

**M. Pearson  
CLERK TO THE AUTHORITY**

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**To: The Members of the Devon &  
Somerset Fire & Rescue Authority**  
  
**(see below)**

**SERVICE HEADQUARTERS  
THE KNOWLE  
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Your ref :  
Our ref : DSFRA/MP/SY  
Website : www.dsfire.gov.uk

Date : 21 May 2013  
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**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**  
**(Ordinary Meeting)**

**Thursday 30 May 2013**

A meeting of the Devon & Somerset Fire & Rescue Authority will be held on the above date, **commencing at 10:30 hours or on the conclusion of the preceding Annual Meeting, whichever is the later, 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. 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**

**3. Questions and Petitions by the Public**

In accordance with Standing Orders, to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at this meeting of the Authority. Petitions must relate to matters for which the Authority has a responsibility or which affects the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority **by midday on Friday 24 May 2013.**

4. **Addresses by Representative Bodies**

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

5. **Questions by Members of the Authority**

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

6. **Minutes of Committees**

**(a) Human Resources Management & Development Committee**

The Chair of the Committee, Councillor Bown, to **MOVE** the Minutes of the meeting held on 18 March 2013 attached (page 5)

**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 3 April 2013 attached (page 7)

**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 8 May 2013 attached (page 9)

**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 16 May 2013 attached (page 12)

**RECOMMENDATIONS**

- (i) that the recommendation at Minute RC/21 (Financial Performance Report 2012-13: Quarter 4) be considered in conjunction with agenda item 8 (Provisional Financial Outturn 2012-13) below;
- (ii) that, in accordance with Standing Orders, the Minutes be adopted.

7. **Provisional Financial Outturn 2012-13**

Report of the Treasurer (DSFRA/13/11) attached (page 15)

8. **Annual Treasury Management Report 2012-13**

Report of the Treasurer (DSFRA/13/12) attached (page 30)

9. **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 Paragraphs 1 and 2 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to individuals and which could reveal the identity of individuals.

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

10. **Proposed Management Restructure**

Report of the Chief Fire Officer (DSFRA/13/13) **TO FOLLOW**

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

Membership:-

*Devon County Council*

11 Members to be appointed at Devon County Council's Annual Meeting on 23 May 2013.

*Somerset County Council*

Councillors Bown, Burrige-Clayton, Dyke, Horsfall, Healey, Prior-Sankey, Woodman and Yeomans.

*Plymouth City Council*

Councillors Gordon, Leaves and J. Smith.

*Torbay Council*

Councillors Brooksbank and Ellery.

<b>NOTES</b>	
<b>1.</b>	<p><b><u>Disclosable Pecuniary Interests (Authority Members only)</u></b></p> <p>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:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(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</li> <li>(c) not seek to influence improperly any decision on the matter in which you have such an interest.</li> </ul> <p>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.</p>
<b>2.</b>	<p><b><u>Part 2 Reports</u></b></p> <p>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.</p>
<b>3.</b>	<p><b><u>Substitute Members (Committee Meetings only)</u></b></p> <p>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.</p>
<b>4.</b>	<p><b><u>Access to Information</u></b></p> <p>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.</p>

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

18 March 2013

Present:

Councillors Bown (Chair), Brooksbank, Burrige-Clayton, Knight and J Smith.

Also in attendance in accordance with Standing Order 36:

Councillors Gribble and Radford.

Apologies:

Councillor Chugg.

**\*HRMDC/21. Minutes**

**RESOLVED** that the Minutes of the meeting held on 11 January 2013 be signed as a correct record.

**\*HRMDC/22. Firefighters Pensions Schemes**

The Committee received for information a presentation by the Human Resources Manager on firefighters pensions schemes. The presentation covered, amongst other things:

- different pension types (e.g. occupational; personal) and arrangements (e.g. money purchased; defined benefits);
- the main features (eligibility, benefits, contributions) of both the 1992 and 2006 Firefighters Pensions Schemes;
- definitions of pensionable and non-pensionable pay;
- proposals for and likely outcomes of the Firefighters Pensions Scheme 2015.

The Human Resources Manager stated that the Fire Brigades Union had raised concern over the proposals for the Firefighters Pensions Scheme 2015, specifically in relation to the proposed normal retirement age of 60 which, the Union felt, may prove unattainable for many firefighters given the physicality of the role.

**\*HRMDC/23. Devon & Somerset Fire & Rescue Service Equality and Diversity Recognition - Stonewall Top 100 Employer**

The Committee received for information a presentation by the Community and Workplace Equalities Manager on the achievement of the Devon & Somerset Fire & Rescue Service of securing a ranking of 91<sup>st</sup> in the Stonewall Top 100 Employers for 2013. Stonewall existed to support and promote equality for lesbian, gay, bisexual and transgender (LGBT) people. Stonewall produced, each year, an index of the top 100 employers in the UK based on evidence put forward by organisations on culture, processes, policies and training designed to impact positively on the work environment for LGBT staff, ensuring that people were protected and happy at work, able to be themselves and thereby achieve their full potential.

The Service was one of only five fire and rescue services to secure a ranking in the top 100 – other organisations in the top 100 being major, national or international concerns such as Tesco and Barclays Bank. The achievement meant that the Service had been recognised as promoting and demonstrating an inclusive working culture for staff, underlining its core values.

The presentation highlighted particular Service initiatives for this equality strand (such as the establishment of the Fire Pride network) and indicated that, going forward, the Service would be preparing an action plan based on feedback from Stonewall to contribute to its overall ambition to secure an excellent rating in its approach to equality and diversity by 2014.

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

The meeting started at 10.00hours and finished at 11.00hours

## COMMERCIAL SERVICES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

3 April 2013

Present:-

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

Apologies:-

Councillor Healey.

**\*CSC/31. Minutes**

**RESOLVED** that the Minutes of the meeting held on 11 January 2013 be signed as a correct record.

**\*CSC/32. Business Case - Sub-Contracting of Fire Risk Assessors**

The Committee considered a report of the Director of People and Organisational Development (CSC/13/3) setting out a business case, as required by the relevant legislation, for commercial trading by the Authority in the area of sub-contracting fire risk assessors. The business case addressed, amongst other things:

- the scope and objective of the business stream;
- investment and resources required;
- the potential risks, significance of the risks and mitigations associated with the venture; and
- expected financial results and relevant outcomes.

In debating the report, Members raised the issue of ensuring appropriate cover was in place for professional indemnity insurance.

**RESOLVED** that, subject to satisfactory clarification that professional indemnity cover was in place, the business case for the sub-contracting of fire risk assessors, as set out in report CSC/13/3, be approved.

**\*CSC/33. Competition Law Compliance**

The Committee received for information a report of the Chief Fire Officer (CSC/13/4) on what was meant by anti-competitive behaviour, the implications of being complicit in such behaviour at both a company and individual level and a four-step, risk-based approach to ensure an embedded, compliance-based culture for Red One Ltd., the Authority and the Service.

**\*CSC/34. Reform of Competition Law - Right to bring Private Action**

The Committee received for information a report of the Chief Fire Officer (CSC/13/5) on proposals by the Department for Business Innovation and Skills (BIS) to amend current competition law to facilitate easier access to and facilitate a more streamlined process for challenging anti-competitive behaviour. The report referred to concerns raised by the Confederation for British Industry that the proposals could fuel a "litigation culture", concerns which BIS had sought to off-set by indicating that the proposals would have "strong safeguards" to prevent "frivolous or unmeritorious" claims being brought against businesses.

**\*CSC/35.**

**State Aid**

The Committee received for information a report of the Chief Fire Officer (CSC/13/6) defining what constituted “state aid” and the principles behind this which would be applicable to the Red One and the Authority in commercial trading ventures.

**\*CSC/36.**

**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 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/37.**

**Update on Commercial Matters (including current Commercial Leads and Opportunities)**

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

The Committee received, for information, a presentation by the Commercial Business Development Manager on the “Quickbooks” software package to be used for commercial activities. The presentation featured, amongst other things, the functionality of the package in recording and tracking the status of commercial leads, issue of quotations and invoices etc. and also indicated actual initiatives currently being progressed on a commercial basis.

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

The meeting started at 10.00hours and finished at 11.17hours.



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

8 May 2013

Present:-

Councillors Radford (Chairman), Burridge-Clayton, Dyke, Gribble and Mills.

Apologies:-

Councillor Way

**\*APRC/57. Minutes**

**RESOLVED** that the Minutes of the meeting held on 31 January 2013 be signed as a correct record.

**\*APRC/58. Grant Thornton Items**

(Mr. Alun Williams, Grant Thornton, in attendance to present the following items).

**(a) Audit Committee Update**

The Committee received for information a report from Grant Thornton on progress in delivering its responsibilities as the Authority's external auditor. The report covered, amongst other things:

- completion of the detailed plan for audit of the Authority's 2012-13 accounts (see Minute \*APRC/58(c) below);
- details of the interim accounts audit; and
- emerging issues including draft local audit bill which would see the introduction of a new regulatory regime for 2015-16 and local authorities appointing their own auditors from 1 April 2017.

**(b) Planned Audit Fee for 2013-14**

The Committee received for information details of the work programme and scale fees in 2013-14 for external audit work of the Authority's financial statements.

**(c) Authority Audit Plan for Year Ended 31 March 2013**

The Committee received for information details of the work to be undertaken by Grant Thornton in relation to the Authority's statement of accounts for 2012-13. The audit work would comply with all required standards, be time constrained and would address all appropriate risk areas.

**(d) Declutter Your Accounts - Top Ten Tips**

The Committee received for information an information sheet produced by Grant Thornton offering a checklist tips to local authorities to "declutter" their statements of accounts.

**\*APRC/59. Auditing Standards - Communication with the Audit & Performance Review Committee**

The Committee considered a report of the Treasurer (APRC/13/3) setting out the response to questions posed by Grant Thornton on the processes and procedures in place to ensure that the Authority discharged effectively, efficiently and lawfully its responsibilities in relation to fraud and corruption, law and regulation, accounting for estimates and related parties.

**RESOLVED** that the response prepared by the Treasurer to the issues raised by Grant Thornton, as detailed the appendix to report APCR/13/3 and detailing the arrangements in place for the Authority to discharge its responsibilities in relation to fraud and corruption, law and regulation, accounting for estimates and related parties be endorsed.

**\*APRC/60. 2012-13 Internal Audit Year End Report and 2013-14 Internal Audit Plan**

The Committee considered the report of the Audit and Review Manager (APRC/13/4) on:

- work completed during the 2012-13 financial year by the Service internal audit section and the Devon Audit Partnership against the approved internal audit plan for that year; and
- the proposed 2013-14 internal audit plan and three year strategic internal audit plan 2013-16.

In relation to 2012-13, the report listed assurance statements for audits completed, identified additional work completed over and above that contained in the approved plan for the year and highlighted both good practice examples and areas for improvement arising from key audit findings.

The 2013-14 internal audit plan detailed the proposed scope of audit work to be completed in that year either by the internal audit team or by the Devon Audit Partnership.

**RESOLVED**

- (a) That the proposed 2013-14 Internal Audit Plan and Three Year Strategic Internal Audit Plan, as attached as Appendices A and B respectively to report APCR/13/4, be approved;
- (b) that, subject to (a) above, the report be noted.

***(SEE ALSO MINUTE \*APRC/62 BELOW***

**\*APRC/61. Devon & Somerset Fire & Rescue Service Performance Report April 2012 - February 2013**

The Committee received for information a report of the Deputy Chief Fire Officer (APRC/13/5) setting out Service performance between April 2012 and February 2013 against those measures contained in the approved Service Corporate Plan. In particular, the following issues were highlighted:

- Measure 1 (fire deaths where people live): While a downward trend was being maintained, there had been 10 fatalities during the reporting period. The report identified further details in relation to this measure, including performance against emergency response standards and location of incident. The Service was committed to eliminating all preventable fire deaths and had instigated a series of measures, including fatal fire reviews, aimed at identifying and enhancing as necessary inter-agency working to promote prevention;
- Measure 2 (fire injuries where people live): This measure was showing an upward trend albeit that this was as a result of the exclusion of data prior to the introduction of the new Incident Recording System (IRS). IRS provided more accurate data and now facilitated benchmarking in performance. The Service had secured a reduction in this measure when compared to the same period last year (48 compared to 62 injuries).
- Measure 3 (fire incidents where people live): A downward trend was being maintained with performance showing an improvement when compared to the same period last year;

- Measure 4 (fire deaths where people work/visit): Although overall a neutral trend was being maintained, performance had improved over the same period last year (2 deaths as compared to 4). Additionally, the Service continued to record no fire deaths in non-domestic properties;
- Measure 5 (fire injuries where people work/visit): This measure continued to display a good downward trend, with an improvement over the same period last year (14 injuries compared to 20);
- Measure 6 (fire incidents where people work/visit): As with Measure 5, this measure continued to display a good downward trend, with an improvement over the same period last year (1,229 incidents compared to 1,455);
- Measures 7 and 8 (performance against Emergency Response Standards for fires and road traffic collisions): efforts to secure performance against these measures continued to be a priority for the Service. The Committee was reminded of the background to the introduction of the Service area-bespoke standards - which were now based around life-risk rather than the previous, national, property-risk based standards – and the range of factors that could have a detrimental impact on performance against these measures (e.g. for the retained service, both time taken to respond to the station and to turn out from the station – both of which could be impacted by traffic conditions; time taken to establish precise incident location etc.). The Committee also noted several case studies of recent fatal fires where, in each case, the response had been well inside the required emergency response standards. It was, as such, acknowledged that while performance against emergency response standards remained an important measure, it was not the determinant in terms of fatalities.

**\*APRC/62. Critical Incident Defusing**

The Committee received for information a presentation by the Area Manager (Community Safety and Risk Reduction) on the “defusing” process used by the Service following critical incidents, typically where there may have been a fatality or serious life-threatening injury. The process was a highly effective staff welfare tool aimed at seeking to mitigate against the potential for on-going psychological distress stemming from attendance at traumatic incidents.

The Service process had been cited as an example of good practice following a recent internal audit, with further improvements and refinements suggested to enhance its effectiveness.

**(SEE ALSO MINUTE \*APRC/60 ABOVE)**

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

The meeting started at 10.00hours and finished at 12.00hours.

## **RESOURCES COMMITTEE**

(Devon and Somerset Fire and Rescue Authority)

16 May 2013

### Present:-

Councillors Gordon (Chairman), Bown (vice Yeomans), Horsfall, Randall Johnson (vice Hughes OBE) and Woodman.

### Apologies:-

Councillors Hughes OBE and Yeomans

### **\*RC/18. Former Authority and Committee Members**

The Chairman and other Members present asked to have placed on record their appreciation for the contributions made both to the work of the Committee and the full Authority of Cathy Bakewell MBE and Dennis Smith who, following the recent local authority elections, would not be returning as Members of the Devon & Somerset Fire & Rescue Authority.

### **\*RC/19. Minutes**

**RESOLVED** that the Minutes of the meeting held on 4 February 2013 be signed as a correct record.

### **\*RC/20. Annual Grant to Service Ceremonial Unit 2013-14**

The Committee considered a report of the Chief Fire Officer (RC/13/5) on the making of a grant to the Service Ceremonial Unit by way of contribution to events scheduled for the forthcoming financial year and to assist towards the costs of replacement of certain consumables as identified in the report. The approved 2013-14 revenue budget contained provision to make grants. Financial Regulations required the level of grant sought by the Unit to be approved by the Committee.

Members acknowledged and asked to have placed on record their appreciation of the work of the unit in representing at the highest standard both the Devon & Somerset Fire & Rescue Service and the fire service nationally. Whilst being sympathetic to the requirement for grant funding from the Service, the Committee also felt that the Ceremonial Unit might benefit from seeking alternative, independent sources of finance (e.g. lottery funding), perhaps with support and assistance from the Service in doing so. The Committee also indicated that officers might wish to explore other options for financial support for the Unit, for example by a Service Level Agreement establishing an appropriate amount in the base budget so as to afford greater financial security for the Unit.

**RESOLVED** that a grant of £8,000 be made to the Ceremonial Unit for the 2013/14 financial year as a contribution towards those costs highlighted in paragraphs 2.2 to 2.4 of report RC/13/5.

### **RC/21. Financial Performance Report 2012-13: Quarter 4**

The Committee considered a report of the Treasurer to the Authority (RC/13/6) setting out the Authority's performance against approved financial targets as at the end of the fourth quarter (31 March 2013).

The draft financial outturn position indicated an underspend of £1.681m (2%) against the approved revenue budget for 2012-13. The underspend was largely (£1m) attributable to positive action by budget managers to secure savings against the budgets for which they were responsible. The savings so identified had also been removed from the base budget for 2013-14. The report also detailed other significant variations against the approved 2012-13 revenue budget including, amongst other things:

- an overspend of £0.357m against the wholetime staff pay budget;
- an underspend of £0.390m against the retained pay budget (accounted for by a reduction in activity levels);
- an underspend of £0.459m against non-uniformed pay costs;
- greater than anticipated Treasury Management income, which had exceeded the original target by £0.131m.

Three contributions to earmarked reserves were included in the outturn figures as follows:

- £0.139m in grants received during 2012-13 but currently unapplied;
- £0.150m to enable completion next year of works commenced during the current financial year relating to a replacement telephone system (£0.100m) and remedial work to repair leakage from an oil bunker container at Taunton Fire Station (£0.050m).

Proposals for utilisation of the underspend, together with the current position in relation to financial reserves and provisions held by the Authority, were also identified in the report.

The Authority's capital programme for 2012-13 had initially been set at £8.597m but had subsequently been increased to £10.647m as a result of carrying forward slippage from the previous year and also by the addition of new capital spending items to be funded either from grant income or revenue contributions. The draft outturn position indicated capital spending of £4.662m against the total approved programme of £10.647m. The report indicated how the total spending would be financed and also set out reasons for the slippage of £5.985m. No prudential indicator had been breached from capital activity in 2012-13.

Finally, the report detailed aged debt analysis and identified those debts outstanding for more than 85 days, for which rigorous recovery action was in train.

**RESOLVED** that the Authority, at its meeting on the 30 May 2013, be recommended to approve:

- (a) that the provisional underspend of £1.681m against the 2012-13 revenue budget be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 10.1 of report RC/13/5:
  - (i) £0.103m for essential spending pressures (£0.070m for breathing apparatus cylinder testing; £0.033m for specialist rescue level 4 boat training);
  - (ii) £1.578m to the Comprehensive Spending Review (CSR) 2010 Budget Strategy Reserve
- (b) That an amount of £0.314m within Earmarked Reserves be transferred to General Reserves as outlined in paragraph 11.5 of this report.
- (c) That, subject to (a) and (b) above, the following be noted:

- (i) the draft position in respect of the 2012-13 Revenue and Capital Outturn position, as indicated in this report.
- (ii) That the underspend figure of £1.681m is after;
  - (A) A transfer of £0.139m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised;
  - (B) A transfer of £2.832m to the Capital Funding Earmarked Reserve, relating to agreed revenue funding towards capital spending not utilised;
  - (C) A transfer of £0.150m to an Earmarked Reserve to fund 2012-13 Budget Carry Forwards; and
  - (D) An increase of £0.798m in the Provision set aside to fund the impact of the Employment Tribunal relating to Part Time Workers (Less than Favourable Working Conditions), as outlined in paragraph 3.7 of the report.
- (d) that, subject to (a) to (c) above, the performance against agreed financial targets in 2012-13, as detailed in the report, be noted.

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

The meeting started at 10.00hours and finished at 11.53hours.

# DEVON & SOMERSET FIRE & RESCUE AUTHORITY



<b>REPORT REFERENCE NO.</b>	DSFRA/13/11
<b>MEETING</b>	DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (Ordinary Meeting)
<b>DATE OF MEETING</b>	30 MAY 2013
<b>SUBJECT OF REPORT</b>	PROVISIONAL FINANCIAL OUTTURN 2012-2013
<b>LEAD OFFICER</b>	TREASURER
<b>RECOMMENDATIONS</b>	<p>(a) <i>That the following three proposed transfers to Earmarked Reserves, as outlined in paragraph 10.1 of this report, be approved;</i></p> <ul style="list-style-type: none"> <li><i>I. an amount of £0.103m be transferred to an Earmarked Reserve to fund two one-off essential spending pressures not included in the 2013-14 revenue budget;</i></li> <li><i>II. an amount of £1.578m be transferred to the CSR 2010 Budget Strategy Reserve.</i></li> </ul> <p>(b) <i>That the proposed transfer of £0.314m from Earmarked Reserves to the General Reserve, as outlined in paragraph 10.3 of this report, be approved;</i></p> <p>(c) <i>That the capital determinations in relation to the funding of the 2012-13 capital spending, as detailed in paragraph 15.1 of this report, be approved;</i></p> <p>(d) <i>That subject to (a) and (b) above, the position in relation to the Revenue and Capital Outturn, as indicated in this report, be noted.</i></p>
<b>EXECUTIVE SUMMARY</b>	<p>This report provides the financial outturn position for 2012-13, for both revenue and capital spending, and makes recommendations as to how the underspend against the revenue budget of £1.681m is to be utilised.</p> <p>The figures included in this report are provisional at this stage, subject to external audit of the Accounts during July/August 2013.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated within the report.

<b>EQUALITY IMPACT ASSESSMENT</b>	Not applicable
<b>APPENDICES</b>	A. Provisional Revenue Outturn Position 2012-2013. B. Summary of Reserve and Provision Balances at 31 March 2013
<b>LIST OF BACKGROUND PAPERS</b>	Financial Performance Report 2012-13 (RC/13/5) to Resources Committee 16 May 2013



## 1. INTRODUCTION

1.1 This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2012-13, and makes recommendations as to how the underspend against the revenue budget is to be utilised. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.

## 2. SECTION 1 – REVENUE OUTTURN 2012-13

2.1 Total revenue spending in 2012-13 was £76.996m, compared to an agreed budget of £78.677m, resulting in an underspend of £1.681m, equivalent to 2.14% of total budget. A summary of spending is shown in Table 1 below, and Appendix A provides a more detailed analysis of spending against individual budget heads.

**TABLE 1 – SUMMARY OF REVENUE SPENDING 2012-13**

	£m	£m	£m
<b>Approved Budget</b>			<b>78.677</b>
Gross Spending ( <i>Appendix A Line 27</i> )	77.765		
Gross Income ( <i>Appendix A Line 32</i> )	(3.890)		
Net Spending		73.875	
<u>PLUS Transfers to Earmarked Reserves</u>			
- Grants Unapplied ( <i>Appendix A Line 35</i> )	0.139		
- 2012-2013 Carry Forwards ( <i>Appendix A Line 36</i> )	0.150		
- Direct Revenue Funding to Capital ( <i>Appendix A line 37</i> )	2.832		
Total Transfer to Earmarked Reserves ( <i>Appendix A Line 38</i> )		3.121	
<b>TOTAL NET SPENDING</b>			<b>76.996</b>
<b>NET UNDERSPEND</b>			<b>(1.681)</b>

2.2 This underspend position is largely attributable to the instruction given by the Chief Fire Officer and Senior Management Board to all budget holders across the organisation to trim costs wherever possible with a view to reducing their areas of budget responsibility and secure £1m of savings by the end of the financial year. Delivery of in-year savings form an important part of our overall strategy to build reserve balances at this time to provide additional financial contingency during the next four year period when the more severe budget reductions are anticipated.

2.3 A draft outturn report was considered at the meeting of Resources Committee held on 16 May 2013, including proposals on how to utilise the underspend. The Committee resolved to recommend to the Authority that two transfers to Earmarked Reserves be made, as follows (Minute RC/ refers);

- An amount of £0.103m be utilised to fund two one-off spending pressures for which no funding had been included in the 2013-14 revenue base budget.
- That the balance of £1.578m be transferred to the CSR 2010 Budget Strategy Reserve.

2.4 Further details of each of these proposals are contained in paragraph 10.1 of this report.

2.5 An analysis of spending against all approved budget lines is shown in Appendix A. It is inevitable that there will be variations against individual budget lines, due to changing circumstances, volatility associated with some budget lines, and the instruction to budget holders to only commit spending that is deemed to be essential. Details of the major variations against individual budget lines are explained in paragraphs 3 to 8 below

### **3. EMPLOYEE COSTS**

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

3.1 Spending against the wholetime staff pay budget is £0.357m more than budget, equivalent to 1.08% of the total wholetime pay budget, primarily as a result of additional overtime payments required to cover vacant firefighter posts.

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

3.2 Spending against the retained pay budget is £0.390m under budget, primarily as a result of less retained calls than had been budgeted for. Members will be aware that forecasts of spending against the £12m retained pay budget can be very difficult to predict given the fact that the majority of retained staff are paid on a 'pay as you go basis' which means that costs are directly associated to the number of retained mobilisations.

3.3 It should be noted that this figure of £0.390m is net of an additional Provision of £0.798m to fund future liabilities in relation to the impact of the Employment Tribunal case made in 2010 under the Part Time Workers (Less than Favourable Working Conditions) Regulations. Members will recall that the Tribunal ruled that the claimants (retained staff) were engaged in broadly the same work as their named comparators (wholetime staff) and that they had been treated less favourably in respect of conditions of service e.g. access to pensions, sickness payments etc.

3.4 At this time it is not possible to give a precise figure as to the ultimate financial impact to the Authority as details of the settlement associated with access to pension rights have not yet been released. We are expecting further information to be released in the next few months following negotiations between the Fire Brigades Union and the Department of Communities and Local Government (CLG). However given that Devon and Somerset FRA is the largest employer of retained firefighters in the UK, we are expecting the impact of this ruling to be significant, particularly as the ruling includes backdated payments to the year 2000.

3.5 The Authority had already set aside funds of £1.853m into a financial Provision as at 1 April 2012 to meet payments when they arise. During 2012-13 payments to retained firefighters totalling £1.027m have been made, relating to the non-pension aspects of the settlement, leaving a remaining balance as at 31 March 2013 of £0.826m.

3.6 It is an accounting requirement that this Provision is reviewed at the year-end to ensure that, as far as possible, sufficient sums are made available to pay outstanding liabilities. Given that we are now a further year on it is necessary to increase the Provision again to cover a further twelve months liability. Based on the most recent information available it is now forecast that the liability still to come is £1.624m. This forecast makes an assumption relating to the number of retained firefighters, both existing and retired, that take up the option to access the new pension rights offered to them from the ruling of the Tribunal. There is, of course, a risk that more firefighters take up the option resulting in the cost exceeding the amount set aside in the Provision. Should this be the case then the Authority will need to fund any excess from Reserve balances.

- 3.7 Given that the revised estimated liability of £1.624m exceeds the existing Provision balance of £0.826m, it is required to charge an additional £0.798m to the 2012-2013 revenue account to increase the Provision to the required level.

***Non-Uniformed staff Costs***

- 3.8 As a result of the strategy adopted to achieve in-year savings from holding posts vacant wherever possible spending on non-uniformed pay is £0.459m less than budget.

***Training costs***

- 3.9 The underspend against training costs is due to a number of factors including a reduction in the costs of role development training because we do not have the forecast number of people in expensive development programme, a rationalisation of courses to increase efficiency and a redesign of the ADC toolkits which has presented significant financial efficiency. The delivery of these efficiencies has not impacted upon core competence as all risk critical courses have been delivered as required.

***Pension Costs***

- 3.10 As a result of the identification of eleven cases of ill-health pensions payments in relation to previous years being incorrectly charged against the Firefighter Pension Fund (funded by CLG top-up grant) rather than the Service revenue budget, a correcting adjustment has been necessary in the current year resulting in a net overspend of £0.395m.

**4. TRANSPORT RELATED COSTS**

***Travel and Subsistence***

- 4.1 As a result of the overall strategy to secure in-year savings costs associated with travel and subsistence have been £0.217m less than budget.

**5. SUPPLIES AND SERVICES**

***Communications***

- 5.1 As a result of and a delay in the installation of a replacement telephone system (£0.100m), and the overall strategy to secure in-year savings, the budget for communications and ICT costs is underspent by £0.207m.

***Personal Protective Equipment (PPE)***

- 5.2 The roll out of the new PPE across the Service is now substantially complete and in the event costs associated with the roll out have not been as much as had been anticipated. In the next few years consideration will need to be given as to how funding is to be made available for replacement PPE once current issue is out of life.

**6. ESTABLISHMENT COSTS**

***Insurances***

- 6.1 An underspend against insurance costs of £0.251m includes a refund from FRAML, the mutual insurance company that DSFRS was part of until a few years ago, relating to the contribution that DSFRS made to FRAML to fund motor claims, which in the event was not required. In addition, further savings have been achieved as a result of less excess claims being funded from the Service budget than had been budgeted.

## **7. CAPITAL FINANCING COSTS**

### ***Capital Charges***

- 7.1 Elsewhere in this report (Table 3) is the final outturn position in relation to 2012-13 capital spending which identifies that there has been significant slippage in spending against some capital projects. As a consequence of this slippage together with slippage from the previous year savings of £0.199m have been achieved against the capital charges budget.

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

- 7.2 A further consequence of the slippage in capital spending outlined above in paragraph 7.1 is that not all of the agreed Revenue Contribution to Capital Spending has been required in 2012-13. In order that the agreed revenue funding to capital is available to fund the spending when it occurs in 2013-14 it is necessary to transfer the unused balance of £2.832m into an Earmarked Reserve.

## **8. INCOME**

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

- 8.1 Investment decisions made during the year, and a better than anticipated cash position, has resulted in investment income exceeding the original target by £0.131m.

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

- 8.2 Whilst the Authority has received £0.329m more in grant income than budgeted, it should be emphasised that of the total grants received during the year an amount of £0.139m relates to grants that have been received from outside bodies to fund a specific purpose, but which have not been spent by the year-end. Under the International Financial Reporting Standards (IFRS), any such grant, where there is no requirement for it to be repaid if not spent at year-end, is to be identified to the Committee and carried forward into the next financial year by way of a transfer into an Earmarked Reserve. This Reserve will then fund those projects for which the grants were originally intended when expenditure is incurred. Further detail of such grants is included in paragraph 9.1.

### ***Other Income***

- 8.3 A shortfall of £0.224m against the other income budget is a reflection of the difficult market conditions which, in particular, is having an impact on external training customers. This shortfall is partly offset by a reduction in training staff costs.

## **9. CONTRIBUTION TO EARMARKED RESERVES**

- 9.1 The 2012-13 outturn figures in Appendix A includes three transfers to Earmarked Reserves, as follows:

1. **Grants Unapplied (£0.139m)** – as is outlined in paragraph 8.2 of this report, under the IFRS accounting arrangements, any unused grants at the year-end, which are not subject to repayment are to be identified and carried forward to 2013-14. An analysis of such grants is shown in Table 2 overleaf.

**TABLE 2 – UNSPENT GRANTS TO BE CARRIED FORWARD TO 2013-2014**

<b>Grant Received From</b>	<b>£m</b>	<b>Purpose of Grant</b>
CLG	(0.088)	National resilience projects
Surestart	(0.033)	Road safety for young drivers & passengers
Learn2Live	(0.018)	Home safety visits for vulnerable people
<b>TOTAL</b>	<b>(0.139)</b>	

2. **2012-13 Budget Carry Forwards (£0.150m)**. Two committed projects planned to be delivered by 31 March 2013 have not been completed on time and a budget carry forward is therefore required to fund those costs in 2013-14. These projects relate to:

- Replacement Telephone System - £0.100m.
- Remedial works to put right leakage from Oil Bunker Container at Taunton Fire Station - £0.050m.

3. **Capital Funding Reserve (£2.832m)**. As is reported in paragraph 7.2 of this report, as a result of slippage in capital spending not all of the agreed direct revenue funding to capital has been required. The remaining balance of £2.832m is required to be carried forward to 2013-14, through an earmarked reserve, to fund the capital spending when it is actually incurred.

## **10. PROPOSALS FOR UTILISATION OF THE UNDERSPEND**

- 10.1 Following consideration of the financial outturn position at the meeting of Resources Committee, held on the 16 May 2013, it is recommended that the underspend figure of £1.681m be used to fund two further transfers into Earmarked Reserves, as follows:

- (a) **Essential Spending Pressures 2013-14 (£0.103m)** – Since setting the 2013-14 revenue budget in February 2013 two essential spending items totalling £0.103m have been identified by budget holders for which no budget provision has been made. Since each of these items are one-off in nature it is proposed that funds be made available from the 2012-13 underspend by way of a transfer to Earmarked Reserves. The requested spending items relate to;

- Breathing Apparatus Cylinder Testing - £0.070m
- Specialist Rescue Level 4 Boat Training - £0.033m

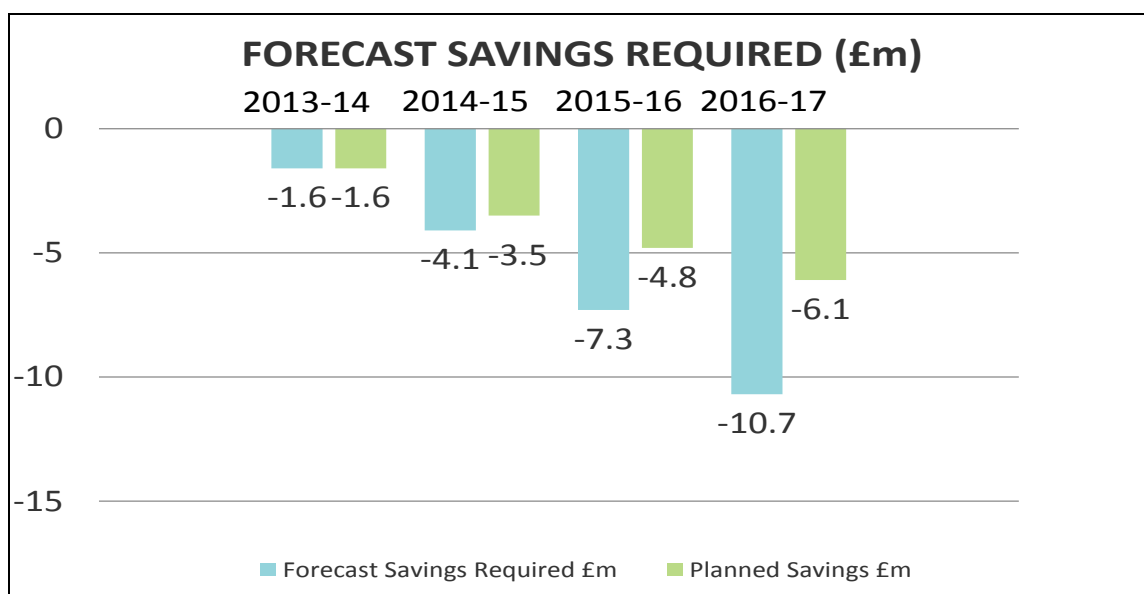
- (b) **CSR 2010 Budget Strategy Reserve (£1.578m)** – it is proposed that the remaining underspend of £1.578m be transferred to the existing CSR 2010 Budget Strategy Reserve. If agreed this would increase the balance on this Reserve to £3.395m.

Members will be aware of our strategy to build this Reserve from in-year savings to be utilised over the next four years when the impact of the grant reductions will be more severe. We already know from the December 2012 Local Government Finance Settlement that our grant has been reduced by £5.5m by 2014-15, and this figure is exacerbated by the announcement in the Chancellors Budget in March 2013 of an additional 2% reduction to local government funding in 2014-15.

Chart 1 below provides current forecasts of savings required over the four year period 2013-14 to 2016-17 together with forecast savings to be achieved over that period from the proposals contained in the current Corporate Plan. As is illustrated from this Chart, based on current forecasts, the planned savings deliverable from the proposals in the Corporate Plan will not cover the total savings required by 2016-17 which is why further proposals will need to be brought forward for consideration.

One of the key factors to the delivery of the required savings is the natural turnover of staff during the period. The balance in the CSR 2010 Budget Strategy Reserve will be available to smooth out the impact of the grant reductions over the four years, and also to fund any costs associated with any voluntary redundancy agreements.

**CHART 1 – FORECAST SAVINGS REQUIRED 2013-14 TO 2016-17**



10.2

A summary position of Reserves and Provisions as at 31 March 2013, including the recommended transfers to Earmarked Reserves included in this report, is included as Appendix B.

10.3 In addition to the proposals for transfers to Earmarked Reserves (Appendix B Column 4), it is also recommended that an amount of £0.314m is transferred from Earmarked Reserves to the General Reserve (Appendix B Column 5). This amount relates to amounts originally transferred to Earmarked Reserve but which are no longer required for its original purpose, and is therefore eligible for transfer to the General Reserve. If Members are minded to approve this recommendation then the balance on the General Reserve will increase from £4.873m to £5.187m, equivalent to 6.59% of total revenue budget.

## **11. SUMMARY OF REVENUE SPENDING**

11.1 Members will be well aware from budget monitoring reports considered during the financial year of the strategy adopted to seek in-year savings wherever possible which can be transferred at year end to the Authority Reserve balances. It is pleasing therefore that this strategy has resulted in an underspend position enabling a further transfer of £1.578m to be made to the CSR 2010 Reserve, increasing the balance on that Reserve to £3.395m.

11.2 It is anticipated that this Reserve will be fully utilised over the four year period to smooth out the impact to the Service revenue budget of the severe CSR grant reductions over that period.

11.3 The Authority is asked to approve the recommendations included in paragraphs 10.1 and 10.3.

## **12. SECTION 2 – CAPITAL OUTTURN 2012-13**

12.1 The capital programme for 2012-13 was originally set at £8.597m at the budget setting meeting held on the 17 February 2012. This programme figure has increased during the financial year to £10.647m, predominantly as a result of slippage in spending from the previous year, but also as a result of new capital spending items to be funded from grant income or revenue contributions. As has been reported to the Committee during the year whilst these changes represent an increase in the 2012-13 programme they do not represent an increase in the overall borrowing requirement.

12.2 Table 3 overleaf provides a summary of the provisional outturn position against the agreed 2012-2013 capital programme. This reports capital spending to be £4.662m against a total programme of £10.647m, resulting in an underspend of £5.985m. Of this underspend an amount of £4.619m is attributable to slippage against capital projects with the remaining £1.366m representing savings against the original programme.

**TABLE 3 – SUMMARY OF CAPITAL SPENDING IN 2012-13**

Draft Capital Outturn 2012/13			Variation to budget			
Item PROJECT	2012/13	2012/13	2012/13	Slippage	Savings	Total
	£000	£000	£000	£000	£000	variation
	Budget	Draft outturn	Variation to budget			£000
<b>Estate Development</b>						
1 SHQ major building works	92	3	(89)	89		89
2 Major Projects - Training Facility at Exeter Airport	3,284	2,090	(1,194)	1,194		1,194
3 Minor improvements & structural maintenance	2,140	820	(1,320)	1,320		1,320
4 Welfare Facilities	15	15	0	0		0
5 USAR works	112	109	(3)	3		3
6 Minor Works slippage from 2010-11	343	343	0	0		0
7 Minor Works slippage from 2011-12	1,674	549	(1,125)	0	1,125	1,125
8 STC - Ship Structure	52	47	(5)	5		5
<b>Estates Sub Total</b>	<b>7,712</b>	<b>3,976</b>	<b>(3,736)</b>	<b>2,611</b>	<b>1,125</b>	<b>3,736</b>
<b>Fleet &amp; Equipment</b>						
9 Appliance replacement	700	207	(493)	493		493
10 Specialist Operational Vehicles	920	251	(669)	669		669
11 Vehicles funded from revenue	184	183	(1)	1		1
12 Equipment	242	45	(197)	197		197
13 Appliance and Specialist Operational Vehicles slippage	889		(889)	648	241	889
			0			
<b>Fleet &amp; Equipment Sub Total</b>	<b>2,935</b>	<b>686</b>	<b>(2,249)</b>	<b>2,008</b>	<b>241</b>	<b>2,249</b>
<b>Overall Capital Totals</b>	<b>10,647</b>	<b>4,662</b>	<b>(5,985)</b>	<b>4,619</b>	<b>1,366</b>	<b>5,985</b>
<b>Programme funding</b>						
Main programme	4,179	2,076	(2,103)	737	1,366	2,103
Revenue funds	3,247	415	(2,832)	2,832		2,832
Earmarked reserves	1,200	150	(1,050)	1,050		1,050
Grants	2,021	2,021	-	0		0
	<b>10,647</b>	<b>4,662</b>	<b>(5,985)</b>	<b>4,619</b>	<b>1,366</b>	<b>5,985</b>

**Slippage in Capital Spending 2012-13**

12.3

Members are aware that this Authority has a three rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This is not unusual as is the case for the Training Academy at Exeter Airport. This has been delayed due to contract negotiations, contaminated land and poor weather. As a consequence, £1.1m has slipped into 2013/14. It is proposed to not proceed with projects planned for 2013/14, reducing the budget significantly. Those projects that have slipped into 2013/14 have been reassessed and a further £1.1m saved as a consequence by only taking forward those already committed.



12.4 There has also been slippage within the Fleet replacement programme from 2012/13 of £2m. Again this is not unusual and remains within the arrangements for a three rolling capital programme. This is a result of aligning the Specialist Vehicle replacement with the Tiered Approach at Tier 3. These vehicles are 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 off-road, flooding and snow. This also includes 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.

**13. FINANCING THE 2012-13 CAPITAL PROGRAMME**

13.1 Table 4 below provides an analysis of how the 2012-13 capital spending of £4.662m is to be financed.

**TABLE 4 – SUMMARY OF CAPITAL FINANCING IN 2012-13**

	<b>Actual Financing Required £m</b>
<b><u>External Borrowing</u></b>	<b>2.076</b>
<b><u>Other Financing Sources</u></b>	
<u>Revenue Contribution to Capital Spending</u>	
SHQ Fire Control Room Refurbishment.	0.303
Ship Structure at Service Training Centre at Plympton.	0.048
Welfare facilities at fire stations.	0.018
Urban Search and Rescue (USAR) temporary building.	0.015
USAR Enhanced Logistics Command Vehicle.	0.094
Purchase of light vehicles from revenue.	0.039
Purchase of Telehandler Unit.	0.048
<b>Sub Total – Direct Revenue Funding/Earmarked Reserve</b>	<b>0.565</b>
<u>Capital/Revenue Grants</u>	
CLG Grant to support capital spending	2.021
<b>Sub Total - Capital/Revenue Grants</b>	<b>2.021</b>
<b>Total Financing</b>	<b>4.662</b>

## **Borrowing**

- 13.2 The amount of external borrowing at the beginning of the financial year stood at £27.066m. During the year an amount of £2m has been taken out as new borrowing with an amount of £1.899m of debt repayments, resulting in an overall small increase of external borrowing to £27.167m as at 31 March 2013. This level of borrowing is well below the agreed maximum borrowing figure of £34.159m allowed under the Prudential Code.

## **14. DRAFT PRUDENTIAL INDICATORS**

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

### **14.2 Capital Expenditure**

This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £5.985m less than anticipated predominantly as a consequence of delays on progressing capital projects.

Approved Indicator	£10.647m	
Actual Expenditure	£4.662m	
Variance		(£5.985)m

### **14.3 Capital Financing Requirement (CFR) – External Borrowing**

The CFR reflects the underlying need to borrow for capital purposes. Given that spending is £5.9m less than programmed, the need to borrow to fund capital spending has also reduced.

Approved CFR	£28.403m	
Actual CFR	£26.307m	
Variance		(£2.096)m

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

This CFR reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

Approved CFR	£1.558m	
Actual CFR	£1.558m	
Variance		(£0.000) m

### **14.5 Authorised Limit and the Operational Boundary for External Debt**

Actual external debt as at 31 March 2013 was £27.167m.

This is well within the authorised limit (absolute maximum borrowing approval) and operational boundary of £32.739m and £34.159m respectively, and therefore neither was breached.

### **14.6 Ratio of Financing Cost to Net Revenue Stream**

This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 3.98% would be applied and the actual figure is 0.32 base points (bp) below that estimate.

Capital Financing Costs	£3.109m
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Interest on investments	(£0.231) m
Net Financing Costs	£2.878m
Net Revenue Stream	£78.677m
Percentage	3.66%
Estimated	3.98%
Variance	(0.32) bp

## 15. **DETERMINATION OF CAPITAL FINANCE**

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

- That an amount of £2.076m is capitalised and funded from external borrowing.
- That an amount of £2.021m is capitalised and funded from government grant.
- That an amount of £0.565m is capitalised and funded from revenue contributions to capital spending, either directly from the 2012-13 revenue budget or from balances in Earmarked Reserves.

**KEVIN WOODWARD**  
Treasurer

**SUBJECTIVE ANALYSIS OF REVENUE SPENDING**

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY		2012/13	Year To	Spending to	Projected	Projected Variance over/ (under) £000 (5)
Provisional Revenue Outturn Statement 2012-2013		Budget	Date Budget	Month 12	Outturn	
Line No		£000 (1)	£000 (2)	£000 (3)	£000 (4)	
	<b>SPENDING</b>					
	<b>EMPLOYEE COSTS</b>					
1	Wholetime uniform staff	31,833	31,833	32,190	32,190	357
2	Retained firefighters	12,096	12,096	10,908	11,706	(390)
3	Control room staff	1,567	1,567	1,627	1,627	60
4	Non uniformed staff	10,561	10,561	10,102	10,102	(459)
5	Training expenses	1,321	1,321	1,012	1,012	(309)
6	Fire Service Pensions recharge	2,103	2,103	2,498	2,498	395
		<b>59,481</b>	<b>59,481</b>	<b>58,337</b>	<b>59,135</b>	<b>(346)</b>
	<b>PREMISES RELATED COSTS</b>					
7	Repair and maintenance	1,131	1,131	1,063	1,068	(63)
8	Energy costs	581	581	596	596	15
9	Cleaning costs	448	448	373	373	(75)
10	Rent and rates	1,471	1,471	1,526	1,526	55
		<b>3,631</b>	<b>3,631</b>	<b>3,558</b>	<b>3,563</b>	<b>(68)</b>
	<b>TRANSPORT RELATED COSTS</b>					
11	Repair and maintenance	602	602	549	549	(53)
12	Running costs and insurances	1,271	1,271	1,226	1,226	(45)
13	Travel and subsistence	1,679	1,679	1,462	1,462	(217)
		<b>3,552</b>	<b>3,552</b>	<b>3,237</b>	<b>3,237</b>	<b>(315)</b>
	<b>SUPPLIES AND SERVICES</b>					
14	Equipment and furniture	2,399	2,399	2,392	2,392	(7)
15	Supplies Internal Recharges	0	0	33	33	33
16	Hydrants-installation and maintenance	113	113	137	137	24
17	Communications	1,868	1,868	1,661	1,661	(207)
18	Uniforms	1,231	1,231	902	902	(329)
19	Catering	174	174	206	206	32
20	External Fees and Services	380	380	427	427	47
21	Partnerships & regional collaborative projects	125	125	117	117	(8)
		<b>6,290</b>	<b>6,290</b>	<b>5,875</b>	<b>5,875</b>	<b>(415)</b>
	<b>ESTABLISHMENT COSTS</b>					
22	Printing, stationery and office expenses	457	457	409	409	(48)
23	Advertising	49	49	35	35	(14)
24	Insurances	388	388	137	137	(251)
		<b>894</b>	<b>894</b>	<b>581</b>	<b>581</b>	<b>(313)</b>
	<b>PAYMENTS TO OTHER AUTHORITIES</b>					
25	Support service contracts	572	572	505	505	(67)
		<b>572</b>	<b>572</b>	<b>505</b>	<b>505</b>	<b>(67)</b>
	<b>CAPITAL FINANCING COSTS</b>					
26	Capital charges	4,653	4,653	4,454	4,454	(199)
27	Revenue Contribution to Capital spending	3,247	3,247	0	415	(2,832)
		<b>7,900</b>	<b>7,900</b>	<b>4,454</b>	<b>4,869</b>	<b>(3,031)</b>
28	<b>TOTAL SPENDING</b>	<b>82,320</b>	<b>82,320</b>	<b>76,547</b>	<b>77,765</b>	<b>(4,555)</b>
	<b>INCOME</b>					
29	Treasury management investment income	(100)	(100)	(231)	(231)	(131)
30	Grants and Reimbursements	(1,778)	(1,778)	(2,107)	(2,107)	(329)
31	Other income	(1,622)	(1,622)	(1,418)	(1,398)	224
32	Internal Recharges	(143)	(143)	(154)	(154)	(11)
33	<b>TOTAL INCOME</b>	<b>(3,643)</b>	<b>(3,643)</b>	<b>(3,910)</b>	<b>(3,890)</b>	<b>(247)</b>
34	<b>NET SPENDING</b>	<b>78,677</b>	<b>78,677</b>	<b>72,637</b>	<b>73,875</b>	<b>(4,802)</b>
	<b>TRANSFERS TO EARMARKED RESERVES</b>					
35	Grants Unapplied	-	-	-	139	139
36	2012-13 Budget Carry Forwards	-	-	-	150	150
37	Capital Funding	-	-	-	2,832	2,832
38	<b>TOTAL TRANSFERS TO EARMARKED RESERVES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,121</b>	<b>3,121</b>
39	<b>NET SPENDING</b>	<b>78,677</b>	<b>78,677</b>	<b>72,637</b>	<b>76,996</b>	<b>(1,681)</b>

APPENDIX B TO REPORT DSFRA/13/11

**SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2013**

<b>RESERVES AND PROVISIONS</b>					
	Balance as at 1 April 2012 £000	Spend as at 31 March 2013 £000	Proposed Transfer of underspend £000	Proposed Transfer between Reserves £000	Balance as at 31 March 2013 £000
<b>RESERVES</b>					
<b>Earmarked reserves</b>					
Lundy Island Fire Cover	(12)	(12)	-	12	0
Positive pressure ventilation training	(4)	(4)	-	4	0
Mobilisation equipment	-	(57)	57	-	0
Welfare building works	-	(15)	15	-	0
Change & improvement training	(4)	(6)	2	4	0
Gold command courses	(6)	(24)	18	6	0
Interagency liaison officer costs	(1)	(10)	9	1	0
Grants unapplied in 2010-11	(125)	(2,521)	146	125	(2,250)
Change & improvement programme	(162)	(673)	-	162	(511)
Commercial Services		(300)	47		(253)
Direct Funding to Capital		(1,044)	-		(1,044)
CSR 2010		(1,817)	-		(1,817)
<b>Year end proposals</b>					
Support to capital programme within 2011-12 base			(2,832)		(2,832)
2012-13 Budget Carry Forwards			(150)		(150)
Grants unapplied in 2011-12			(139)		(139)
Essential Spending Pressures			(103)		(103)
CSR 2010			(1,578)		(1,578)
<b>Total earmarked reserves</b>	<b>(6,483)</b>	<b>294</b>	<b>(4,802)</b>	<b>314</b>	<b>(10,677)</b>
<b>General reserve</b>					
General fund balance	(4,873)			(314)	(5,187)
Percentage of general reserve compared to net budget					-6.59%
<b>TOTAL RESERVE BALANCES</b>	<b>(11,356)</b>	<b>294</b>	<b>(4,802)</b>	<b>-</b>	<b>(15,864)</b>
<b>PROVISIONS</b>					
Part time workers - retained fire fighters	(1,853)	1,027	(798)		(1,624)
<b>TOTAL PROVISIONS</b>	<b>(1,853)</b>	<b>1,027</b>	<b>(798)</b>		<b>(1,624)</b>



# DEVON & SOMERSET FIRE & RESCUE AUTHORITY

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/13/12</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Ordinary Meeting)</b>
<b>DATE OF MEETING</b>	<b>30 MAY 2013</b>
<b>SUBJECT OF REPORT</b>	<b>ANNUAL TREASURY MANAGEMENT REPORT 2012-2013</b>
<b>LEAD OFFICER</b>	<b>Treasurer</b>
<b>RECOMMENDATIONS</b>	<i>That the performance in relation to the treasury management activities of the Authority for 2012-2013, as set out in this report, be noted.</i>
<b>EXECUTIVE SUMMARY</b>	<p>The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the Authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted.</p> <p>The report includes a performance report relating to the 2012-13 financial year.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated within the report.
<b>EQUALITY RISK AND BENEFIT ASSESSMENT (ERBA)</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	A. Prudential indicators 2012-13.
<b>LIST OF BACKGROUND PAPERS</b>	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/12/3

## 1. **INTRODUCTION**

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

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

1.2 Treasury management in this context is defined as:

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

## 2. **THE ECONOMY AND INTEREST RATES**

2.1 The financial year 2012-13 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2012/13 was that Bank Rate would start gently rising from quarter 4 2014. However, economic growth in the UK was disappointing during the year due to the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU).

2.2 The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £50bn in July to a total of £375bn. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation fell from 3% at the start of the year to end at 2.8% in March, with a fall back to below 2% pushed back to quarter 1 2016. The EU sovereign debt crisis was an on-going saga during the year with first Greece and then Cyprus experiencing crises which were met with bailouts after difficult and fraught negotiations.

2.3 **Gilt yields** oscillated during the year as events in the on-going Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50bn of QE in July and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically very low levels.

2.4 **Deposit rates.** The Funding for Lending Scheme, announced in July, resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling sharply in the second half of the year. However, perceptions of counterparty risk have improved after the ECB statement in July that it would do “whatever it takes” to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.

### 3. OVERALL TRESUARY POISTION AS AT 31 MARCH 2013

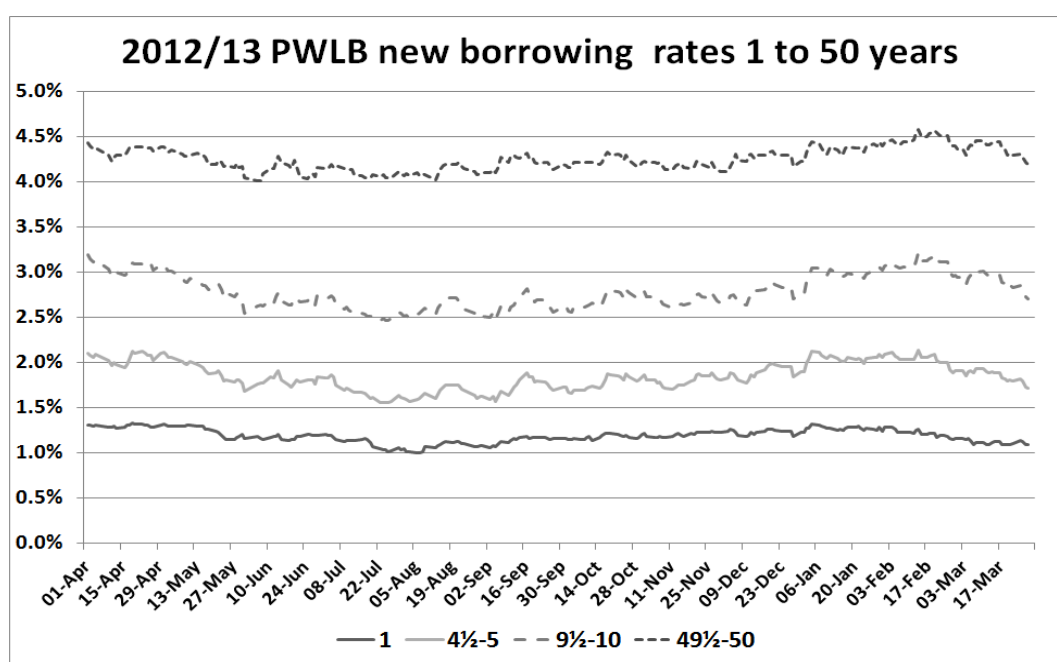
3.1 The Authority’s debt and investment position at the beginning and the end of the year was as follows:

SUMMARY	31st March 2013 Principal	Rate/ Return	31st March 2012 Principal	Rate/ Return
Fixed Rate Funding:				
-PWLB	£27.167m	4.227%	£27.067m	4.298%
<b>Total Debt</b>	<b>£27.167m</b>	<b>4.227%</b>	<b>£28.608m</b>	<b>4.298%</b>
Investments:				
-In-House	£17.792m	0.64%	£16.338m	0.79%
<b>Total Investments</b>	<b>£17.792m</b>	<b>0.64%</b>	<b>£11.645m</b>	<b>0.79%</b>

### 4. BORROWING

#### Public Works Loan Board (PWLB) borrowing rates 2012-2013

4.1 The graph below shows how PWLB borrowing rates remained close to historically very low levels during the year.





## **DSFRA Borrowing Strategy**

### **Prudential Indicators**

- 4.2 It is a statutory duty for the Authority to determine and keep under review the “Affordable Borrowing Limits”. The Authority’s approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.
- 4.3 During the financial year DSFRA operated within the treasury limits and Prudential Indicators set out in the Authority’s annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix A.

### **DSFRA Borrowing during and at the end of 2012-2013**

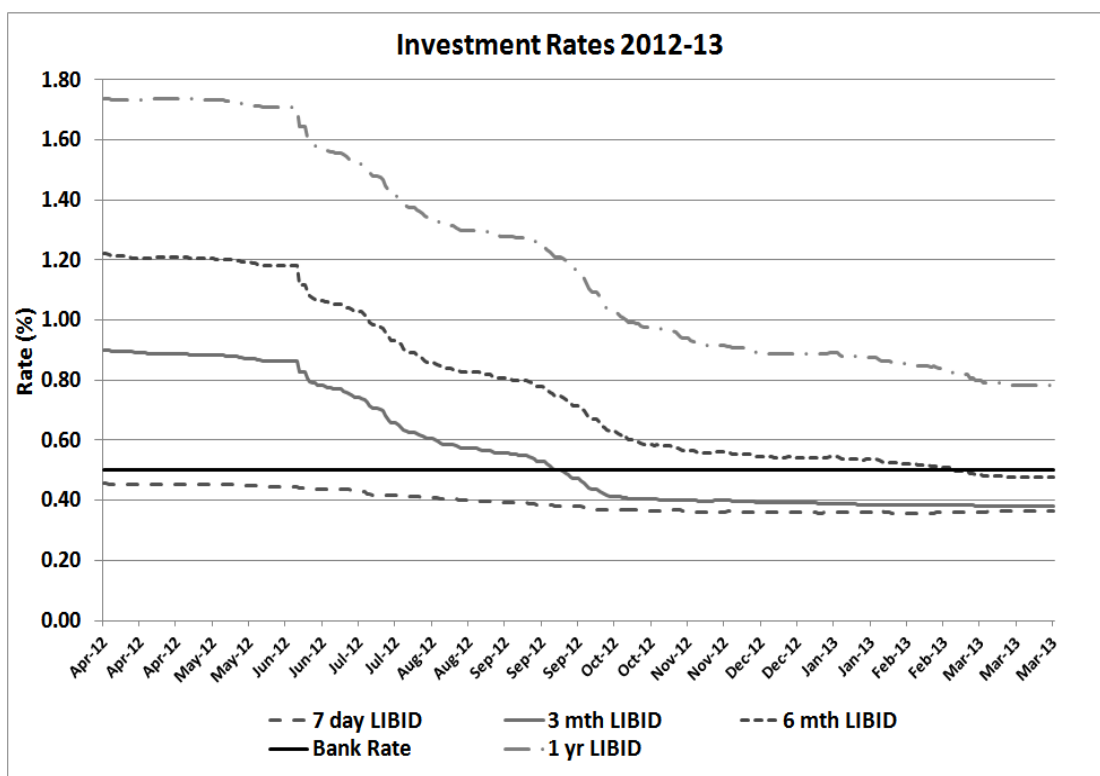
- 4.4 New borrowing of £2m was taken out in Quarter 1 of the financial year to support capital spending. A summary of the loan (debt) position of the Authority is given in the table below. All borrowing has been taken out at Fixed Interest Rates.

<b>Summary of loan movements during 2012-13</b>				
			<b>Amount £m</b>	
<b>Value of loans outstanding as at 1/4/12</b>			<b>27.066</b>	
Loans taken during 2012-2013				
<b>Date of Loan</b>	<b>Type of loan</b>		<b>Life (Years)</b>	<b>Interest Rate</b>
12/6/2012	PWLB Fixed rate	2.000	15 years	3.28%
Loans repaid upon maturity during 2012-13			(1.899)	
Loans rescheduled during 2012-13			0	
<b>Total value of loans outstanding as at 31/3/2013</b>			<b>27.167</b>	

## **5. INVESTMENTS**

### **Investment rates in 2012-13**

- 5.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for four years. Market expectations of the start of monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.
- 5.2 The table overleaf indicates movement in investment rates during 2012-13



**DSFRA Investment Strategy**

5.3 The Authority’s Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Authority’s investment priorities as follows:

- Security of Capital
- Liquidity

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

**DSFRA Investments during and at the end of 2012-2013**

5.5 No institutions in which investments were made during 2012-2013 had any difficulty in repaying investments and interest in full during the year and the Authority had no liquidity difficulties.

5.6 A full list of investments held as at 31 March 2013 are shown in the table overleaf.

<b>Investments as at 31 March 2013</b>					
Counterparty	Maximum to be invested	Total amount invested	Call or Term	Period invested	Interest rate(s)
	£m	£m			
Bank of Scotland	5.000	1.500	T	1 yr	3.00%
		1.500	T	1 yr	3.00%
		2.000	T	3 mths	0.70%
Barclays	10.000	2.000	T	3 mths	0.45%
		2.000	T	3 mths	0.45%
National Westminster Bank	5.000	5.000	T	3 mths	1.25%
Local Authority	5.000	2.000	T	1 yr	0.34%
Nationwide B/S	1.500	1.000	T	3 mths	0.45%
Ignis Money Market Fund	5.000	0.792	C	Instant access	Variable
<b>Total invested as at 31st March 2013</b>		<b>17.792m</b>			

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

Benchmark	Average level of funds available for investment	Benchmark Return	Authority Performance	Investment Interest Earned
3 month	£22.877m	0.56%	0.64%	£0.231m

- 5.8 The amount of investment income earned of £0.231m has exceeded the target by £0.131m as a result of levels of fund available for investment during the year being higher than anticipated.

## 6. **SUMMARY**

- 6.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with a summary report of the treasury management activities during 2012-2103. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken during the year, with priority being given to liquidity and security over yield. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments continued to be dominated by risk considerations resulting in relatively low returns compared to borrowing rates. Even so, the Authority is able to report that its returns are above the LIBID 3 month rate, the benchmark return for this type of short term investments.

**KEVIN WOODWARD**  
Treasurer

**APPENDIX A TO REPORT DSFRA/13/12**

<b>PRUDENTIAL INDICATOR</b>	<b>2011-12 £m actual</b>	<b>2012-13 £m approved</b>	<b>2012-13 £m actual</b>
<b>Capital Expenditure</b>			
Non - HRA	3.363	10.647	4.662
HRA (applies only to housing authorities)	0	0	0
<b>TOTAL</b>	<b>3.363</b>	<b>10.647</b>	<b>4.662</b>
<b>Ratio of financing costs to net revenue stream</b>			
Non - HRA	4.11%	3.98%	3.66%
HRA (applies only to housing authorities)	0%	0%	0%
<b>Capital Financing Requirement as at 31 March (borrowing only)</b>			
Non - HRA	26.142	28.403	26.307
HRA (applies only to housing authorities)	0	0	0
<b>TOTAL</b>	<b>26.142</b>	<b>28.403</b>	<b>26.307</b>
<b>Annual change in Cap. Financing Requirement</b>			
Non - HRA	(2.162)	2.001	0.164
HRA (applies only to housing authorities)	0	0	0
<b>TOTAL</b>	<b>(2.162)</b>	<b>2.001</b>	<b>0.164</b>
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase/(decrease) in council tax (band D) per annum	(£0.25)	(£0.47)	£(0.55)
<b>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>			
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Authorised Limit for external debt - borrowing</b>	33.302	34.159	29.211
other long term liabilities	1.626	1.587	1.587
<b>TOTAL</b>	<b>34.928</b>	<b>35.746</b>	<b>30.798</b>
<b>Operational Boundary for external debt - borrowing</b>	31.744	32.739	27.791
other long term liabilities	1.532	1.509	1.509
<b>TOTAL</b>	<b>33.276</b>	<b>34.248</b>	<b>29.300</b>

	Actual 31 <sup>st</sup> March 2013	upper limit %	lower limit %
Limits on borrowing at fixed interest rates	100%	100%	70%
Limits on borrowing at variable interest rates	0%	30%	0%
<b>Maturity structure of fixed rate borrowing during 2012-13</b>			
Under 12 months	3.51%	30%	0%
12 months and within 24 months	0.99%	30%	0%
24 months and within 5 years	1.15%	50%	0%
5 years and within 10 years	5.03%	75%	0%
10 years and above	89.31%	100%	50%