

**M. Pearson
CLERK TO THE AUTHORITY**

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

(see below)

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

Your ref :
Our ref : DSFRA/MP/SY
Website : www.dsfire.gov.uk

Date : 11 December 2013
Please ask for : Steve Yates
Email : syates@dsfire.gov.uk

Telephone : 01392 872200
Fax : 01392 872300
Direct Telephone : 01392 872329

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

Thursday 19 December 2013

A 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

AGENDA

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

1. **Apologies**
2. **Minutes** of the meeting held on 30 September 2013 attached (Page 5).
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 (e-mail address: clerk@dsfire.gov.uk) **by midday on Friday 13 December 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) Resources Committee

The Chairman of the Committee, Councillor Greenslade, to **MOVE** the Minutes of the meeting of the Committee held on 13 November 2013 attached (page 11).

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

(NOTE: a copy of the report RC/13/12 - "Treasury Management Performance 2013-14 – Quarter 2" - as considered at the meeting and referred to at Minute *RC/11, is attached – page 13 – *FOR INFORMATION*)

(b) Commercial Services Committee

The Chairman of the Committee, Councillor Healey, to **MOVE** the Minutes of the meeting of the Committee held on 21 November 2013 attached (page 22).

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

(c) Audit & Performance Review Committee

The Chairman of the Committee, Councillor Radford, to **MOVE** the Minutes of the meeting of the Committee held on 28 November 2013 attached (page 24).

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

(d) Community Safety & Corporate Planning Committee

The Chairman of the Committee, Councillor Eastman, to **MOVE** the Minutes of the meeting of the Committee held on 6 December 2013 attached (page 28).

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

8. **Future Insurance Arrangements**

Report of the Treasurer to the Authority (DSFRA/13/21) attached (page 29).

9. **"New Dimensions" Capital Expenditure**

Report of the Chief Fire Officer and Treasurer to the Authority (DSFRA/13/22) attached (page 37).

10. **2014-15 Council Tax Precept Consultation**

Report of the Treasurer to the Authority (DSFRA/13/23) attached (page 39).

11. **Filling of Vacancy on Community Safety & Corporate Planning Committee**

Report of the Clerk to the Authority (DSFRA/13/24) attached (page 41).

12. **Chairman's Announcements**

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

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

Nil

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey (Chairman), Bown, Mrs. Bowyer, Brazil, Brooksbank, BurrIDGE-Clayton, Chugg, Colthorpe, Dyke, Eastman, Edmunds, Ellery, Gordon, Greenslade, Gribble, Horsfall, Knight, Owen, Prior-Sankey, Radford, Randall Johnson, J Smith, Woodman, Yeomans

NOTES	
1.	<p><u>Disclosable Pecuniary Interests (Authority Members only)</u></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"> (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. <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>
2.	<p><u>Part 2 Reports</u></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>
3.	<p><u>Substitute Members (Committee Meetings only)</u></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>
4.	<p><u>Access to Information</u></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>

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

(Devon and Somerset Fire and Rescue Authority)

30 September 2013

Present:-

Councillors Healey (Chairman), Bown, Brazil, Brooksbank, Burrige-Clayton, Chugg, Colthorpe, Dyke, Eastman, Edmunds, Ellery, Greenslade, Gribble, Horsfall, Owen, Prior-Sankey, Radford, J Smith, Woodman and Yeomans

Apologies:-

Councillors Darcy, Gordon, Knight and Randall Johnson

DSFRA/23. Minutes

RESOLVED that the Minutes of the meeting held on 10 July 2013 be signed as a correct record.

DSFRA/24. Deregulation Bill

(An item of urgency 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 Authority to submit a response to the consultation paper within the required deadline.

The Clerk reported receipt of a letter from the Department for Communities and Local Government (DCLG) inviting a response to a consultation on the draft Deregulation Bill in so far as this applied to combined fire and rescue authorities. He drew attention to a draft response that had been circulated at the meeting for consideration. The consultation was on the proposed removal of unnecessary red tape surrounding the requirement for the Secretary of State to have to consult on changes to existing combination orders that fire and rescue authorities had already agreed locally such as changes in name. The Deregulation Bill would therefore include two clauses to amend the Fire and Rescue Services Act 2004 to remove this regulatory burden should this proposal be supported.

It was noted that the consultation response was required by 30 September 2013 and the Clerk indicated that, subject to approval by the Authority, he would submit the response on its behalf.

RESOLVED that, subject to amendment of a typographical error on page 2 of the response in the second paragraph from "will" to "while", the Clerk be authorised to submit the draft response as circulated to the DCLG by 30 September 2013.

DSFRA/25. Questions by Members of the Authority

In accordance with Standing Orders, a question was asked of the Authority by Councillor Jill Owen who sought a breakdown of the roles and responsibilities of the Chief Fire Officer and his team in the light of the slimming down of his team, coupled with the new arrangements for the Welsh Government concerning Mr Howell.

The Chairman thanked Councillor Owen for her question and responded to her, a copy of which was circulated at the meeting for information.

DSFRA/26. Minutes of Committees

(a) Human Resources Management & Development Committee

The Chair of the Committee, Councillor Bown, **MOVED** the Minutes of the meeting of the Committee held on 26 July 2013 which had considered, amongst other things:

- the Health, Safety and Welfare Framework for the Operational Environment;
- the Equality Strategy - "Safer Lives, Brighter Futures" – a six monthly monitoring report for the period November 2012 to April 2013;
- the Equal Pay Audit;
- an update on progress made with the partnership with Plymouth and Devon Race Equality Council;
- the appointment of Members to the Firefighters' Pension Scheme Internal Dispute Resolution Panel.

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

(b) Audit & Performance Review Committee

The Chair of the Committee, Councillor Radford, **MOVED** the Minutes of the meetings of the Committee held on 29 July 2013 and 25 September 2013 which had considered, amongst other things:-

- the Devon & Somerset Fire & Rescue Service performance against the measures within the Corporate Plan for 2013/14 to 2015/16 for the periods April to June 2013 and April to August 2013 respectively;
- reports of the Authority's auditors, Grant Thornton in respect of the work undertaken on the audit of the financial statements for 2012/13 and the opinion on the Statement of Accounts;
- the Statement of Accounts for 2012/13;
- the annual Statement of Assurance for 2012/13;
- progress reports on the audit and review programme for 2013/14;

RESOLVED that, in accordance with Standing Orders, the Minutes of the meetings held on 29 July 2013 and 25 September 2013 be adopted.

(c) Treasurer Appointment Committee 31 July 2013

The Chair of the Committee, Councillor Healey, **MOVED** the Minutes of the meeting of the Committee held on 31 July 2013 which had considered the process for the appointment of a new Treasurer.

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

(d) Community Safety & Corporate Planning Committee

The Chair of the Committee, Councillor Eastman, **MOVED** the Minutes of the meeting of the Committee held on 4 September 2013 which had considered, amongst other things:-

- A presentation on the process for Integrated Risk Management Planning (IRMP);

- A reference from the Authority meeting held on 10 July 2013 in respect of the proposal for the establishment of an integrated planning group to prepare for future years.'

Councillor Prior Sankey raised the point that, on Minute *CSCPC/9., she did not feel that the Minute, although it was accurate, reflected the true nature of the discussion held as she felt that it implied that the Authority did not consult with the community or its partners. The Clerk suggested the addition of a form of words to the Minute in the 3rd paragraph as follows:

“Following a debate of the issue, Members recognised that consultations with constituent authorities and community partnerships did take place, whereupon Councillor Colthorpe proposed

Councillor Dyke proposed that this amendment be made (and was seconded by Councillor Prior Sankey) and upon a vote, this was carried unanimously.

RESOLVED that, subject to the amendment above and in accordance with Standing Orders, the Minutes be adopted.

(e) Resources Committee

The Chair of the Committee, Councillor Greenslade, **MOVED** the Minutes of the meeting of the Committee held on 9 September 2013 which had considered, amongst other things:

- A financial performance report for April to June 2013, including a recommendation to approve the transfer of £0.450million from the 2013-14 approved revenue budget to an Earmarked Reserve to fund enhanced prevention activities;
- A recommendation for the adoption of a revised Capital Programme for 2013-14 to 2015-16;
- A treasury management report for the period April to June 2013;
- A recommendation for the purchase of the ICT building at Service Headquarters.

RESOLVED

- (i) that the recommendations at Minutes RC/4 (Financial Performance Report 2013-14: Quarter 1) and RC/5 (Capital Programme 2013-14 to 2015-16) be approved;
- (ii) that the recommendation at Minute RC/8 (ICT Building at Service Headquarters) be considered in conjunction with item 13 below); and
- (iii) that, subject to (i) and (ii) above, the Minutes be adopted in accordance with Standing Orders.

NB. MINUTE DSFRA/32 BELOW ALSO REFERS.

(f) Commercial Services Committee

The Chair of the Committee, Councillor Healey **MOVED** the Minutes of the meeting of the Committee held on 23 September 2013 which had considered, amongst other things:

- a commercial activity and performance report;
- revisions to year 2 (2013-14) of the Five Year Business Plan;

- a commercial leads and opportunities update.

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

DSFRA/27. Filling of Vacancies on Committees Etc.

The Authority considered a report of the Clerk to the Authority (DSFRA/13/19) that set out details of vacancies that had arisen on committees and outside bodies as a result of the recent resignation of Councillor Leaves and which sought nominations for appointments to these vacancies.

RESOLVED

- (a) (i) that Councillor Darcy be appointed to the vacancy on the Community Safety and Corporate Planning Committee;
- (ii) that Councillor Greenslade be appointed to the vacancy on the Capital Programme Working Party;
- (iii) That Councillor Horsfall be appointed as the Climate Change and Sustainability Member Champion;
- (iv) that Councillor Gribble be appointed to the vacancy on the Local Government Association General Assembly;
- (b) that, in each case, the appointment be made until the Annual Meeting of the Authority in 2014.

DSFRA/28. Local Government Finance Settlement 2014-15 to 2015-16: Technical Consultation - Draft Response

The Committee considered a report of the Treasurer (DSFRA/13/20) that sought approval of a draft response to be issued to the Department for Communities and Local Government (DCLG) in respect of a technical consultation on the Local Government Finance Settlement for 2014-15 and 2015-16, the aim of which was to inform the implementation of additional policy and spending announcements for 2014-15 to 2015-16.

Members of the Authority drew attention to the following points in terms of the proposed response:

- Question 1 on Page 37- the Government should be urged within the response to adopt a staged approach so that a more even spread between urban and rural funding could be achieved;
- Question 6 on page 38 – it was suggested that this would be imposing a carbon tax by the back door and that this point should be highlighted within the response.

Councillor Greenslade indicated that he would be happy to pursue the issue of urban versus rural funding with Members of Parliament and enquired as to whether a simple, one page briefing note could be compiled for Members to utilise in this respect which the Treasurer undertook to prepare.

Reference was made to the potential for mergers, combination or amalgamation of fire and rescue services as set out within Sir Ken Knight's Independent Review of Efficiency and Operations in Fire and Rescue Services in England. The Chief Fire Officer responded that, Devon and Somerset Fire and Rescue Service had already addressed many of the issues raised as possible areas of savings within the Knight review. Further representations with Government continue to take place to ensure a more favourable grant settlement is received in future.

RESOLVED that, subject to incorporation of the amendments set out above, the draft response to the technical consultation document on the Local Government Finance Settlement 2014-15 to 2015-16, as attached as Appendix A to report DSFRA/13/20, be approved and the Treasurer authorised to submit it on behalf of the Authority.

DSFRA/29. Chairman's Announcements

The Authority received for information details of events attended on its behalf by the Chair since the previous formal meeting.

DSFRA/30. Chief Fire Officer's Announcements

The Chief Fire reported on:

- Two fire fatalities that had occurred since the previous meeting:
 - A vehicle fire in Plymouth on 5 September 2013 that was not accidental. Work is ongoing with partners in the mental health sector.
 - A house fire that occurred on 12 September 2013 in Taunton, where an elderly man had been rescued initially but paramedics were unable to resuscitate him at the scene. The cause of the fire was careless use of smoking materials and the Service continues to work with partners to educate the public on this issue.

Reference was made in particular to a piece of work undertaken by one of the Services' officers, Andy Justice which has examined on a regional basis the underlying contributory factors associated with fire deaths. Armed with this information, Fire Services can enter into discussions with local authorities to target activity with a view to further reducing fire deaths and injuries in the future. This work is commendable.

- The Industrial Action by the Fire Brigades' Union on 25 September 2013 between 12:00 and 16:00hours during which there had been only five calls received by the Service, four of which were in respect of Automatic Fire Alarms (AFAs) with the other being a co-responder call at which medical attention was rendered to an individual who was stabilised at the scene until the ambulance service arrived. ACFO Stratford and his team were commended for the work undertaken to ensure that robust business continuity arrangements were in place. The Service had not been informed of any further dates for industrial action at this stage.

DSFRA/31. Exclusion of Press and Public

RECOMMENDATION that, in accordance with Section 100A 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 organisations.

DSFRA/32. ICT Building at Service Headquarters

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

The Committee considered a report of the Director of Corporate Services (RC/13/10) that set out proposals for the purchase of the ICT Building at Service Headquarters.

RESOLVED that the purchase of the ICT building at Service Headquarters at the agreed price be approved.

The meeting started at 10.00hours and finished at 11.45hours

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

13 November 2013

Present:-

Councillors Greenslade (Chairman), Burridge-Clayton, Chugg, Dyke, Gordon, and Yeomans

Apologies:-

Councillor Brooksbank

***RC/9. Minutes**

RESOLVED that the Minutes of the meeting held on 9 September 2013 be signed as a correct record.

***RC/10. Financial Performance Report 2013-2014: Quarter 2**

The Committee received for information a report of the Treasurer (RC/13/11) that set out details of performance during the second quarter of the current financial year (2013/14) as compared with the approved financial targets and which provided a forecast of spending against the approved 2013/14 revenue budget.

The Treasurer highlighted that spending was forecast to be £75.280 million at the year-end which was £1.504million less than the approved revenue budget of £76.784million, equivalent to 1.96% of the total budget. This variation in spending was attributable largely to the early implementation of the strategy to reduce non operational support function costs. He added that this was a good position for the Authority at this stage in the year and that the Committee would need to make a recommendation to the Authority at the year-end in respect of how this money was to be utilised.

It was noted that the Authority was on track to deliver the savings required as a result of the reductions in fire grants announced in the Comprehensive Spending Review (CSR) 2010 and the further 10% savings that were announced by the Chancellor in 2013. These savings were to be achieved partly by the implementation of the measures within the Corporate Plan for 2013/14 to 2015/16. It was noted that the Committee would need to keep under review the delivery of these savings plans as the Treasurer would be in a position to recommend a balanced budget to the Authority for the years 2014-15 and 2015-16.

In terms of the Capital Programme and the Prudential Indicators, the Treasurer reported that the forecast at this stage was for spending to be £5.272million with slippage of £1.028million into 2014/15. This meant that, if further slippage was also to occur during the year, it was likely that there would not be any requirement for further borrowing which would ease the position on the financing of debt repayments within the revenue budget. He added that this was an area that needed to be kept under review in view of the issues of affordability of capital spending and the impact on the prudential indicators.

RESOLVED

- (a) That the monitoring position in relation to projected spending against the 2013-2014 revenue and capital budgets be noted;
- (b) That the performance against the 2013-2014 financial targets be noted.

NB. MINUTE RC/11* BELOW ALSO REFERS.

***RC/11. Treasury Management Performance 2013-2014: Quarter 2**

The Committee received for information a report of the Treasurer (RC/13/12) that detailed the Authority's performance on treasury management activities in Quarter 2 of the financial year (2013/14) in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2011 Treasury Management in Public Services Code of Practice.

The Authority's treasury management adviser, Adam Burleton of Capita, was in attendance at the meeting and he highlighted the following points:

- That the UK economy had shown an improvement with 0.3% growth in the first quarter of 2013/14 and 0.7% in quarter 2, with consumer confidence and house prices on the up although consumer expenditure was likely to remain suppressed by inflation;
- Interest rates were likely to increase in the 3rd quarter of 2014/15 as opposed to the 4th quarter if unemployment rates continued to drop;
- The Authority was performing well against its investment strategy and was outperforming the 3 month LIBID rate which was good, although the Service should continue to budget for low returns at this stage;
- External Borrowing as at 30 September 2013 was £26.285million, which was well within the Authorised Limit.

RESOLVED that the performance in relation to the treasury management activities of the Authority for 2013-14 (to September 2013) be noted.

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

The meeting started at 10.00hours and finished at 11.15hours.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/13/12
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	13 NOVEMBER 2013
SUBJECT OF REPORT	TREASURY MANAGEMENT PERFORMANCE 2013-2014 – QUARTER 2
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That the performance in relation to the treasury management activities of the Authority for 2013-2014 (to September) be noted.</i>
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice for Treasury Management. The Code suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Authority is embracing Best Practice in accordance with CIPFA's Code of Practice.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Investments held as at 30 September 2013.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/13/3 – as approved at the meeting of the DSFRA meeting held on the 18 February 2013.

1. **INTRODUCTION**

1.1 The Treasury Management Strategy for Devon and Somerset FRA had 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 most recent revision of the Code was adopted at the meeting of the DSFRA on the 18th February 2013. 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 full 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.
- 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.

1.2 Treasury management in this context is defined as:

"The management of the local authority's 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."

1.3 The preparation of this report demonstrates that the Authority is implementing best practice in accordance with the code.

2. **ECONOMIC BACKGROUND**

Global economy

2.1 Indicators suggested that the economic recovery accelerated during the quarter ended 30 September;

- Household spending growth remained robust;
- Inflation fell back towards the 2% target;
- The Bank of England introduced state-contingent forward guidance;
- 10-year gilt yields rose to 3% at their peak and the FTSE 100 fell slightly to 6460;
- The Federal Reserve decided to maintain the monthly rate of its asset purchases.

Capita Interest Rate Forecasts

2.2 Capita Asset Services undertook a review of its interest rate forecasts in late September as a result of an increase in confidence in economic recovery, chiefly in the US, but more recently, also in the UK and Eurozone. The latest forecast (overleaf) now includes a first increase in Bank Rate in quarter 3 of 2016 (previously quarter 4).

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%
10yr PWLB rate	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%
25yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%
50yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%

Summary Outlook

2.3 UK economy

- Growth has been on an upward trend – 0.3% in Q1; 0.7% in Q2 and likely to be much stronger in Q3. The so called double dip recession at the beginning of 2012 was erased by the latest revision of statistics.
- Business surveys, consumer confidence, consumer borrowing and house prices are all on the up and may help to create a wide spread feel good factor. However, this is still a long way away from the UK getting back to sustainable strong growth.
- A fair proportion of UK GDP is dependent on overseas trade; the high correlation of UK growth to US and EU GDP growth means that the UK economy is still vulnerable to what happens in overseas markets.
- Consumer expenditure is likely to remain suppressed by inflation being higher than increases in average earnings i.e. disposable income will continue to be eroded.
- The coalition government is hampered in promoting growth by the need to tackle the budget deficit. However, the March Budget did contain measures to boost house building and the supply of mortgages, and brought forward, by one year to April 2014, the start of a £10,000 tax free allowance for incomes.
- There is little sign of a co-ordinated strategy for the private Capita to finance a major expansion of infrastructure investment to boost UK growth.
- Government inspired measures to increase the supply of credit to small and medium enterprises (which are key to achieving stronger growth) by banks are not succeeding.

- Gilt yields remain vulnerable to pressures to rise, especially as they are powerfully influenced by US treasury yields and American investors have been spooked by Chairman Bernanke's comments on tapering QE. The Fed's reluctance to start tapering in September has, potentially, only delayed a trend for gilt yields to rise.

2.4 Eurozone

- Most Eurozone countries are now starting to see a return to growth after a prolonged recession. The prospects for growth, at least in the short term, have also improved. However, for some countries, austerity programmes could prove to be a self-defeating spiral of falling demand, tax receipts, and GDP, leading to a rise, not fall, in debt to GDP ratios. Debt ratios in excess of 90% will cause market concern as beyond this level, the costs of servicing such debt becomes oppressive and growth inhibiting. This could, therefore, lead to an inevitable end game in the over the next few years of withdrawal from the Eurozone bloc in order to regain national control of a currency, government debt, monetary policy and, therefore, of setting national interest rates. The ECB's pledge to provide unlimited bond buying support for countries that request an official bailout means that market anxiety about these countries is likely to be subdued in the near term. However, the poor economic fundamentals and outlook for some economies could well mean that an eventual storm in financial markets has only been delayed, not cancelled.
- The European Central Bank (ECB) maintained its central policy rate at 0.5% in this quarter.
- Greece: after the agreement to a further major financial support package amounting to nearly €50bn in December 2012, it now looks almost certain that the country will need another, smaller, bailout package as progress has not been quick enough in rectifying the national finances.
- Spain: there is also increasing concern over the Spanish economy; the social cost and pain of a very high level of unemployment of 27%, similar to the level in Greece, could mean that both countries are approaching the limit of operating austerity programmes within democratic systems. Spain has, to date, resisted asking for an official national bailout, although it has received financial support to recapitalise its four largest banks.
- Italy: the general election created a highly unstable political situation where the two dominant parties initially formed an unlikely coalition due to the blocking power of the new upstart Five Star anti-austerity party which has 25% of seats and has refused to enter a coalition agreement with ANY party. There could therefore be volatility in Spanish and Italian bond yields over the next year, depending on political and economic developments.
- Germany: the general election in September returned Angela Merkel's party to power, but not with an overall majority. It will have to form a coalition, but with a new makeup, as the previous junior party was wiped out.
- Cyprus: the fallout from the bail out in March 2013 has done huge damage to the Cypriot economy and many commentators consider it is only a matter of time before another bailout will be needed – or exit from the Euro.
- The Eurozone remains particularly vulnerable to investor fears of contagion if one country gets into major difficulty.

2.5 US

- There has been a marked improvement in consumer, investor and business confidence this year.
- Unemployment has continued on a steady, but unspectacular decline to 7.3%, but is still a long way from the target rate of 6.5% for an increase in the Fed policy rate.
- The housing market has turned a corner, both in terms of rising prices and in increases in the volume of house sales. More householders are, therefore, escaping from negative equity.
- US equities have reached all time highs.
- The package of tax increases and cuts in Government expenditure starting in 2013 does not appear to be having a major impact on depressing growth.
- GDP in Q1 was disappointingly downgraded from +2.4% to a sub-par +1.8% before rising to 2.5% in Q2.
- The shale gas revolution is providing some solid underpinning to the US economy by enhancing its international competitiveness through cheap costs of fuel.
- There has been a start to the repatriation of manufacturing production from China to the USA as Chinese labour costs have continued their inexorable rise and new forms of high tech production have made home based production more viable and flexible.

2.6 China

- Concerns that Chinese growth could be heading downwards have been allayed by recent stronger statistics. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property Capita to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking Capita.
- There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

2.7 Japan

- The initial euphoria generated by “Abenomics”, the huge Quantative Easing (QE) operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and introduce other economic reforms, appears to have stalled.

Capita Forward View

- ## 2.8
- Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

- 2.9 Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid-October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.
- 2.10 The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.
- 2.11 The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

3. TREASURY MANAGEMENT STRATEGY STATEMENT

Annual Investment Strategy

- 3.1 The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement (TMSS) was approved by the Authority on the 18th February 2013. It outlines the Authority's investment priorities as follows:
- Security of Capital
 - Liquidity
- 3.2 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 a significant proportion of investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions using the Capita suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Capita.
- 3.3 A full list of investments held as at 30 September 2013 are shown in Appendix A.
- 3.4 Investment rates available in the market have continued at historically low levels.
- 3.5 The average level of funds available for investment purposes during the quarter was £32.818m (£25.991m in previous quarter). These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Benchmark Return	Authority Performance	Investment interest to quarter 2
3 Month LIBID	0.39%	0.41%	£77,263

- 3.6 As illustrated, the authority outperformed the 3 month LIBID benchmark by 0.02 bp. The Authority's budgeted investment target for 2013-2014 of £0.100m will also be overachieved.

Borrowing Strategy

Prudential Indicators:

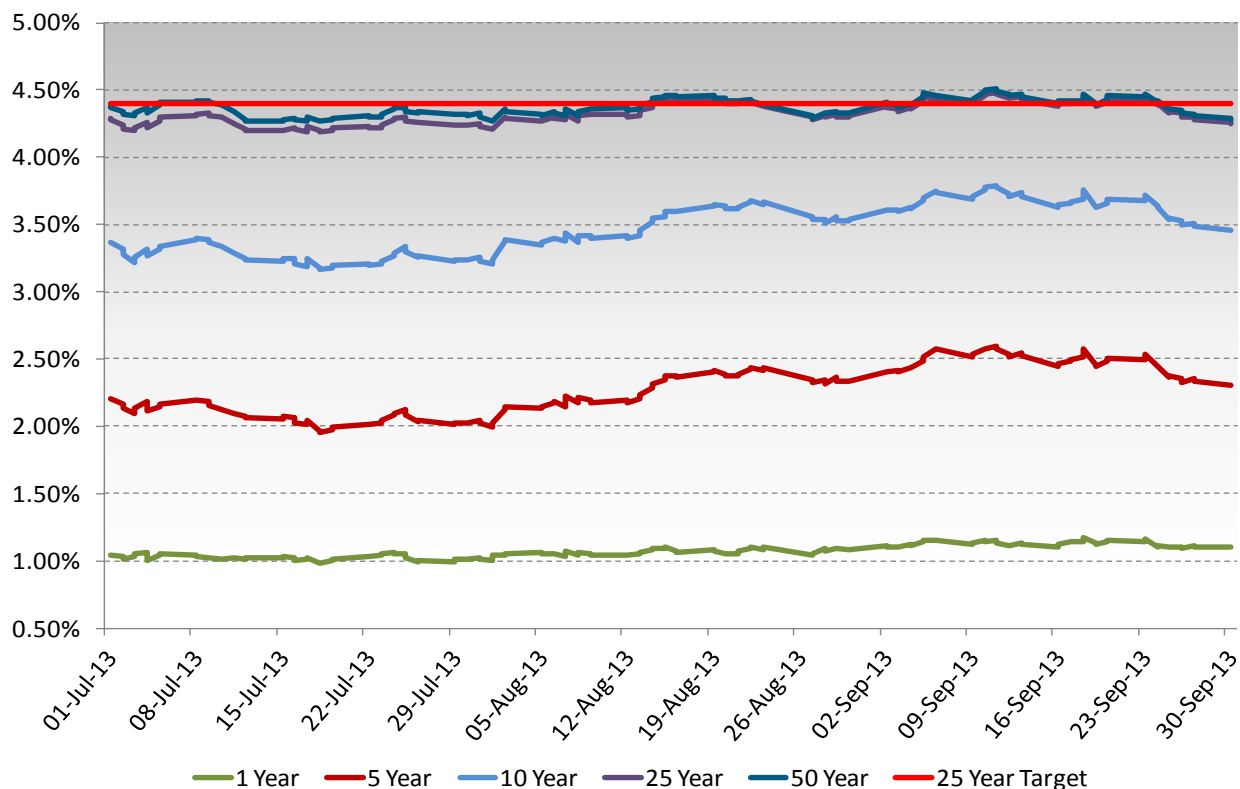
- 3.7 It is a statutory duty for the Authority to determine and keep under review the "Affordable Borrowing Limits". The Authority's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.
- 3.8 A full list of the approved limits (as amended) are included in the Financial Performance Report 2013-2014, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to September 2013 and that there are no concerns that they will be breached during the financial year.

New Borrowing

- 3.9 Capita's 25 year PWLB target rate for new long term borrowing for the quarter increased from 4.10% to 4.40%. Due to the overall financing position of the capital programme no new borrowing was undertaken during the quarter. External borrowing as at 30 September 2013 was £26.285m (£27.167m in previous quarter). No debt rescheduling was undertaken during this quarter of the year
- 3.10 PWLB certainty rates for the quarter ended 30 September 2013 are shown below. DSFRA is eligible to borrow at certainty rates.

PWLB rates quarter ended 30.9.2013

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.98%	1.95%	3.17%	4.19%	4.27%
Date	18/07/2013	18/07/2013	18/07/2013	18/07/2013	18/07/2013
High	1.17%	2.6%	3.79%	4.48%	4.51%
Date	18/09/2013	11/09/2013	11/09/2013	11/09/2013	11/09/2013
Average	1.07%	2.27%	3.47%	4.32%	4.37%



3.11 It is anticipated that use of internal borrowing and available grants will avoid the need to borrow from the PWLB in year; however this will be subject to certainty rates on offer and the delivery of the capital programme.

4. SUMMARY

4.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with the second quarter report of the treasury management activities for 2013-2014. 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 so far, with priority being given to liquidity and security over yield. Whilst investment returns are still low as a consequence of the fall in interest rates, the Authority is anticipating that investment returns will overachieve the budgeted target.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/13/12

Investments as at 30th September 2013							
% of total investments	Counterparty	Maximum to be invested (£m)	Total amount invested (£m)	Call or Term	Date if Term	Period Invested	Interest Rate
16.23%	Bank of Scotland	5.0	1.500	T	04/10/2013	3mths	0.70%
			1.500	T	02/01/2014	6mths	0.75%
			2.000	T	08/11/2013	6mths	0.80%
22.72%	Barclays	10.0	2.000	T	20/11/2013	3mths	0.45%
			1.000	T	23/10/2013	3mths	0.45%
			2.000	T	10/11/2013	3mths	0.45%
			2.000	T	29/11/2013	6mths	0.53%
6.49%	King & Shaxson	5.0	2.000	T	21/10/2013	3mths	0.28%
16.23%	Black Rock	5.0	5.000	C			Variable
2.64%	Ignis Money Market Fund	5.0	0.812	C			Variable
16.23%	Federated Prime Rate	5.0	5.000	C			Variable
3.25%	Nationwide B/S	1.5	1.000	T	19/12/2013	6mths	0.39%
16.23%	National Westminster	5.0	5.000	T	05/11/2013	3mths	0.80%
			30.812				

COMMERCIAL SERVICES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

21 November 2013

Present:-

Councillors Dyke (Vice-Chairman, in the Chair), Brazil, Edmunds, Randall Johnson and Woodman

Apologies:-

Councillors Gordon and Healey (Chairman).

***CSC/15. Minutes**

RESOLVED that the Minutes of the meeting held on 23 September 2013 be signed as a correct record.

***CSC/16. Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of the Authority and other companies.

***CSC/17. Revision to the Five Year Business Plan 2013-17**

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

The Committee considered a report of the Director of People and Commercial Services (CSC/13/10) to which was appended a draft Commercial Trading five-year business plan amended to reflect those revisions to Year 2 approved by the Committee at its last meeting (Minute *CSC/13 refers).

The revised targets were considered stretching and ambitious but achievable and, in instances where investment might be required, this would be subject to approval of an appropriate business case by the Committee.

RESOLVED that the revised Commercial Trading Five Year Business Plan 2013 – 17 as appended to report CSC/13/10 be approved.

***CSC/18. Update On Communications Position**

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

The Committee considered a report of the Director of People and Commercial Services (CSC/13/11) to which was appended a draft Communications Position 2013/14/ The document identified the key stakeholders for Red One Limited (ROL) and their perceptions towards the company. It also identified the key messages ROL was looking to communicate to its stakeholders together with the media to be used for marketing and included examples of marketing and promotional materials.

RESOLVED that the report be noted.

***CSC/19. Update On Current Commercial Leads/Opportunities**

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

The Committee received for information a report of the Director of People and Commercial Services (CSC/13/12) on commercial leads and opportunities currently being progressed.

***CSC/20. Financial Performance**

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

The Treasurer reported for information on commercial services financial performance to date including sales trends and the anticipated final position at the end of the current (2013-14) financial year.

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

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

AUDIT AND PERFORMANCE REVIEW COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

28 November 2013

Present:-

Councillors Radford (Chairman), Brazil, Burridge-Clayton, Edmunds, Gribble and Woodman (vice Healey).

Apologies:-

Councillors Healey and Horsfall.

***APRC/14. Minutes**

RESOLVED that the Minutes of the meeting held on 25 September 2013 be signed as a correct record.

***APRC/15. Audit Committee Update**

The Committee received for information a report prepared by Grant Thornton, which set out the progress made with the delivery of its responsibilities as the Authority's external auditor. David Bray was in attendance at the meeting and he highlighted the main issues, including the work that had been carried out in respect of the 2012/13 financial accounts – the Annual Audit Letter was submitted for consideration as a separate item on the agenda (**Minute *APRC/16 below refers**) – and an initial approach for the 2014/15 accounts had already been discussed with the Finance Team. Interim audit testing was due to commence in January 2014.

The report also set out details of emerging issues and developments, notably:

- information in respect of property, plant and equipment revaluations;
- simplifying and streamlining the presentation of local authority financial statements,
- a consultation on the Local Authorities Code of Practice for 2014/15, and
- the potential risk of procurement fraud.

The auditor had raised a number of challenge questions for the Authority to consider in the document circulated and suggested that it may be appropriate for these to be set down into a tracker document for the benefit of the Committee. The Treasurer advised that he would be happy to do this and to bring this back to the Committee setting out the action taken for information in due course.

Mr Bray drew attention to an audit consultation event that had been organised by Grant Thornton which would be held in Exeter on 8 February 2014 and he encouraged the Service to attend.

***APRC/16. Devon & Somerset Fire & Rescue Authority Annual Audit Letter for the Year Ended 31 March 2013**

The Committee received for information the Annual Audit Letter for 2012/13 as prepared by Grant Thornton, the Authority's external auditor.

Mr Bray referred to the work that had been undertaken with the Authority during 2012/13, including the Statement of Accounts, for which an unqualified opinion had been given, together with the Value for Money opinion which had also been unqualified.

At this point, Mr Bray informed the Committee that he would not be working with the Authority in future as he had been moved to another account and he thanked both Members and Officers for the support that he had received during his time on Authority business. In return, the Committee thanked Mr Bray for the work that he had undertaken over the years.

NB. MINUTE *APRC/15 ABOVE ALSO REFERS.

***APRC/17. Audit and Review 2013-14: Progress Report**

The Committee considered a report of the Audit and Review Manager (APRC/13/13) that set out the combined work that had been undertaken by the Devon Audit Partnership and the Audit and Review team to date as measured against the internal Audit Plan. The report also highlighted additional work that had been completed to date, together with the key findings in respect of the audits of:

- Fleet Development; and
- Protection.

The Audit and Review Manager drew attention to paragraphs 4.1 and 4.2 of the report that referred to the Audit Plan and the amendments required in light of the recent organisational restructure and the subsequent removal of the Process Management review. It was noted that it was proposed to switch the 10 day allocation to complete a review of firefighter safety which would support the Operational Peer Assessment that was scheduled for 2014.

RESOLVED

- (a) That the proposed change to the 2013-14 Internal Audit Plan as set out within paragraph 4.2 of report APCR/13/13 is approved; and
- (b) That subject to (a) above, the report be noted.

***APRC/18. Devon and Somerset Fire and Rescue Service Performance Report: April to September 2013**

The Committee received for information a report of the Director of Operations (APRC/13/14) that set out Service performance for the period 1 April to 30 September 2013 against those measures contained within the approved Corporate Plan for 2013/14 to 2015/16.

In particular, the following points were highlighted:

- Measure 1 (fire deaths where people live): there had been 6 fire fatalities recorded to the end of September 2013 which meant that there was a slightly increasing trend since 2007/08.

Additionally, since the report had been prepared, a further fire fatality had occurred involving an 85 year old lady who had tried to extinguish a fire caused by a cigarette but had failed and died as a result. The lady had no smoke alarm in place at the property and there was no care package in place with appropriate agencies. This had prompted the Service to raise the issue of smoke alarms again and a fire fatality review would be held to discuss this case with appropriate agencies.

The Area Manager – Community Safety – advised that the Service had hit a stumbling block in its efforts to promote the maintenance of smoke alarms with care commissioners and sought the support of the Committee in influencing this if possible. He indicated that the Service would like to see the maintenance of smoke alarms included within the job specification for care commissioners to ensure that they were tested on a regular basis where vulnerable people were involved. Councillor Brazil commented that the lack of willingness to undertake this role may be as a result of potential liability issues and he suggested that the Service may need to consider taking on training the staff involved to overcome this.

It was noted that the Service was working actively to identify whether there were any further steps that could be taken to prevent further fire fatalities from occurring.

- Measure 2 (fire injuries where people live): there had been 43 injuries occurring between 1 April and 30 September 2013 as compared with 23 in the same period in 2012/13. 8 of these were deliberate fires (with a total of 11 injuries), the other 28 being accidental (with a total of 32 injuries).

Whilst there was an overall trend for a reduction in fires, the number of injuries was increasing and more analysis had been undertaken to try to understand the reasons behind this. It had been identified that the new Incident Recording System (IRS) had resulted in an overly cautious approach to incident reporting and therefore there had been an increase in the number of incidents reported combined with limited quality control. On further investigation it had been found that Firefighters at an incident had been applying a risk averse approach and therefore an ambulance was called if there was any doubt in respect of a potential casualty at the scene. If an ambulance was called but the person did not require it, this was still recorded as an injury, however. It was accepted that there was a need to record the precautionary checks to be more accurate with the data but staff needed further training in respect of what and how to record these incidents. This may, however, result in the statistics being higher than may have previously been the case.

- Measure 3 (incidents where people live): there had been a slight increase in the number of fires to 525 in April to September 2013 which represented an increase of 6 incidents as compared with the same period in 2012/13 although overall this measure was still showing a downward trend since combination in 2007/08.
- Measure 4 (fire deaths where people work): there had 2 deaths occurring at places where people work and visit in 2013/14, one of which was an outdoor fire and the other a vehicle fire. This measure had showed a downward trend since combination in 2007/08. Reference was made to work that had been undertaken by Cleveland Fire and Rescue Service in respect of deaths involving self immolation (the act of setting oneself on fire) and it had been demonstrated that getting involved with these people at a very early stage did

have an influence.

- Measure 5 (fire injuries where people work): the statistics for April to September 2013 showed an increase to 28 injuries in comparison to the same period in 2012/13 which had 9 recorded injuries. This was linked to the issues associated with the IRS recording as mentioned above and the Service was working through this.
- Measure 6 (incidents where people work): there had been an increase in the number of incidents reported in April to September 2013 to 779 as compared with 723 in the same period in 2012/13, with deliberate fires down by 8 incidents and accidental fires up by 64. This was attributable largely to the long spells of hot, dry weather that had been experienced this year. The increase in other fires (notably grassland fires) was potentially also attributable to this. It was noted that there had also been a spike in the regional statistics in this area as a result.
- Measures 7 & 8 (emergency response standards): The performance on both of these measures had improved during the period April to September 2013 with a performance at 66.93% for 1st attendance within 10 minutes and 75.28% for 1st attendance within 15 minutes for a road traffic collision.

Reference was made to the number of retained stations that may be off the run at any time and what percentage this may be of the total number of stations. It was noted that the Service was undertaking research into this area presently and that this information would be reported back to the Committee in due course.

- Measures 9, 10 and 11 – an update on progress on these measures was set out within the report for information.

In terms of sickness, it was reported that the level of absence had dropped below 8 days or shifts per person in the last 10 months which was very encouraging and that short term sickness had also reduced. In terms of benchmarking data, the Service was slightly higher than other organisations but compared well with the public sector as a whole. The Service continued to monitor the trend on sickness absence and to work towards improving performance in this area.

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

The meeting started at 14:00hours and finished at 15:20hours.

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

6 December 2013

Present:-

Councillors Eastman (Chairman), Bown, Colthorpe, Owen and Prior-Sankey.

Apologies:-

Councillor Ellery.

In attendance:-

Councillors J Smith and Woodman.

***CSCPC/12. Minutes**

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

***CSCPC/13. Election of Vice Chair**

RESOLVED that Councillor Colthorpe be appointed Vice Chair of the Committee until the first meeting after the Annual Meeting of the Authority in 2014.

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

The meeting started at 10:00hours and finished at 10:10hours



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/13/21
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	19 DECEMBER 2013
SUBJECT OF REPORT	FUTURE INSURANCE ARRANGEMENTS
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<p>(a) That the Authority approves:</p> <p>(i) participation in establishing a Fire & Rescue Authorities Insurance Pool, with the Authority becoming a full member of the governing Hybrid Discretionary Mutual;</p> <p>(ii) use of the pooling arrangement for its corporate property, liability, motor and other miscellaneous insurance requirements for a minimum period of three years, through the pooling entity and with effect from 1 November 2014 (or as soon as practicable thereafter once final arrangements are in place);</p> <p>(iii) participation as a financial guarantor for supplementary premiums should claims against the pool exceed the funding available;</p> <p>(b) that the Treasurer and Clerk be asked to undertake all steps necessary to effect the decisions indicated at (a)(i) to (iii) above;</p> <p>(c) that approval be given to officers of this Authority serving as Directors of the pooling entity as required and that in this capacity the Service Risk and Insurance Manager (or his/her nominee) be authorised initially to represent the Authority's interests at any formal meetings of the pooling entity and to vote on behalf of the Authority.</p>

EXECUTIVE SUMMARY	<p>This paper seeks approval for the Authority to form, in conjunction with other Fire and Rescue Authorities, a Hybrid Discretionary Mutual to act as a pool for insurance purposes. Under the pooling arrangements all the participating fire and rescue authorities would share financially with each other, on a proportionate basis, the cost of establishing a pool fund from which any loss incurred by an individual member of the insurance pool would be met. This proposal is being considered by eight other fire and rescue authorities, all of whom have worked together on insurance and risk management issues for the past 7 years.</p> <p>The paper seeks approval for membership of the proposed hybrid mutual, the provision of the necessary financial guarantees and the commitment to transfer insurances to the pooling entity from 1 November 2014 or thereafter subject to final arrangements being in place.</p>
RESOURCE IMPLICATIONS	<p>These will be contained from within existing resources. Additionally, participation in the mutual should see the Authority ultimately secure savings as identified in paragraph 6.1 of this report.</p>
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	<p>N/A.</p>
APPENDICES	<p>NONE</p>
LIST OF BACKGROUND PAPERS	<p>NONE</p>

1. **SUMMARY AND INTRODUCTION**

- 1.1 Following completion of the latest insurance tender exercise it has become apparent that there remains a lack of effective competition in the market for insurance for fire and rescue authorities, creating a significant risk that future premiums could increase. Current arrangements also limit opportunities to deliver savings through greater collaboration and the realisation of the financial benefits from improved risk management and claims reduction. The Fire and Rescue Insurance Consortium (a group of nine fire and rescue authorities formed in 2008) has therefore examined alternative solutions to this problem and has identified a possible solution designed to alleviate these issues.
- 1.2 This paper seeks approval for the Authority to participate with other Fire and Rescue Authorities in forming a Hybrid Discretionary Mutual to act as a pool for insurance purposes. The paper also seeks approval for membership of the proposed company, the provision of the necessary financial guarantees and the commitment to transfer insurances to the pooling entity from 1 November 2014 or thereafter, subject to final arrangements being in place.

2. **BACKGROUND**

Fire and Rescue Authorities Mutual Limited (FRAML)

- 2.1 In 2005 a group of fire and rescue authorities commissioned a study to determine the possibility of achieving savings in insurance costs through an alternative vehicle to purchasing insurance in the open market. The study concluded that a mutual insurance company was the preferred option and consequently, in 2007, the Authority participated in the creation of the Fire and Rescue Authorities Mutual (FRAML). Due to a legal challenge (Brent LBC v Risk Management Partners - 2009) to a similar company covering nine London Boroughs, the arrangements proposed for FRAML were halted. Since that time, however, nine fire and rescue authorities have formed the Fire and Rescue Insurance Consortium (FRIC) to collaborate and purchase insurance conventionally as well as improving risk management and reducing the costs of high value claims.

Pooling

- 2.2 Insurance premiums cost the Authority around £766k per annum currently and, given recent claims experience across the other fire and rescue authorities, FRIC has been looking at how insurance costs can be reduced. It has now completed a feasibility study and identified a possible long term solution to establishing better control of premium costs, involving the creation of a shared “pooling” arrangement.

Pooling Concept Feasibility Study Report

- 2.3 In March 2013 the nine fire and rescue authorities in the insurance consortium commissioned Regis Mutual Management to explore various alternative financing scenarios using five years’ claims experience for all nine authorities. Regis issued their Pooling Concept Feasibility Study Report in May 2013 and this recommended the formation of an entity to act as a pooling mechanism to allow all nine fire and rescue authorities to share risk and thereby reduce insurance costs. The recommended approach is for the creation of a Hybrid Discretionary Mutual with a “discretionary” pool for attrition losses, backed by conventional insurance for larger individual losses and high volumes of claims. The use of such a discretionary route is well established and is enshrined in the Financial Conduct Authority (formerly Financial Services Authority) handbook. A full copy of the Feasibility Study Report is available to Members on request.

3. ESTABLISHMENT OF HYBRID DISCRETIONARY MUTUAL – ISSUES FOR CONSIDERATION

General

- 3.1 The establishment of a “mutual” to manage a discretionary pooling of funds to meet losses is a recognised alternative to conventional insurance. It is common amongst other groups of organisations such as Universities who share common risks. When the size of each body is not sufficiently large to carry the risk of a large policy deductible or excess these cost saving benefits can be achieved through a discretionary pool.

Appointment of Directors

- 3.2 Directors of the mutual would be drawn from participating fire and rescue authorities but no single fire and rescue authority would have the right to appoint a Director as there are likely to be fewer Director appointments than participating fire and rescue authorities so as to keep costs to a minimum. Practically, it is proposed that (as with FRAML) the Directors are drawn from appropriate professionals within the participating fire and rescue authorities based on the experience, knowledge and expertise required, supplemented by one or two experienced insurance industry figures.

Day to Day management

- 3.3 The mutual would be run on a day to day basis by professional managers appointed by the mutual. They will be required to meet all the necessary professional requirements of the Financial Conduct Authority and would also bring experience and specialist market knowledge as well as providing financial modelling and claims management.

Discretion in practice

- 3.4 The discretionary element is a legal device to ensure that the arrangement is not treated as an insurance company, which would require significant working capital to be deposited, and there have been a number of legal judgements confirming this position. However, it does mean that the Authority would have no absolute guarantee that any particular claim would be paid albeit that such decisions would rest with the Directors of the pool who would have the power to agree to meet any claim made. In practice, there is a similar risk with an insured arrangement if the precise terms and conditions of the insurance contract are not met. Also, in practice, the basis of the pooling arrangement is one of mutual trust and if a claim was not met then there is a risk that pool members would leave causing the pool to collapse, to the detriment of all.

4. POOL INSURANCE STRUCTURE

Pool size

- 4.1 The pool size will depend on the type of risks it accepts. It is proposed that the pool targets the areas of highest external premium spend, namely motor fleet and employers/public liability, but that it should also cover property. It is therefore proposed to use the pool to cover the Authority’s corporate property, liability, motor and other miscellaneous insurance requirements.

Annual premiums and excesses

- 4.2 Under the proposed pool structure, each fire and rescue authority would pay in a “premium” by way of a contribution to the costs of the pool (including management and running costs) based on its own individual claims experience, excess levels and cover requirements. These have been assumed, for the sake of the feasibility study, to be the same as the current insurance premiums but would be recalculated by the appointed managers based on prevailing circumstances at the inception of the pool. Each fire and rescue authority would also continue to meet its existing levels of excess and would fund these from its own budgets as now.

Retentions

- 4.3 After individual fire and rescue authorities have paid their excess amounts on any claims the pool would meet the next layer of claim costs up to the sums set out in the table overleaf for each class of insurance.

Fleet Retention ¹ per Claim	£1.00m	Cross Class Aggregate Insurance ² for retained losses between £2m and £5m. Excess Layer insurance ³ beyond £5m
Liability Retention per Claim	£0.25m	
Property Retention per Claim	£0.10m	
Risk Gap / Supplementary Call	£0.20m or 5.5% of Contributions	

(Notes:

¹ The amount paid out of the Pool’s funds

² An aggregate insurance policy with an attachment point applying across the sum of claims for two or more classes of insurance.

³ An insurance policy covering the loss in excess of a stated amount).

Cross Class Aggregate and Excess Layer Insurance

- 4.4 To protect the pool from a spike in claim numbers or costs in any one year, a further layer of conventional insurance would be purchased for all individual claims over the £1m limit and for all costs exceeding £2m in total (regardless of the claim type) falling in any one policy year. These policies would be purchased by the pool managers as collective policies on behalf of the member fire and rescue authorities jointly, ensuring the pool remains solvent in the medium to long term.

Risk gap/Supplementary Call

- 4.5 The loss models used by the consultants have identified a slight risk that, should the claims profile peak in the early years of the life of the pool, it is possible that a gap between the £2m limit and the funds available might arise. In the worst case scenario model, this is not expected to exceed £200k; the cost of which would be shared pro-rata to current premiums by the pool members. Member fire and rescue authorities will be required to provide guarantees of funding against such supplementary calls if the pool is to be sustained before it is able to build up its balances. To achieve this, a provision for supplementary calls will be included in the pooling arrangements.

Specialist insurance

- 4.6 Whilst the main, commonly held policies will be sourced via the pool, a small number of specialist policies may continue to be purchased outside of the pooling arrangements, but these are expected to fall below the thresholds that require compliance with European procurement rules.

Limitation of liability

- 4.7 In essence, subject to the final structure of the pool arrangements, if all pool funds are completely eroded before the end of the period all the external insurance policies will revert to a conventional basis. Therefore the liability of the pool in any one year is finite and predictable.

Claims handling

- 4.8 The chosen solution for handling claims falling to the pool will be determined by the mutual.

5. INTERIM INSURANCE ARRANGEMENTS

- 5.1 As the Authority's current insurance arrangements were due to expire this year it has been necessary to procure interim cover until the proposed pooling arrangements are implemented. The insurance consortium previously procured insurances as a group with effect from 1 November 2008. All insurances were awarded to Zurich Municipal. During the last two years of the five year agreement there have been sizeable increases in the rates for motor and liability premiums following a small number of high value claims. The consortium has used a new framework arrangement put in place by the Government Procurement Services (GPS) in partnership with the PRO5 group of local authority buying consortia to conduct the latest procurement for insurance, effective from 1 November 2013. This has been let for one year, with an optional one year extension, rather than the previous practice of three years plus an optional two year extension. This was designed to be a short term contract to test efficacy of the GPS framework, assess the current market appetite for insuring fire and rescue authority risks in light of the additional data made available and to enable time for an alternative source of risk finance should the response be unfavourable.
- 5.2 As part of the procurement process, considerable effort was made to provide potential insurers with detailed and independently validated risk information, to address some of the misconceptions about blue light risks and to tailor the cover requirements to our specific needs. Whilst the tender has produced some limited savings across the programme as a whole compared to 2012-13 premiums, the net cost is still above that paid prior to the recent price increases in 2012, after taking account of changes in sums insured. For this Authority, the additional cost is around £3,000 for 2013/14.
- 5.3 The result also suggests that there is still limited appetite, and therefore limited competition, for insuring blue light services such as fire and rescue authorities despite these efforts. There were only a few interested bidders despite the lengthy list of prospective insurers on the framework, and a marked reluctance from most to tailor the cover to meet the specific needs of fire and rescue authorities. In addition, many insurers are not willing to recognise the improvements in risk management arrangements and the declining activity levels, which have resulted in lower loss ratios which benefit the insurer. These procurement issues instigated the original decision to form a mutual insurance company back in 2007 and remain a strong driver for seeking an alternative solution in the future.

6. RISK AND IMPACT ASSESSMENT

Financial modelling

- 6.1 Based on the historic claims experience of the nine fire and rescue authorities the most likely outcome would be a saving of some £1.5m out of total cumulative premiums of £19.7m - a saving of 7.6%, shared across the nine fire and rescue authorities over the five year period. If this percentage saving is realised and the mutual decides to reduce future member contributions accordingly, savings of around £42,000 per annum could be realised, based on the 2012 data used in the financial model. This could easily increase if risk management activities succeed in reducing claims costs, as these benefits would accrue to the members of the mutual rather than adding to the profits of the insurer - as is currently the case. In addition, it is likely that the mutual would be able to stabilise premiums reducing the impact of market fluctuations and removing a large part of the risk taken each time a tender process is undertaken.
- 6.2 Under this modelling scenario there may however be the need for supplementary premiums in some years should the claims profile vary significantly from the model used; it is estimated that these are unlikely to exceed 5.5% of annual contributions in any one year.
- 6.3 Once established, any running costs for the pool will be met from the contributions made to it by its members. In overall terms it is intended that over the medium term at least, this will lead to net savings, so no additional costs should fall to be financed by the Authority once the pool is established, unless a supplementary contribution is required as indicated in paragraph 4.5 above. It is likely, however, that the Authority would have to contribute to the cost of tendering for a pool manager and establishing the company as an approved entity. These costs have been estimated at circa £100,000 which would be shared equally between the nine participating fire and rescue authorities. The Authority's share, assuming all nine fire and rescue authorities agree to join the pool, would be circa £12,000. In the medium to long-term, any initial costs would be offset by increasing savings from the pool which, if claims continue to be managed down, will enable annual contributions to be reduced.

7. LEGAL BASIS FOR THE MUTUAL

- 7.1 In *Brent LBC v Risk Management Partners* [2009] the Court of Appeal affirmed the decision of the High Court that Brent had no power under either:
- section 2 of the Local Government Act 2000 (the well-being power); or
 - section 111 of the Local Government Act 1972.
- to become a member or participating member of London Authorities Mutual Limited (LAML), a company limited by guarantee or to make payments or to enter into commitments to make payments to LAML.
- 7.2 As indicated in paragraph 2.1 above, however, on the basis of this legal ruling the initial proposals for FRAML were halted.
- 7.3 In response to this ruling Parliament provided, via section 34 of the Local Democracy, Economic Development and Construction Act 2009, the power for local authorities including fire and rescue authorities to establish mutual insurance arrangements albeit that this provision has not been brought into force to date.

- 7.4 Section 9 of the Localism Act 2011, however, introduced certain general powers for combined fire and rescue authorities. Specifically, Section 5A was inserted into the Fire and Rescue Services Act 2004. This provides:
- “(1) A relevant fire and rescue authority may do-
- (a) anything it considers appropriate for the purposes of the carrying-out of any of its functions (its “functional purposes”),
 - (b) anything it considers appropriate for purposes incidental to its functional purposes,
 - (c) anything it considers appropriate for purposes indirectly incidental to its functional purposes through any number of removes,
 - (d) anything it considers to be connected with—
 - (i) any of its functions, or
 - (ii) anything it may do under paragraph (a), (b) or (c), and
 - (e) for a commercial purpose anything which it may do under any of paragraphs (a) to (d) otherwise than for a commercial purpose.
- (2) A relevant fire and rescue authority’s power under subsection (1) is in addition to, and not limited by, the other powers of the authority.”

7.5 This new power overcomes the problem in the Brent case meaning that the Authority now has the legal power to become a member of a company and to make payments to that company for the purposes of providing mutual insurance cover.

7.6 In light of the above, it is not anticipated that any legal challenge will be made to establishment of the mutual or that any legal challenge, if so made, would be successful.

7.7 Participation in the pool does not constitute public service procurement and is not therefore subject to European tender regulations. As a wholly-owned public sector body, however, any external procurement the pool makes would have to be undertaken in accordance with those rules.

8. CONCLUSION

8.1 Establishment of and participation by this Authority in a “mutual” as envisaged in this report presents the opportunity for a lawful, innovative approach for securing insurance that should deliver better value for money, greater incentive for risk-management activities to reduce claim costs and ultimately reduced costs for this Authority in terms of premiums etc. The approach is, therefore, commended to the Authority.

KEVIN WOODWARD
Treasurer to the Authority



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/13/22
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	19 DECEMBER 2013
SUBJECT OF REPORT	“NEW DIMENSIONS” CAPITAL EXPENDITURE
LEAD OFFICER	Chief Fire Officer and Treasurer to the Authority
RECOMMENDATIONS	<i>That the Authority’s approved Capital Programme 2013-14 be enhanced by £355,000 (to be met from dedicated New Dimensions grant funding provided by the Department for Communities and Local Government) to facilitate expenditure on national resilience assets as indicated in the table shown at paragraph of this report.</i>
EXECUTIVE SUMMARY	This paper seeks approval to utilise £355,000 from earmarked reserves to enhance the Authority’s approved Capital Programme 2013-14 to facilitate expenditure on national resilience assets.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	N/A
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Nil.

1. NEW DIMENSIONS CAPITAL EXPENDITURE

1.1 In previous financial years the Authority has approved any unutilised specific grants received from the Department for Communities and Local Government (CLG) for National Resilience (“New Dimensions”) assets being carried forward to an ear-marked reserve for this purpose. At the end of 2012/13, this earmarked reserve stood at some £0.428m.

1.2 It is now proposed to utilise £0.355m of this earmarked reserve to enhance the Authority’s approved Capital Programme 2013-14 so as to fund capital expenditure on the Service Urban Search and Rescue (USAR) capability which in turn forms part of National Resilience (“New Dimensions”) assets. The areas of capital expenditure are identified in the table below and are designed to mitigate future risk within each area:

Project	Description	£m
Lecture room at Station 60 USAR	Facility to provide multiple training events to meet nationally agreed Key Performance Indicators.	0.140
Trench Training System	To enable the USAR team to maintain key skills and utilise equipment provided by CLG	0.015
Gantry and Line Training System	The proposed system will enhance local capability to work at height	0.040
Roller Shutter doors	To meet CLG audit requirements to keep National Resilience assets secure and protected from the elements	0.060
Water and Flood Rescue Equipment	Procurement of a fleet of powered boats/flood rescue platforms to respond to the increased risk of flooding	0.100
	Total Proposed enhancement to Capital Programme	0.355

1.3 By utilising the earmarked reserve the above projects can be delivered at no additional cost to the Authority, the purpose being consistent with that for which the grant funding was initially provided by CLG.

LEE HOWELL
Chief Fire Officer

KEVIN WOODWARD
Treasurer



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/13/23
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	19 DECEMBER 2013
SUBJECT OF REPORT	2014-15 COUNCIL TAX PRECEPT CONSULTATION
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<i>That the proposal as outlined in this report to consult more widely on proposed level of 2014-15 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 2014-15, be endorsed.</i>
EXECUTIVE SUMMARY	It is a legislative requirement that the Authority consults the business community on the level of council tax precept. In setting the level of council tax for the past two financial years (2012-13 and 2013-14) the members of the public were also consulted. The same approach is proposed for consulting on the 2014-15 level of council tax.
RESOURCE IMPLICATIONS	Survey costs will be met from within existing resources.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	The Local Government Finance Act 1992.

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. There is a need to set the level before 1 March in order that it can inform each of the 15 council tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2014-15.

1.2 Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on its proposals for expenditure. The Authority has previously fulfilled this requirement by the use of telephone surveys.

2. CONSULTATION PROPOSAL

2.1 In setting the revenue budget for the previous two financial years (2012-13 and 2013-14) the consultation was extended to include members of the public. It was deemed appropriate to include the public's views on the option of increasing Council Tax at a time of economic difficulty. The proposal is again to consult both businesses and the public on their views of the proposed levels of council tax precept for 2014-15.

2.2 The methodology for the proposal is to conduct a telephone survey. This methodology is particularly appropriate as it will secure statistically meaningful results when the timescale between conducting the research and reporting the results back to the Authority could otherwise be too short for other types of consultation. The key specifications for the survey are:

- To ask a small group of key questions 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).

2.3 The results of the survey will be reported back to the Authority on 17 February 2014 to inform the considerations in relation to budget setting for 2014-15 and any associated precept level.

KEVIN WOODWARD
Treasurer



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/13/24
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	19 DECEMBER 2013
SUBJECT OF REPORT	FILLING OF VACANCY ON COMMUNITY SAFETY & CORPORATE PLANNING COMMITTEE
LEAD OFFICER	Clerk to the Authority
RECOMMENDATIONS	<i>that the Authority determine an appointment to fill the vacancy on the Community Safety and Corporate Planning Committee, with the appointment to be until the Annual Meeting of the Authority in 2014</i>
EXECUTIVE SUMMARY	<p>At last meeting the Authority made appointments to the vacancies on its committees and outside bodies resulting from the resignation of Councillor Martin Leaves and subsequent appointment by Plymouth City Council to the Authority of Councillor Ian Darcy.</p> <p>Since that time, Councillor Darcy has resigned and Plymouth City Council has appointed in his place Councillor Mrs. Lynda Bowyer. The resignation of Councillor Darcy, however, leaves a vacancy on the Community Safety & Corporate Planning Committee which the Authority is now invited to fill.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	<p>A. Report DSFRA/13/ to the Authority meeting held on 30 September 2013 together with the Minutes of that meeting.</p> <p>B. Agenda and Minutes of the Annual Meeting of the Authority held on 30 May 2013.</p>