with more respondents agreeing that the Service provides value for money.

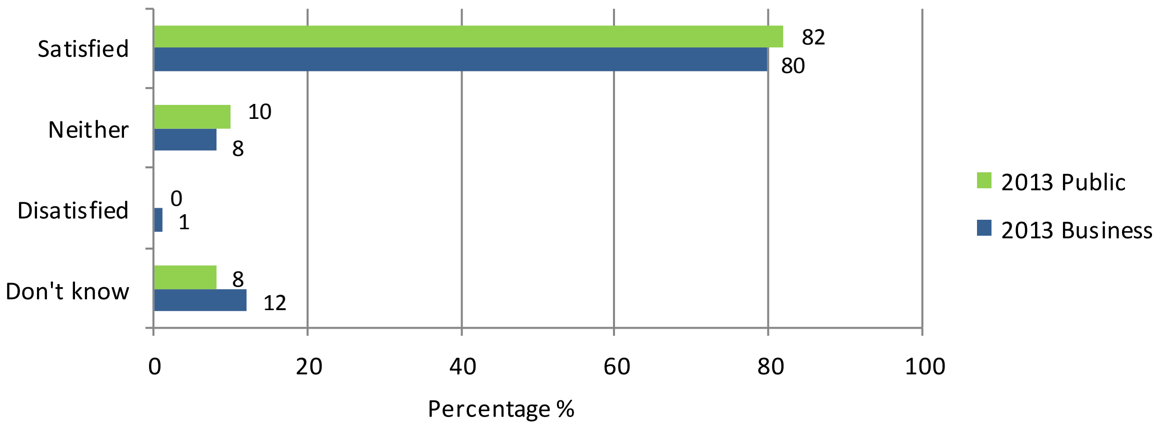
Graph 3: How strongly do you agree or disagree that Devon and Somerset Fire and Rescue Service provides value for money?



Question 4. How satisfied are you with the service provided by Devon and Somerset Fire and Rescue Service?

8.11 The results in Graph 4 show that there are high levels of satisfaction. The responses from business show a large increase in satisfaction over the 2012 results where 65% were satisfied compared with 80% in 2013. Public satisfaction was similar to the 81% satisfaction reported in 2012.

Graph 4: How satisfied are you with the service provided by DSFRS



CONCLUSION

8.12 In both cases, more members of the public and the business community agree than disagree that it is reasonable for the Authority to consider increasing its Council Tax precept for 2013/14. For those who agreed the Authority should consider increasing the level of precept the most support was for a 2% increase. Results from members of the public and business community show that respondents agree the Service provides value for money and are also satisfied with the service provided.

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

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

10. SUMMARY

10.1 The Authority is required to set its level of revenue budget and council tax for 2013-2014 by 1 March so that it can meet its statutory obligation to advise each of the fifteen billing authorities in Devon and Somerset of the required level of precept for 2013-2014. This report provides Members with the necessary background information to assist them in making decisions as to the appropriate levels for the Authority.

10.2 The Resources Committee, at its meeting on 4 February 2013, considered the implications of each of the three options considered in this report and subsequently resolved to recommend Option C (increase in council tax of 1.99%) for approval by the Authority.

KEVIN WOODWARD
Treasurer

LEE HOWELL
Chief Fire Officer

DRAFT REVENUE BUDGET REQUIREMENT 2013-2014

(BASED ON OPTION C IN REPORT)

		£m	£m	%
	Revenue Budget 2012-2013		**78.677**	
	Provision for Pay and Prices			
1.	Uniformed Pay (assumed 1.0% from July 2013))	0.456		
2.	Non-Uniformed Pay (assumed 1.0% from April 2013)	0.102		
3.	Provision for prices increases (assumed CPI of 2.7%) plus additional allowance for fuel, utilities and non-domestic rates)	0.264		
4.	Provision for inflationary increase in pension costs.	0.047		
			0.869	*1.10%*
	One-off Provisions included for 2012-13 Budget only			
5	Revenue Contribution towards Exeter Airport capital scheme	(0.750)		
6	Revenue Contribution to Capital	(1.850)		
7	Refurbishment of Fire Control	(0.490)		
8	Change and Improvement Programmes	(0.936)		
9	Defibrillators on all fire appliances	(0.076)		
			(4.102)	*(5.21)%*
	Inescapable Commitments			
10	Reduction in debt charges from approved capital programme			
11	Pay increments and other pay changes	0.521		
12	Provision for additional employers pension contributions resulting from auto-enrolment legislation	0.336		
13	Increase in insurance premiums	0.164		
14	Additional provision for utilities and non-domestic rates costs	0.074		
15	Contribution to localised council tax benefit schemes	0.027		
16	Other minor changes (net)	0.038		
			1.160	*1.47%*
	Invest-to-Save Initiatives			
17	New Technology Projects	0.846		
18	Business Support Initiatives (including procurement and process improvement projects)	0.397		
19	Service Delivery Projects (Light Rescue Pumps, FireControl)	0.408		
20	Corporate Plan Programme – Governance Costs	0.102		
			1.753	*2.23%*
	Budget Savings			
21	Budget Management	(1.082)		
22	Business Support Changes	(0.150)		
23	Vacancy Management	(0.341)		
			(1.573)	*(2.00)%*
	TOTAL CHANGES (LINES 1–23)		**(1.893)**	**(2.41)%**
	DRAFT REVENUE BUDGET 2013-14		**76.784**	

Lee Howell
CHIEF FIRE OFFICER

Mr Andrew Lock
Communities and Local Government
Zone 5/J2 Ashdown House
Eland House
Bressenden Place
LONDON SW1E 5DU

SERVICE HEADQUARTERS
THE KNOWLE
CLYST ST GEORGE
EXETER
DEVON
EX3 0NW

Your ref :		Date :	15th January 2013	Telephone :	01392 872200
Our ref :		Please ask for :	Mr Woodward	Fax :	01392 872300
Website :	www.dsfire.gov.uk	Email :	kwoodward@dsfire.gov.uk	Direct Telephone :	01392 872317

Dear Mr Lock,

RESPONSE FROM DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY IN RELATION TO THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013-2014
I am writing to you on behalf of Devon and Somerset Fire and Rescue Authority to make representations in response to the settlement as it affects our authority's funding.

Firstly, the Authority welcomes the fact that the fire formula funding now includes, for the first time, a fire and rescue sparsity adjustment to provide an element of recognition to the disproportionate costs of providing fire cover in a more rural area. As your department will be aware, we have been asking for this for a very long time, and it is pleasing therefore that your officials have finally been convinced of the argument.

However, we are extremely disappointed to find that, even with this inclusion, we find ourselves with the third worst settlement of all fire and rescue in England for 2013-14. Your own figures, as included in the Business Rates Retention – Technical Document issued in July 2012, indicated that Devon and Somerset FRA would be the biggest gainer of all from the inclusion of a fire and rescue sparsity adjustment, with an additional £0.9m (2.9%) of grant funding. We are therefore perplexed to find that our total reduction in formula funding (-10.3% in 2013-14) is more than the reductions suffered by the metropolitan authorities (average of -8.2%).

We are also very disappointed that we have been unsuccessful in our capital bid which would have enabled us to push ahead with our plans to introduce Light Rescue Pumps (LRP's) across the Service over the next four years. As our bid indicated, this initiative would deliver significant efficiency savings and we are therefore very surprised that no funding has been made available to us from the capital efficiency bid process. On his visit to Taunton Fire Station on 6th December 2012 the Fire Minister saw for himself one such vehicle and seemed very impressed with the innovation associated with this project.

We provide below five specific issues that we wish to make representations on;

1) As is stated above we welcome the new inclusion of a sparsity adjustment in the fire and rescue formula used to distribute formula funding. For many years we have challenged the inequitable formula distribution which included little recognition of the disproportionate costs of providing fire and rescue cover over a rural area. The fact that this adjustment was not included much earlier has meant that previous settlements have not reflected these costs meaning rural authorities have for many years not received their fair share of formula grant resulting in significant amounts of grant being lost. This has led to more grant being distributed to the more urban areas. This is illustrated by looking at grant per head of population for urban and rural authorities :

   2013-2014 Average formula funding per head = £18.30

<u>Urban Authorities</u>	
Cleveland	£31.76
London	£28.61
Merseyside	£26.73
<u>Rural Authorities</u>	
Hereford and Worcester	£12.72
Wiltshire	£12.13
Dorset	£13.27
Devon and Somerset	*£16.64*

   If Devon and Somerset were to receive the average grant per head this would provide additional grant funding of £3m in 2013-14.

   <u>What Devon and Somerset FRA is seeking:</u> *We ask that the 2013-14 distribution be re-assessed to ensure that your commitment to provide further financial recognition to rural fire and rescue authorities is honoured. If your department is not prepared to do this we ask for an explanation as to why, when our 2013-14 grant now includes recognition for sparsity (£0.9m by your own figures) our overall grant reduction in 2013-14 is the third worst of all fire and rescue authorities in England. We have asked the Technical Support Team within the Society of County Treasurers to carry out a piece of work on our behalf to analyse our settlement and advise us why we have moved from third best to third worst, only to hear from them that it is virtually impossible now to quantify how each formula change has effected allocations as each change within the formula does not have a cumulative effect.*

2) We are very concerned that further grant reductions to come from 2015-16 will be applied evenly across all fire and rescue authorities which would put a disproportionate burden on rural authorities whose ability to deliver significant savings from changes in crewing arrangements and shift patterns is much more restricted given the reliance on the Retained Duty System. For instance here in

Devon and Somerset we have only fifteen stations out of eighty five that operate any wholetime cover. An expectation that rural FRAs are to deliver the same proportion of cuts as the urban FRAs will have a disproportionate impact on those rural FRAs.

What Devon and Somerset FRA is seeking: *We ask for a meeting with the Fire Minister, prior to the next spending review in 2013, to seek assurances that the next round of cuts are not applied evenly across all FRAs which would have a disproportionate impact on those rural FRAs who have much more limited ability to deliver significant savings from changes in crewing arrangements and shift patterns.*

3) We are very disappointed that our application against the capital bidding process has been unsuccessful. We have been working up an innovative project to deliver 70 smaller type of fire appliance (LRPs) across the service over the next four years. The Minister saw one of these appliances himself on his visit to Taunton Fire Station on the 6th December and seemed very impressed with what he saw. This is a £7.5m project which would deliver significant benefits both cashable and environmental when compared to procurement of current type appliances. Given existing pressures on our capital programme and our limitations on increasing debt charges we were reliant on a successful bid to enable us to push ahead with this exciting project.

What Devon and Somerset FRA is seeking: *We ask that our application for capital funds against the capital bidding process to be reviewed to enable us to push ahead with our innovative plans to roll out 70 LRP's over the next four years.*

4) We welcome the capital grant allocation of £1.4m in 2013-14 and 2014-15 which is distributed to all FRAs based upon population. However we do not believe that the current model used to distribute the total grant available, by way of population, is a fair system as it does not reflect the real capital investment needs of FRAs. For instance, under the current distribution methodology Tyne and Wear FRA attracts a grant of £1.1m and yet it only has 17 fire stations (£64k per station), compared to the £1.4m grant of Devon and Somerset with 85 stations (£15k per station). Similarly, Hampshire and Essex FRAs receive more grant than Devon and Somerset and yet those FRAs have 40% less fire stations to maintain and eventually replace. As an FRA whose number of fire stations and appliances are only second to London Fire (£4.9m grant), our capital investment pressures are significantly bigger than other FRAs and we feel that the distribution model should reflect this.

What Devon and Somerset FRA is seeking: *We would like to see the distribution model changed to a much fairer system which takes into account the number of fire stations and appliances, rather than an arbitrary population method which does not adequately reflect capital investment needs.*

5) Given the relatively small cash amount increases in council tax for fire and rescue services, we have recently been lobbying Devon and Somerset MP's to support a change in the rules associated with the need to hold a local referendum to increase council tax above a set percentage, to a system which would replace a set percentage with a cash amount. As I am sure you will be aware the costs associated with holding a referendum for any fire and rescue service would make such a proposal uneconomic to implement. Given that we are a merged authority (the only voluntary merger) we in Devon and Somerset have fifteen billing and unitary authorities to liaise with in our area, which means that the costs associated with holding a referendum, both administration and potential rebilling costs, would be absolutely disproportionate to the amount that could be raised in council tax and would not therefore represent good value for money to taxpayers.

We notice that the Minister is sympathetic to this approach in so much as he has allowed some fire and rescue services to set a council tax increase up to £5, however disappointingly this does not apply to us as we are not in the lower quartile of Band D council tax. Surely all fire and rescue authorities should be able to benefit from this new approach rather than applying a very blunt instrument to decide on eligibility.

<u>What Devon and Somerset FRA is seeking:</u> *We would like the trigger for holding council tax referendums for all fire and rescue services to be measured by a set cash amount rather than the current system of measuring against a set percentage. If the Minister is not minded to apply the £5 limit to all fire and rescue services then a tapered approach could be applied based upon cash limits.*

SUMMARY

This Authority welcomes the opportunity to provide its views on the proposed methodology used to distribute fire formula grant and capital grants, and asks that the representations made in this letter are given serious consideration by your department.

Your department will be well aware of the innovation that has been demonstrated within Devon and Somerset to date, including the only fire service to have merged in recent years, the creation of a commercial arms-length company to increase income generation, the transformational approach to change and improvement, and the introduction of LRP's over the next four years. We are very proud of the innovative approach that is being applied within the Service and feel disappointed that none of this work is being rewarded within grant settlements. We would at least expect a more equitable approach to grant distribution.

If the Minister is not minded to re-assess the grant distribution, both revenue and capital, for 2013-14, we would ask for explanations as to why we have suffered so badly particularly when a sparsity factor is now included which should have given us a fairer settlement. We would like to hear how the fire formula funding reflects the costs of delivering a fire service twice the size of Norfolk, the Fire Ministers own fire Service.

Yours faithfully
Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority

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

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

THE ROBUSTNESS OF THE 2013-14 BUDGET

The net revenue budget requirement for 2013-14 has been assessed as £76.784m. In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Corporate Plan. It should be emphasised that these assessments are being made for a period up to the 31^{st} March 2014, in which time external factors, which are outside of the control of the authority, may arise which will cause additional expenditure to be incurred. For example, the majority of retained pay costs are dependent on the number of call outs during the year, which can be subject to volatility dependent on spate weather conditions. Other budgets, such as fuel are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 overleaf, along with details of the action taken to mitigate each of these identified risks.

TABLE 1 – BUDGET SETTING 2013-14 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO VOLATILE CHANGES

Budget Head	Budget Provision 2013-14 £m	*RISK AND IMPACT*	MITIGATION
Retained Pay Costs	11.9	A significant proportion of costs associated with retained pay is directly as a result of the number of calls responded to during the year. The level of calls from year to year can be volatile and difficult to predict e.g. spate weather conditions. Abnormally high or low levels of calls could result in significant variations against budget provision.	In establishing a General Reserve for 2013-14, allowance has been made for a potential overspend on this budget. The amount is largely based upon the required local contribution to the costs of a major incident covered under the 'Bellwin' Scheme.
		In addition, negotiations are still outstanding relating to the outcome of the Part-Time Workers (less than favourable working conditions) tribunal, which during 2008 ruled in favour of retained firefighters having the same conditions of service in relation to pension and sickness benefits as wholetime firefighters. Given the significant number of retained firefighters employed by the Service, and the fact that this ruling will be backdated to the year 2000, this ruling will have a significant impact on the Service budget.	A 'Provision' of £1m has been set aside for the impact of the ruling from the Part Time Workers tribunal. However, until final negotiations are complete the full extent of the impact to the Service budget cannot be quantified.
Fire-fighter' s Pensions	2.0	Whilst net pension costs funded by the government through a top-up grant arrangement, the Authority is still required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme.	In establishing a General Reserve for 2013-14 an allowance has been made for a potential overspend on this budget. The figure is based upon a further two ill health retirements during the year; over and above the number budgeted for.
Insurance Costs	0.9	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority.	In establishing a General Reserve for 2013-14 an allowance has been made for a potential overspend on this budget. The amount is largely based upon the occurrence of one aerial platform appliance being totally written-off.
Fuel Costs	0.8	Whilst the budget has made some allowance for further increases in fuel costs during 2013-14, it is highly possible that increases could be in excess of the budget provided.	In establishing a General Reserve for 2013-14 an allowance has been made for a potential overspend on this budget.
Treasury Management Income	-0.1	As a result of the economic downturn in recent years, and the resultant low investment returns, the ability to achieve the same levels of income returns as in previous years is diminishing. The uncertainty over future market conditions means that target investment returns included in the base budget could be at risk.	The target income for 2013-14 has been set at a prudent level of achieving only a 0.5% return on investments. Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Income	-0.9	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.9m of external income. Whilst the work of the Commercial Services Arm will seek to at least hit this target in 2013-14, actual performance will be dependent on the full impact of the economic downturn.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Capital Programme	5	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.

Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium Term Financial Plan (MTFP) provides forecasts to be made of indicative budget requirements over a four year period covering the years 2013-14 to 2016-17. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.

Given the CSR 2010 announcement, which included average reductions in grant of 25% for fire and rescue authorities by 2014-15, and the further austerity measures to come, the strategy for setting a budget for 2013-14 has been very mindful of the likely funding scenarios over the next four years rather than just one year. Therefore the budget for 2013-14 has included some new invest-to-save funding e.g. investment in new technology to support the need to deliver savings from back office functions during this period.

THE ADEQUACY OF THE LEVEL OF RESERVES

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

The current level of General Reserve balances for the authority is £4.873m, which represents 6.2% of the revenue budget. This may increase by the end of the financial year should the projected underspend against the current year's budget result in a further transfer of funds into the Reserve.

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

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

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

It should also be emphasised that a reserve level at 6.2% compares to an average reserve balance of 9.0% for all fire and rescue authorities, which places this Authority in the 4^{th} quartile (lower) for all FRAs.

Given the uncertainty over the scale of budget reductions that the Authority will be required to find over the next four years, it is my view that the Authority should seek to protect reserve balances as much as possible to provide added financial stability through the CSR 2010 period and beyond.

<u>CONCLUSION</u>

It is considered that the budget proposed for 2013-14 represents a sound and achievable financial plan, and will not increase the Authority's risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

KEVIN WOODWARD
Treasurer

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/13/5**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**18 FEBRUARY 2013**
SUBJECT OF REPORT	**THE LOCALISM ACT – PAY POLICY STATEMENT 2013-14**
LEAD OFFICER	**Director of Corporate Services (and Clerk to the Fire & Rescue Authority)**
RECOMMENDATIONS	***That, subject to any amendments that may be agreed at the meeting, the Authority approves the Pay Policy Statement as appended to this report and agrees to its publication in accordance with the Localism Act 2011.***
EXECUTIVE SUMMARY	The Authority is required under the Localism Act 2011 to approve and publish a Pay Policy Statement, by 31 March of each year, to operate for the forthcoming financial year. This Statement sets out the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees. This paper provides further background information in relation to the requirements of the Localism Act and includes a draft Pay Policy Statement. There has been no increase in Chief Fire Officer pay at either a national or local level since January 2010.
RESOURCE IMPLICATIONS	There are no resource implications associated with production of the Pay Policy Statement. Funding for staffing costs etc. are contained within the approved Authority revenue budget.
EQUALITY RISK & BENEFITS ANALYSIS (ERBA)	An Equal Pay Audit was undertaken in 2012-13 but now requires a refresh to reflect workforce changes particularly in Control. The outcome of this refresh may impact on the Pay Policy Statement for 2013-14.
APPENDICES	A. Draft Pay Policy Statement 2013-14
LIST OF BACKGROUND PAPERS	Localism Act 2011 Guidance published by the Department for Communities and Local Government (CLG) on Pay Policy Statements

1. INTRODUCTION

1.1 Relevant authorities are required by section 38(1) of the Localism Act 2011 to prepare Pay Policy Statements. These statements must articulate an authority's policy towards a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees. Pay Policy Statements must be prepared for each financial year, approved by the full Authority by 31 March in each year and be published as soon as reasonably practicable thereafter.

1.2 The Department for Communities and Local Government (CLG) has published guidance on the production of Pay Policy Statements, a hard-copy of which is available on request or can be found by following the link below:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/5956/2091042.pdf

1.3 In essence, the purpose of the Pay Policy Statement is to ensure that there is the appropriate accountability and transparency of top salaries in local government. Under the Act elected Members have the ability to take a greater role in determining the pay for top earners and therefore ensuring that these decisions are taken by those who are directly accountable to the local people. In addition, communities should have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility. The Pay Policy Statement must be approved on or before the 31 March each year and published as soon as is reasonably practicable thereafter in such a manner as the Authority considers appropriate, but which must include publication on the Authority's website. Once published, a Pay Policy Statement may be amended "in year" but, should it be amended, the revised Statement must again be published.

2. CONTENT OF THE PAY POLICY STATEMENT

2.1 Pay Policy Statements must include details on the following:

- Remuneration of its Chief Officers;
- Remuneration of its lowest paid employees;
- The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers.

2.2 The term 'Chief Officers' in a fire and rescue service context is the Chief Fire Officer but authorities may also include any additional information relating to policies on pay that they may consider appropriate. All authorities also need to determine who are the lowest paid employees and give reasons as to why they have defined them as such.

2.3 The pay policy statement must include an authority's policies relating to:

- The level and elements of remuneration for each Chief Officer
- Remuneration of Chief Officers on recruitment
- Increases and additions to remuneration for each Chief Officer
- The use of performance related pay for Chief Officers
- The use of bonuses for Chief Officers
- The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the Authority

- The publication of, and access to, information relating to remuneration of Chief Officers.

2.4 The term remuneration is defined as the Chief Officer's salary, any bonuses payable, any charges, fees or allowances payable, any benefits in kind to which the Chief Officer is entitled as a result of their office or employment, any increase in or enhancement of the Chief Officer's pension entitlement where the increase or enhancement is as a result of the resolution of the Authority and any amounts payable by the Authority to the Chief Officer on the Chief Officer ceasing to hold office under or be employed by the Authority other than amounts that may be payable by virtue of any enactment.

3. CATEGORIES OF STAFF CONTRACTS WITHIN THE DEVON & SOMERSET FIRE & RESCUE SERVICE

3.1 To produce a Statement it is necessary to define the categories of staff within the Service and by which Terms & Conditions they are governed.

Chief Fire Officer and Senior Management Board: The Board is a mix of uniformed Brigade Managers and 'non-uniformed' Officers who are the Directors of the Service. The salary structure for Brigade Managers and other Board members in the Devon & Somerset Fire & Rescue Service ("the Service") has previously been determined by the Authority and is subject to future salary reviews in accordance with the Constitution & Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Local Authorities' Fire Brigades (the 'Gold Book'). The minimum remuneration levels for Chief Fire Officers is set nationally in relation to population bands and in accordance with the Gold Book. At a national level, the National Joint Council (NJC) for Brigade Managers of Fire and Rescue Services, reviews annually the level of pay increase applicable to all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration for individual Brigade Managers are taken locally by the Authority.

Uniformed staff: This includes Wholetime and Retained Duty staff and also the Control Room uniformed staff. The remuneration levels for these staff are subject to national negotiation as contained in the Scheme of Conditions of Service of the National Joint Council for Local Authority Fire & Rescue Services (the 'Grey Book').

Support Staff: This category is the non-uniformed staff which supports the operational service. The Scheme of Conditions of Service for these staff are set out within the National Joint Council for Local Government Services (the 'Green Book'). The 2004 national pay agreement included an Implementation Agreement requiring local pay reviews to be completed and implemented by all authorities by 31 March 2007. The local pay review required the introduction of a Job Evaluation Scheme and this, together with a Grading Structure, was negotiated and agreed with the recognised trade union for this staff category which is UNISON. The Job Evaluation Scheme and Grading Structure were approved by the Authority. The National Joint Council negotiates the level of any annual pay increases applicable to all 'Green Book' staff.

3.2 Having established the staff categories, it is possible to define the lowest paid worker within the Authority. This will be the lowest grade within the Support Staff which has a grading structure from Grade 1 to 11. The lowest paid workers are the station cleaners who are at Grade 1. Each grade has five levels referred to as spinal column points and a new joiner will progress through these by annual increments with increasing service. The salary levels for the spinal column points are determined nationally through the National Joint Council.

3.3 The Chief Officer can be defined as the Chief Fire Officer.

4. PAY MULTIPLES

4.1 The Localism Act requires authorities to explain what they think the relationship should be between the remuneration of its chief officers and its employees who are not chief officers. The Hutton Review of Fair Pay recommended the publication of the ratio between the highest paid employee and the mean earnings of the organisation’s whole workforce as a way of illustrating that relationship. The CLG guidance on openness and accountability in local pay provides that:

> “While authorities are not required to publish data such as a pay multiple within their pay policy statement, they may consider it helpful to do so, for example, to illustrate their broader policy on how pay and reward should be fairly dispersed across their workforce. In addition, while they are not required to develop local policies on reaching or maintaining a specific pay multiple by the Act they may wish to include any existing policy”.

4.2 Section 5 of the proposed Pay Policy Statement shows two pay multiples, comparison with the mean earnings of the whole workforce (as recommended by Hutton), using the basic pay for full-time equivalents. The second multiple is for the lowest pay point, which has frequently been used as a benchmark in the media following suggestions by the Government that a ratio of 20:1 should be regarded as a level above which public sector organisation should not exceed.

5. PAY POLICY STATEMENT 2013-14

5.1 The Authority approved its first Pay Policy Statement at its budget meeting last year. The opportunity has been taken to review this document, the outcome of which is that it is still considered appropriate and fit for purpose. As indicated previously, the provisions in the Localism Act allow for Pay Policy Statements to be, in effect, “dynamic” documents with the ability to be amended in year. In line with this, the Statement will be kept under review and any proposed amendments submitted to a future meeting. In the meantime, however, the Authority is invited to consider with a view to approving – in accordance with the Localism Act requirements – the appended Pay Policy Statement 2013-14 and to authorise publication of any Statement so approved.

MIKE PEARSON
Clerk to the Authority

APPENDIX A TO REPORT DSFRA/13/5

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

THE LOCALISM ACT – PAY POLICY STATEMENT 2013-14

1. INTRODUCTION

1.1 Under section 38(1) of the Localism Act 2011, Devon & Somerset Fire & Rescue Authority (the Authority) is required to prepare a Pay Policy Statement. The Authority is responsible for ensuring that that the pay policy will set out the issues relating to the pay of the workforce and in particular the senior officers and the lowest paid employees. This will ensure that there is the appropriate accountability and transparency of the salaries of our senior staff. The Authority will also publish the statement on the Authority's website and update it on an annual basis or at such times as it is amended. The purpose of the statement is to provide greater transparency on how taxpayer's money is used in relation to the pay and rewards for public sector staff.

1.2 This is the second such Pay Policy Statement that the Authority has produced and this will continue to be reviewed and refined as the Authority takes an increasing role in determining the Rewards & Recognition Strategy for the Service. An Equal Pay Audit has also been undertaken.

1.3 It should be noted that Regulation 4 of the Accounts and Audit (Amendment number 2) Regulations 2009 have already introduced a new legal requirement to increase transparency and accountability within Local Government. The amended Regulations require authorities to disclose individual remuneration details for senior employees and these can be viewed at the Senior Management Salaries page on the internet. In addition, the rates of pay for all other categories of staff can be found at Rates of Pay.

2. CATEGORIES OF STAFF

2.1 As part of the Pay Policy Statement, it is useful to define the categories of staff within the Service and by which Terms & Conditions they are governed:

2.2 Chief Fire Officer and Senior Management Board: The Board is a mix of uniformed Brigade Managers and 'non-uniformed' Officers who are the Directors of the Service. The salary structure for Brigade Managers and other Board members employed by the Authority has previously been determined by the Authority and is subject to future salary reviews in accordance with the Constitution & Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Local Authorities' Fire Brigades known as the 'Gold Book'. The minimum remuneration levels for Chief Fire Officers are set nationally in relation to population bands and in accordance with the Gold Book. At a national level the National Joint Council (NJC) for Brigade Managers of Fire and Rescue Services, annually reviews the level of pay increase applicable to all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration for individual Brigade Managers are taken locally by the Authority.

2.3 Uniformed staff: This includes Wholetime and Retained Duty staff and also the Control Room uniformed staff. The remuneration levels for these staff are subject to national negotiation as contained in the Scheme of Conditions of Service of the National Joint Council for Local Authority Fire & Rescue Services which is known as the 'Grey Book'.

2.4 Support Staff: This category is the non-uniformed staff who support our Operational Service. The Scheme of Conditions of Service for these staff are set out within the National Joint Council for Local Government Services known as the 'Green Book'. The 2004 national pay agreement included an Implementation Agreement requiring local pay reviews to be completed and implemented by all authorities by 31 March 2007. The local pay review required the introduction of a Job Evaluation Scheme and this, together with a Grading Structure, was negotiated and agreed with the recognised trade union for this staff category which is UNISON. The Job Evaluation Scheme and Grading Structure were approved by the Authority. The National Joint Council negotiates the level of any annual pay increases applicable to all 'Green Book' staff.

3. REMUNERATION OF THE CHIEF FIRE OFFICER AND SENIOR MANAGEMENT BOARD

3.1 The position of Chief Fire Officer is subject to minimum remuneration levels as set out in the 'Gold Book' and according to population bands. The Authority is in Population Band 4, 1.5m people and above. The minimum salary level for this position is currently £116,310 per annum. Devon & Somerset Fire & Rescue Service is the largest non-metropolitan fire and rescue service in the UK. There are 85 fire stations which is the second largest number in England, 2,300 staff and a net revenue budget in 2012-13 of £78.7m. The population for Devon and Somerset is over 1.6 million people.

3.2 In 2006, prior to the combination of Devon Fire & Rescue Service and Somerset Fire & Rescue Service, the Authority reviewed the remuneration of the Chief Fire Officer and undertook a salary survey of other Fire & Rescue Services within the same population band. The average salary, based on 2005 data, was found to be £124,184 and the salary level for the Chief Fire Officer for the new, combined service, was set at a notional level of £124,800 per annum for 2005. Since then, annual national cost of living reviews have increased the salary to £136,392.

3.3 The relevant sections 9 – 11 from the Gold book in relation to salary increases are set out below:

> *Salaries*
>
> *The NJC will publish annually recommended minimum levels of salary applicable to chief fire officers/chief executives employed by local authority fire and rescue authorities.*
>
> *There is a two-track approach for determining levels of pay for Brigade Manager roles. At national level, the NJC shall review annually the level of pay increase applicable to all those covered by this agreement. In doing so, the NJC will consider affordability, other relevant pay deals and the rate of inflation at the appropriate date. Any increase agreed by the NJC will be communicated to fire authorities by circular.*
>
> *All other decisions about the level of pay and remuneration to be awarded to individual Brigade Manager roles will be taken by the local Fire and Rescue Authority, who will annually review these salary levels.*

3.4 Since combination, the Authority has chosen not to apply any additional pay increases other than those agreed at a national level to that of the Chief Fire Officer. From January 2010 there have been no pay increases for the Chief Fire Officer at either a national or local level.

3.5 The other positions within the Senior Management Board are as follows and further details of their responsibilities can be found at Devon and Somerset Fire and Rescue Service - Organisational Structure:

Deputy Chief Fire Officer

Assistant Chief Fire Officer - Service Delivery

Assistant Chief Fire Officer - Service Delivery Support

Director of Corporate Services

Director of People and Organisational Development

Treasurer and Director of Finance

3.6 The Deputy Chief Fire Officer and Assistant Chief Fire Officer salaries have been set locally at 80% and 75% of the Chief Fire Officer salary which reflects the previously stated minimum salary level set by the National Joint Council. It should also be noted that uniformed Brigade Managers (Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer) also provide 'stand-by' hours outside of the normal working day within a Brigade Manager rota.

3.7 The remaining 'non-uniformed' Board positions are within a grading structure 1 to 4 grades which have been determined by Job Evaluation. The salary levels for these grades are linked as a percentage to the Chief Fire Officer's salary.

4. REMUNERATION OF THE LOWEST PAID EMPLOYEES

4.1 The lowest grade in the Service is within the Support Staff which has a grading structure from Grade 1 to 11. The lowest paid worker is at Grade 1. Each grade has five levels referred to as spinal column points and a new joiner will progress through these with increasing service. Since the lowest paid staff are part-time the actual salary levels are pro-rata. The salary range at Grade 1 is currently £12,787 to £14,733 for a 37 hour week. For contextual purposes, the salary level for a full-time firefighter is £28,481 per annum.

The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers.

5.1 In terms of pay multiples, in line with recommendations contained within the Hutton Review of Fair Pay, the Authority will use two ratios to explain the relationship between the remuneration of the Chief Fire Officer and the remuneration of those employees who are not chief officers. The first is a comparison with the mean earnings of the whole workforce using the basic pay for full-time equivalents. The second multiple is for the lowest pay point, which has frequently been used as a benchmark in the media following suggestions by the Government that a ratio of 20:1 should be regarded as a level above which public sector organisation should not exceed:

- the mean basic pay of the Authority's whole workforce (£29,386) and
- the lowest pay point (£12,787).

The current pay multiple ratios are:

	2012-13
mean basic pay	4.6:1
lowest pay point	10.7:1

5.2 In terms of the pay multiple between the Chief Fire Officer and other staff across the organisation, the Authority pay policy is that this will remain at the current level when compared with the mean basic pay across the organisation. The Pay Policy Statement for future years will be determined by Members and reported to future Fire Authority meetings.

Additional elements of the remuneration for the Chief Officer

6.1 These additional elements relate to the following elements:

- Bonuses or Performance Related Pay
- Charges, Fees or Allowances
- Benefits in Kind
- Any increase or enhancement to the pension entitlement as a result of the resolution of the Authority
- Any amounts payable by the Authority to the Chief Fire Officer on the Chief Fire Officer ceasing to hold office other than amounts that may be payable by virtue of any enactment.

6.2 The Chief Fire Officer does not receive any additional bonuses, performance related pay, charges, fees or allowances. As a Brigade Manager, the Chief Fire Officer has an operational requirement for a lease vehicle and this is in accordance with the Service Contract Car Hire Scheme. The benefit-in-kind attributable to the private usage of this Service car was £2,244 for 2011-12. The actual 2012-13 figure will not be available until after 31 March 2013.

6.3 In relation to the pension entitlement, the Chief Fire Officer is eligible to be a member of the Firefighters' Pension Scheme. All members of this pension scheme (which is closed to new members) can retire on reaching age 50 provided they have at least 25 years service. The maximum pension entitlement that a member of the pension scheme can accrue is 30 years service. Chief Fire Officers appointed before 2006 are required to seek approval to retire at age 50 whilst those appointed after 2006 do not. All other members of the pension scheme are not required to obtain such approval. This requirement for Chief Fire Officers to have to seek approval has been recognised nationally as being potentially discriminatory on the grounds of age but that this can be overcome by agreement with the Authority to permit retirement from age 50. The Authority has previously given approval for the Chief Fire Officer to retire at age 50 and there are no additional financial implications to the Fire Authority associated with this decision. The Department for Communities & Local Government is currently considering future changes to the Firefighters' Pensions Scheme.

6.4 Should the Chief Fire Officer cease to hold his post then the notice period from either the employee or employer is three months. There are no additional elements relating to the Chief Fire Officer ceasing to hold this post other than those covered under any other enactments.

7. <u>REMUNERATION OF CHIEF OFFICERS ON RECRUITMENT</u>

7.1 Within the Localism Act there is a requirement to state the remuneration of Chief Officers on recruitment. The pay level for the Chief Fire Officer was determined by the Authority in 2006, based on 2005 data, in preparation for the new combined Devon & Somerset Fire & Rescue Service commencing on 1 April 2007. The current rate of remuneration would apply to any Chief Fire Officer on recruitment.

8. THE PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS

8.1 In order to make this information in relation to the Chief Fire Officer accessible to members of the public, this Pay Policy Statement will be published on the Authority website.

9. REVIEW OF THE PAY POLICY STATEMENT

9.1 This document will be reviewed at least annually by the full Authority.

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/13/6**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2013**
SUBJECT OF REPORT	**CONFIRMATION OF SCHEME OF MEMBERS ALLOWANCES 2013-14**
LEAD OFFICER	**Clerk to the Authority**
RECOMMENDATIONS	***that, as required by the relevant Regulations, the Authority:*** ***(i) considers whether any changes should be made to the existing scheme; and*** ***(ii) authorises the Clerk to publicise the rates so confirmed in one or more local newspapers circulating in the area served by the Authority.***
EXECUTIVE SUMMARY	Regulations require the Authority to have in place its own Scheme for the payment of a basic allowance to each of its Members. The Authority may also provide for the payment of Special Responsibility Allowances and reimbursement of travel and subsistence expenditure. The Regulations also require the details of any such Schemes to be confirmed and published by the Authority for each financial year in question. The Authority approved its current Scheme of Allowances in February 2012 following consideration of an in-depth report prepared by an independent consultant. The Scheme provides for automatic uprating where applicable: • of Basic and Special Responsibility allowances by reference to pay awards agreed by the National Joint Council for Local Government Services (***NOTE***: there was no cost of living increase awarded in 2012 so allowance rates have remained unchanged); • of rates payable for reimbursement of travel expenditure by reference to figures produced by Her Majesty's Revenue and Customs; and

	• of rates payable for reimbursement of subsistence expenditure by reference to rates currently payable to Devon & Somerset Fire & Rescue Service employees. In light of the above and to comply with the relevant Regulations, the Authority is invited to consider whether any changes should be made to the level of allowances and expenditure reimbursement to be payable in 2013-14.
RESOURCE IMPLICATIONS	The draft revenue budget 2013-14 makes provision for the payment of allowances as set out in this report, including the uprating of those allowances as indicated.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	The Local Authority (Members' Allowances)(England) Regulations 2003 Report DSFRA/12/05 ("Devon & Somerset Fire & Rescue Authority Approved Scheme of Members' Allowances), together with report of Independent Consultant, as submitted to budget meeting of the Authority on 17 February 2012.

1. BACKGROUND

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

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

1.2 The Regulations also require the Authority to confirm its Scheme of Allowances for each financial year in question and for this information to be published in one or more local newspapers circulating in the area served by the Authority.

2. AUTHORITY APPROVED SCHEME

2.1 At its budget meeting on 17 February 2012 the Authority considered a review of its Allowances Scheme as conducted by an independent consultant and resolved to adopt the following, based on the recommendations of the independent consultant (Minute DSFRA/72 refers):

Rates Payable for Basic and Special Responsibility Allowances

Type of Allowance	**Amount per annum £**
Basic	2,500
Special Responsibility	
• Chairman of Authority (5 x basic)	12,500
• Vice Chairman of Authority (2.5 x basic)	6,250
• Committee Chairs (1.5 x basic)	3,750
• Members of the Commercial Services Committee (1.5 x basic)[1]	3,750

Annual uprating mechanism: by reference to any pay award made by the National Joint Council for Local Government Services (***note***: there was no cost of living increase awarded in 2012 so allowance rates have remained unchanged).

Rates Payable for Reimbursement of Travel Expenses

	Rate per mile	
	First 10,000 miles	***Above 10,000 miles***
Cars	45p	25p
Motorcycles	24p	24p

- 5p per passenger per mile (up to 4 passengers);
- 20p per mile bicycle allowance

Annual uprating mechanism: rates published by Her Majesty's Revenue and Customs

[1] funded directly from commercial income and subject to no Member – other than the Authority Chairman – being in receipt of more than one Special Responsibility Allowance.

Rates Payable for Reimbursement of Subsistence Expenses

Breakfast	£6.90
Lunch	£9.54
Tea	£3.76
Dinner	£11.82

Annual uprating mechanism: rates payable to Devon & Somerset Fire & Rescue Service employees (***note***: there was no increase in these rates for 2012 so allowance rates have remained unchanged).

3. RESOURCE IMPLICATIONS

3.1 The draft Revenue Budget 2013-14 contains provision for the payment of the allowances and expenditure reimbursements at the rates as indicated in this report, including the uprating of those allowance and reimbursement rates as indicated.

4. CONCLUSION

4.1 The Authority Scheme was last subject to a major review in 2012. The Authority is invited to consider this report and, in accordance with the relevant Regulations, to:

(a). confirm whether any changes should be made to the existing scheme; and

(b). authorise the Clerk to publish the rates so confirmed in one or more local newspapers circulating in the area served by the Authority.

MIKE PEARSON
Clerk to the Authority