

**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 : 14 February 2014
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
(Budget Meeting)

Monday 24 February 2014

The Budget meeting of the Devon & Somerset Fire & Rescue Authority will be held on the above date, **commencing at 09:30 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 19 December 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 Wednesday 19 February 2014.**

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) **Treasurer Appointment Committee**

The Chair of the Committee, Councillor Healey, to **MOVE** the minutes of the meetings held on 9 and 16 October 2013 attached (Pages 10 and 11 respectively)

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

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

The Chair of the Committee, Councillor Bown, to **MOVE** the minutes of the meeting held on 22 January 2014 attached (page 13)

RECOMMENDATIONS

- (i) that the recommendation at Minute HRMDC/15 (Redundancy Compensation Rates) be approved; and
- (ii) that, subject to (i) above and in accordance with Standing Orders, the Minutes be adopted.

(c) **Community Safety & Corporate Planning Committee**

The Chair of the Committee, Councillor Eastman, to **MOVE** the minutes of the meeting held on 7 February 2014 attached (page 16)

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

(d) **Commercial Services Committee**

The Chair of the Committee, Councillor Healey, to **MOVE** the minutes of the meetings held on 20 January and 3 February 2014 attached (pages 18 and 20 respectively)

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

(e) **Resources Committee**

The Chair of the Committee, Councillor Greenslade, to **MOVE** the minutes of the meetings held on 3 February 2014 attached (page 21) and 21 February 2014 (**TO FOLLOW**)

RECOMMENDATION

- (i) that the recommendation at Minute RC/15 of the meeting held on 3 February 2014 (Capital Programme 2014-15 to 2016-17) be considered in conjunction with agenda item 8 below;
- (ii) that any recommendations from the meeting held on 21 February 2014 relating to the 2014-15 Revenue Budget and Council Tax Levels and the Capital Programme 2014-15 to 2016-17 be considered in conjunction with agenda item 8 below; and

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

8. Capital and Revenue Budgets

(a) 2014-15 Revenue Budget and Council Tax Levels

Joint report of the Treasurer and the Chief Fire Officer (DSFRA/14/1) attached (page 25).

(b) Capital Programme 2014-15 To 2016-17

Joint report of the Chief Fire Officer and the Treasurer (DSFRA/14/2) attached (page 47).

(c) Treasury Management Strategy (Including Prudential And Treasury Indicators 2014-15 To 2016-17)

Report of the Treasurer (DSFRA/14/3) attached (page 58).

9. Transformation Funding for 2015-16

Report of the Chief Fire Officer (DSFRA/14/4) attached (page 77)

10. Confirmation of Scheme of Members Allowances 2014-15

Report of the Clerk to the Authority (DSFRA/14/5) attached (page 80)

11. Localism Act - Pay Policy Statement 2014-15

Report of the Clerk to the Authority (DSFRA/14/6) attached (page 84)

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, Burr ridge-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)

19 December 2013

Present:-

Councillors Healey (Chairman), Bown, Mrs. Bowyer, Brooksbank, Burrige-Clayton, Chugg, Colthorpe, Dyke, Eastman, Edmunds, Gordon, Greenslade, Gribble, Owen, Prior-Sankey, Radford, Randall Johnson, Smith, Woodman and Yeomans.

Apologies:-

Councillors Brazil, Ellery and Knight.

DSFRA/33. Minutes

RESOLVED that the Minutes of the meeting held on 30 September 2013 be signed as a correct record.

DSFRA/34. Minutes of Committees

(a) Resources Committee

The Chairman of the Committee, Councillor Greenslade, **MOVED** the Minutes of the meeting of the Committee held on 13 November 2013 which had considered, amongst other things:

- a report on the financial performance of the Authority during the current (2013-14) financial year as at Quarter 2;
- a report on the Treasury Management performance of the Authority during the current (2013-14) financial year as at Quarter 2.

A copy of the Treasury Management performance report was circulated with the agenda for this meeting for information purposes.

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

(b) Commercial Services Committee

The Chairman of the Committee, Councillor Healey, **MOVED** the Minutes of the meeting of the Committee held on 21 November 2013 which had considered, amongst other things:

- a report on a proposed revision to the commercial services five-year business plan 2013-17;
- an update on the commercial services communications strategy; and
- an update on current commercial leads and opportunities.

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

(c) Audit & Performance Review Committee

The Chairman of the Committee, Councillor Radford, **MOVED** the Minutes of the meeting of the Committee held on 28 November 2013 which had considered, amongst other things:

- an update from Grant Thornton on audit work being undertaken on behalf of the Authority;

- the Authority's Annual Audit Letter for the year ended 31 March 2013;
- a report on progress to date against the approved internal audit plan for the Service during the current (2013-14) financial year; and
- a report on performance by the Service between April to September 2013 against those measures contained in the approved Corporate Plan 2013-14 to 2015-16.

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

(d) Community Safety & Corporate Planning Committee

The Chairman of the Committee, Councillor Eastman, **MOVED** the Minutes of the meeting of the Committee held on 6 December 2013 which had considered, amongst other things, election of Vice-Chair to fill that vacant post on the Committee.

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

DSFRA/35. Address by the Fire Brigades' Union

The Authority received an address from the Fire Brigades' Union (FBU) in respect of the current and ongoing dispute over pensions with the Government. The FBU drew attention to the core of their concerns over the proposed changes to the Firefighter Pension Scheme.

DSFRA/36. Future Insurance Arrangements

The Authority considered a report of the Treasurer (DSFRA/13/21) on proposed new insurance arrangements for the Authority, including establishment of and participation in a Hybrid Discretionary Mutual with other fire and rescue authorities and a "pooling" arrangement to share risk and ultimately reduce insurance costs. The report summarised the feasibility study into the proposed new arrangement together with the legal basis for the new arrangements.

RESOLVED

- (a) that approved be given to:
 - (i) participation by the Authority in the establishment of a Fire & Rescue Authorities Insurance Pool, with the Authority becoming a full member of the governing Hybrid Discretionary Mutual;
 - (ii) use of the pooling arrangement for the corporate property, liability, motor and other miscellaneous insurance requirements of the Authority 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);
 - (iii) participation as a financial guarantor for supplementary premiums should claims against the pool exceed the funding available;
- (b) that the Treasurer and Clerk be asked to undertake all steps necessary to effect the decisions indicated at (a)(i) to (iii) above;

- (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.

DSFRA/37. "New Dimensions" Capital Expenditure

The Authority considered a report of the Chief Fire Officer and Treasurer (DSFRA/13/22) on a proposal to utilise some £0.355m of dedicated earmarked reserve, amassed from grant funding provided by the Department for Communities and Local Government (CLG), to fund expenditure on national resilience assets.

RESOLVED that the Authority's approved Capital Programme 2013-14 be enhanced by £0.355m (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 report DSFRA/13/22.

DSFRA/38. 2014-15 Council Tax Precept Consultation

The Authority considered a report of the Treasurer (DSFRA/13/23) on proposals to consult, in accordance with legislative requirements, the business community on the level of council tax precept for 2014-15 and to extend this consultation, as in the previous two financial years, to include the public. The costs of the consultation would be met from within existing resources.

A debate ensued during which it was suggested that an approach be made to the constituent authorities of Devon, Somerset, Plymouth and Torbay with a view to utilising existing arrangements to undertake a joint consultation exercise with the business community, thereby minimising costs. The Clerk confirmed that the costs obtained, following a competitive exercise, to conduct a telephone consultation exercise were £5,450 for the business community consultation and a further £5,250 to include the general public.

Councillor Randall Johnson then **MOVED** (with Councillor Greenslade seconding)

“that the Service approaches the constituent authorities of Devon, Somerset, Plymouth and Torbay to identify whether they would be willing to enter into a joint arrangement with this Authority in respect of the undertaking of the statutory consultation with the business community and that the cost of any public consultation undertaken be limited to a maximum of £3,000”.

During further debate the view was expressed that the Authority, as a stand-alone public body with sole responsibility for the delivery of fire and rescue services for the geographical areas of Devon and Somerset, should undertake its own consultation exercise.

Councillor Yeomans then moved, with Councillor Woodman seconding, that the motion proposed by Councillor Randall Johnson be **AMENDED** by the deletion of all words after “that the...” and the insertion of new wording, the proposed amended motion to read:

“that the recommendations as set out in report DSFRA/13/23 be approved”.

Following a vote, the **AMENDMENT** was declared **LOST** by 12 votes against to 5 for.

Further clarification was then requested on the initial proposal as moved by Councillor Randall Johnson on the basis that, should the request for a joint consultation approach with the constituent authorities fail, an alternative mechanism would be required to satisfy the statutory requirement to consult with the business community.

In light of this, Councillor Greenslade moved that the initial motion proposed by Councillor Randall Johnson be **AMENDED** by the addition of the following paragraph:

“that, in the event of joint arrangements with constituent authorities for consultation with the business community as set out above proving not possible, the Chief Fire Officer be delegated authority to make appropriate arrangements for the statutory consultation with the business community, following consultation with the Chairman”.

Councillor Randall Johnson accepted this amendment. The amended motion was then put to the vote and declared **CARRIED** by 13 votes for to 4 against, whereupon it was

RESOLVED

- (a) that the Service approaches the constituent authorities of Devon, Somerset, Plymouth and Torbay to identify whether they would be willing to enter into a joint arrangement with this Authority in respect of the undertaking of the statutory consultation with the business community and that the cost of the public consultation exercise be limited to a maximum of £3,000;
- (b) that, in the event of joint arrangements with constituent authorities for consultation with the business community as set out above proving not possible, the Chief Fire Officer be delegated authority to make appropriate arrangements for the statutory consultation with the business community, following consultation with the Chairman”.

(**NOTE:** In accordance with Standing Order 24(3), Councillors Burrige-Clayton, Bown, Woodman and Yeomans requested that their vote against this resolution be recorded.

DSFRA/39. Filling of Vacancy on Community Safety & Corporate Planning Committee

The Authority considered a report of the Clerk to the Authority (DSFRA/13/24) inviting nominations to fill the vacancy on the Community Safety and Corporate Planning Committee arising from the resignation from the Authority of Councillor Darcy, one of the Plymouth City Council appointees to the Authority. Plymouth City Council had subsequently appointed Councillor Mrs. Lynda Bowyer to serve on the Authority.

RESOLVED that Councillor Mrs Lynda Bowyer be appointed to fill the vacancy on the Community Safety & Corporate Planning Committee, the term of office to be until the Annual Authority meeting in 2014.

DSFRA/40. Chairman's Announcements

The Chairman reported on the activities that he had undertaken on behalf of the Authority since its last meeting, a copy of which was circulated at the meeting for information.

Of particular note was the Commendation Ceremony attended by the Chairman and other civic dignitaries in Bideford on 25 October 2013 and which marked the excellent work undertaken by both the fire and rescue service and other emergency services in the rescue of a woman and her son from flood water in Umberleigh earlier in the year.

DSFRA/41. Chief Fire Officer's Announcements

The Chief Fire Officer reported on a fire fatality of an 85 year old lady in Drayton, Somerset on 6 December 2013. The incident was subject to a coroner's enquiry.

The Chief Fire Officer added that, given the circumstances, the Service may not have been able to prevent the incident but that the Service would continue to examine its procedures, particularly in relation to working with other agencies, with the aim of eliminating all fire related deaths.

The meeting started at 10.00hours and finished at 11:40hours.

TREASURER APPOINTMENT COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

9 October 2013

Present:

Councillors Burridge-Clayton, Gordon, Healey and Yeomans

***TAC/3** **Minutes**

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

***TAC/4** **Exclusion of Press and Public**

RESOLVED 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.

***TAC/5** **Evaluation of Tenders**

(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 3 tenders that had been submitted in accordance with the due process. The Clerk gave an overview of the process to be followed during the evaluation and guidance was circulated at the meeting in this respect.

RESOLVED that the 3 tenderers be invited for interview on 16 October 2013.

***TAC/6** **Stage 2 Presentations and Interview Questions**

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

The Clerk referred to the process to be undertaken in Stage 2 and the Committee considered the topic for the presentation and the interview questions. There were some changes that were necessary to the questions as a result of the evaluation exercise in Stage 1 and the Clerk indicated that these would be amended and circulated to the Committee in advance of the interviews. A timetable for the interviews was also discussed.

RESOLVED that the arrangements for the interviews on 16 October 2013 be endorsed.

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

The meeting started at 10.00hours and finished at 14.47hours

TREASURER APPOINTMENT COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

16 October 2013

Present:

Councillors Healey (Chair), Burridge-Clayton, Gordon and Yeomans.

***TAC/7** **Minutes**

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

***TAC/8** **Exclusion of 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 1 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to any individual; and
- in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely Information relating to the financial or business affairs of any particular person (including the Authority).

***TAC/9** **Determination of Treasurer Appointment**

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

The Committee considered the evaluation results of the previously-undertaken interviews and presentations by the preferred bidders who had submitted tenders following the procurement exercise.

The Clerk explained the methodology for evaluating the results of the interview and presentation process.

RESOLVED

- (a) that, on the basis of the outcome of the evaluation of the previously-conducted interview and presentation process, Mr. Kevin Woodward be appointed as an officer of the Authority to the post of Treasurer, on the terms and conditions as agreed;
- (b) that, Mr. Kevin Woodward having been appointed as an officer of the Authority to the post of Treasurer, be designated as the officer with responsibility for the proper administration of the Authority's financial affairs in accordance with the requirements of Section 112 of the Local Government Finance Act 1988;
- (c) that, having:
 - (i) appointed Mr. Kevin Woodward as an officer of the Authority to the post of Treasurer; and

- (ii) designated Mr. Kevin Woodward as the officer with responsibility for the proper administration of the Authority's financial affairs in accordance with the requirements of the Local Government Finance Act 1988;

the Committee be formally disbanded in accordance with the decision taken by the Authority at its meeting on 10 July 2013 (Minute DSFRA/21(c) refers).

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

The meeting started at 15.00hours and finished at 16.00hours.

HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

22 January 2014

Present:-

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

***HRMDC/11. Minutes**

RESOLVED that the Minutes of the meeting held on 26 July 2013 be signed as a correct record.

***HRMDC/12. Learning and Development Strategy 2013-16**

The Committee received for information a report of the Director of People and Commercial Services (HRMDC/14/1) in respect of the new Learning and Development Strategy which defined the current context for training and development and how workforce competences needed to evolve in order to support the Service's broader strategic aims. The key considerations in setting this Strategy included the need to continue to ensure firefighter safety within a context of decreasing budgets year on year for the Service.

The Committee also received a presentation given by the Training Academy Manager that outlined:

- The context to the document and the need for change;
- The key objectives of the Strategy;
- Details of the procedures to be implemented in order to meet the objectives set out within the Strategy.

***HRMDC/13. Absence Management & Health of the Organisation**

The Committee received for information a report of the Director of People and Commercial Services (HRMDC/14/2) that detailed the sickness absence statistics for the period April to September 2013, the monitoring of which was undertaken as part of the Service's internal performance measures. The report also set out the actions that had been taken by the Service to mitigate against sickness absence, including the introduction of counselling and physiotherapy services, access by managers to electronic sickness records and stress management training.

It was noted that there had been a reduction in sickness absence for Quarters 1 and 2 of 2013/14 as compared with the same period in 2012/13 and that this was maintaining a downward trend for the Service. A comparison had also been undertaken with other industry benchmarks and this showed that the national average was 7.4 days lost per person whilst the figure for the public services was 9.3 days lost per person. It was encouraging to see that the current performance for Devon and Somerset Fire and Rescue Service at 7.8 days lost per person was moving towards the national all sector rate of 7.4 days lost per person.

The Committee congratulated the Service on this performance but stated that there was no room for complacency. It was requested that the information be included in future reports to the Committee in terms of the numbers of people off sick as it was felt that the percentage changes could be misleading.

***HRMDC/14. Firefighters' Pension Scheme Internal Dispute Resolution Procedure (IDRP)**

The Committee considered a report of the Director of People and Commercial Services (HRMDC/14/3) that sought guidance from the Committee in terms of how it wished to proceed with the determination of future IDRPs in the light of a request from the Fire Brigades' Union (FBU) to be able to represent appellants during a hearing.

The Director of People and Commercial Services confirmed that the Stage 2 IDRPs process was a written procedure normally in accordance with the guidance in Annex 12 of the Appeals Procedure relating to the IDRPs. Each case submitted was considered on an individual basis and the IDRPs Panel was able to request further information as necessary to determine a case. It was noted that FBU felt that it would be able to present a case more fully if it was able to represent an appellant at a hearing rather than it just being a written submission.

A discussion ensued and the view was expressed that not all cases would require a hearing or the FBU to present a case but the facility should be available in the event it was required. The point was also made that the appellant should also be present if a hearing was deemed necessary by the Panel and not just a representative. The Human Resources Manager clarified that if the appellant was given the opportunity to attend a hearing with a representative to present a case, this would make the process akin to a grievance hearing.

Following a full debate of the issues, Councillor J Smith **MOVED** (which was seconded by Councillor Burrige-Clayton):

“that, in future cases submitted under the Firefighters' Pension Scheme Internal Dispute Resolution Procedure (IDRP), the appellant should be given the option of attending a hearing at Stage 2 if they chose to with a representative”.

The motion was then put to the vote (6 for, 0 against, no abstentions), following which it was:

RESOLVED that, in future cases submitted under the Firefighters' Pension Scheme Internal Dispute Resolution Procedure (IDRP), the appellant should be given the option of attending a hearing at Stage 2 if they chose to with a representative.

HRMDC/15. Redundancy Compensation Rates

The Committee considered a report of the Director of People and Commercial Services (HRMDC/14/4) that set out the background on how the redundancy multiplier was arrived at and which also set out details of the current multiplier in use by other fire and rescue services and local authorities within Devon and Somerset for comparative purposes.

Reference was made to the point that there was currently no statutory power for a fire and rescue service to enhance redundancy rates for its uniformed staff, although this was currently being reviewed at a national level. The Committee was invited to review the current multiplier in place for the Service taking into account budgetary and financial issues and the organisational workforce planning needs of the Service.

RESOLVED

- (a) That the Devon and Somerset Fire and Rescue Authority be recommended to approve that there should be no change to the current redundancy compensation rates (a multiplier of 2), and;

- (b) That the Committee continues to monitor progress with reduction in staff numbers associated with the implementation of the Corporate Plan, and how the use of voluntary redundancies can support this, with a view to further reviewing the redundancy compensation rates in the next financial year.

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

***HRMDC/17. Industrial Action - Update**

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

The Director of People and Commercial Services updated the Committee on the current position in respect of the national dispute between the Government and the Fire Brigades' Union in respect of the proposed new Firefighters' Pension Scheme 2015, together with details of the Service's business continuity arrangements for industrial action already taken and in the event of further industrial action.

*** DELEGATED MATTERS WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 11.45hours

COMMUNITY SAFETY AND CORPORATE PLANNING COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

7 February 2014

Present:-

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

Apologies:-

None

***CSCPC/14. Minutes**

RESOLVED that the Minutes of the meeting held on 6 December 2013 be signed as a correct record.

***CSCPC/15. Safe South West - Work Programme**

The Committee considered a report of the Director of Operations (CSCPC/14/1) that updated the Committee on the work programme that had been developed for SAFE (Safety, Advice, Funding and Education) South West, the charitable arm that had been set up by the Service with the purpose of accessing otherwise unobtainable funds to promote community safety activities.

A presentation was given at the meeting by the Community Safety Support Manager, Anne Harrison-Bailey and the Charity's Co-Ordinator, Steve Smith, on the progress made to date in respect of the Charity's work. It was noted that the Charity had already had some success in respect of attracting funding for projects, notably from the Devon and Cornwall Police and Crime Commissioner's small grants fund for training staff to undertake interventions within an Adult Firesetters programme and also for training for Flood Wardens (Minute *CSCP/17 below also refers). It was felt that the profile of the Charity had been raised and that progress could now be made as a result of the funding generated.

***CSCPC/16. Specialist Rescue Capabilities**

In view of the recent incidence of flooding within the Somerset Levels and the need to deploy operational staff to deal with this from the Service's boat rescue teams, this item was **DEFERRED** to a future meeting.

***CSCPC/17. Preparing for and Responding to Flooding Incidents**

The Committee received for information a report of the Director of Operations (CSCPC/14/2) that set out information in respect of the Service's response to the increased number of flood related incidents within Devon and Somerset.

The Community Safety Manager updated the Committee on the current position in respect of the flooding on the Somerset Levels. He stated that a Strategic Command Group had been established together with a Tactical Co-ordination Group to implement the decisions made. Briefings were sent out every 12 hours to update the position.

The Service was receiving assistance from the National Resilience Assurance Team together with specialist advice from other organisations in respect of the response provided to the villages of Muchelney and Moorland in particular. Reference was made to the cost of the Service's response to the flooding and how this may be reclaimed from Government in due course. It was noted that there may be European funding available for extreme emergency funding and the Service was urged to pursue this.

The Community Safety Support Manager made reference to work being undertaken on community resilience in Somerset in conjunction with the Local Resilience Forum (LRF). This was aimed at empowering communities and individuals with resources and other support to facilitate their response to and recovery from emergencies. It was hoped that this Project would empower communities to protect their property and that the training for Flood Wardens would be one of the mechanisms that would assist in achieving this aim.

The Committee also received a presentation given at the meeting by the SAFE South West Charity's Co-ordinator in respect of the Flood Warden Training Programme that had developed utilising funding received from the National Lottery and the Department for Environment, Food and Rural Affairs (DEFRA). It was noted that a pilot project had been established in Cornwall and it was hoped that this could now be extended to other communities within the South West.

***CSCPC/18. Networked Fire Control Services Partnership (NFCSP) - Update**

The Committee received for information a presentation given by the Director of Operations that covered, amongst other things:

- An overview of the history behind the Partnership and the establishment of the New Dimensions project, which was set up to look at resilience in the light of a major terrorist attack and funded by the Department for Communities and Local Government (DCLG);
- The issues emanating from the New Dimensions Project, namely the identification of inefficient communications between fire control rooms, the resulting decision to reduce the number of Fire Control rooms, and the inability of individual fire and rescue services to track assets deployed;
- The above issues led to the introduction of Mobile Data Terminals (MDTs) to the cabs of fire appliances which provided specific information at the touch of a button to fire crews in respect of maps, chemical data, crash recovery, Standard Operating Procedures (SOPS) and Operational Risk Information Systems (ORIS), together with the establishment of Airwave – a new digital communications system;
- The introduction of “status messaging” via the MDTs in 2012 to provide more detailed information to the Service in respect of the position on an incident to which an appliance had been mobilised (such as “mobile to, in attendance”, etc.) and also to cut down on the amount of radio traffic;
- Details of the new FORTEK system that had been developed as a result of central government funding for a collaborative approach to Fire Control with Wiltshire, Dorset and Hampshire Fire and Rescue Services which would go live in Devon and Somerset Fire and Rescue Service in October 2014.

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

The meeting started at 10.00hours and finished at 11.20hours

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

20 January 2014

Present:-

Councillors Healey (Chair), Brazil, Edmunds, Gordon, Randall Johnson and Woodman

Apologies:-

Councillor Dyke

***CSC/21. Minutes**

RESOLVED that the Minutes of the meeting held on 21 November 2013 be signed as a correct record.

***CSC/22. Red One Ltd. - Website**

The Committee received for information a presentation by the Director of People and Commercial Services on current progress with development of a website for Red One Ltd. The visually-active site provided comprehensive information both of Red One and the Training Academy. In respect of the latter, the site detailed courses offered together with dates and the ability to book places on-line using a variety of payment methods including credit cards and BACS.

The site also featured social media links (e.g. Facebook) although, following a suggestion made at the Committee, the possibility of making these more prominent would be explored. Additionally, the site offered functionality to feature video clips of prior courses and utilisation of this functionality would also be explored.

***CSC/23. Exclusion of the Press and Public**

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

***CSC/24. Expenses Budget**

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

The Committee considered a report of the Director of People and Commercial Services (CSC/14/1) on an annualised expense budget for Red One Ltd. for 2014-15. The budget aligned with the five-year commercial business plan previously approved by the Committee (Minute *CSC/17 refers) and had been approved by the Red One Board.

In debating the matter, the Committee asked for more clarity in respect of certain areas following which it was

RESOLVED that a further, special meeting of the Committee be held at 14.00hours on Monday 3 February 2014 to further consider the annualised expense budget for Red One Ltd. for 2014-15.

***CSC/25. Finance Update**

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

The 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.

***CSC/26. Update on Current Commercial Leads & Opportunities**

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

The Committee received for information a report of the Director of People and Commercial Services (CSC/14/2) on commercial leads and opportunities currently being progressed.

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

The meeting started at 10.00hours and finished at 13.20hours

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

3 February 2014

Present:-

Councillors Healey (Chair), Brazil, Dyke, Gordon, Randall Johnson and Woodman

Apologies:-

Councillor Edmunds

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

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following 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/28 Expenses Budget**

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

The Committee considered a report of the Director of People and Commercial Services (CSC/14/3) on an annualised expense budget, as agreed by the Red One Board, for Red One Ltd. for 2014-15. The budget had been reviewed in line with the request made by the Committee at its last meeting (Minute *CSC/24 refers) and the expenses now detailed accorded with the five-year business plan as previously approved by the Committee (Minute *CSC/17 refers).

RESOLVED

- (a) that the Committee advises the Devon & Somerset Fire & Rescue Authority that it endorses the inclusion of a commercial services income line of £250,000 in setting the Authority's revenue budget for 2014/15;
- (b) that the Red One income and expenditure budget for 2014/15 be noted.

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

The meeting started at 14.00hours and finished at 15.25hours

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

3 February 2014

Present:-

Councillors Greenslade (Chairman), Brooksbank, Chugg, Dyke, Gordon, Healey (vice Burrige-Clayton) and Yeomans.

***RC/12. Minutes**

RESOLVED that the Minutes of the meeting held on 13 November 2013 be signed as a correct record.

***RC/13. Treasury Management Performance 2013-14: Quarter 3**

The Committee received for information a report of the Treasurer (RC/14/1) that detailed the Authority's performance on treasury management activities in Quarter 3 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 economic growth in 2013 had surpassed all expectations, with signs that Gross Domestic Product may have accelerated, inflation was at its lowest level (2.1%) since November 2009 and unemployment was approaching the Monetary Policy Committee's 7% forward guidance threshold;
- Interest rates were unlikely to increase before June 2016;
- The Authority was performing well against its investment strategy and was outperforming the 3 month LIBID rate of 0.40% with a return of 0.43%;
- External Borrowing as at 31 December 2013 was £26.368 million, which was well within the Authority's agreed authorised limit.

It was noted that none of the prudential indicators had been breached and that the Authority had continued with a prudential approach to investment decisions with priority given to liquidity and security over yield.

RESOLVED that the performance in relation to the treasury management activities of the Authority for 2013-2014 (to December 2013) be noted.

***RC/14. Financial Performance Report 2013/14: Quarter 3**

The Committee received for information a report of the Treasurer (RC/14/2) that set out details of the Authority's financial performance during the third quarter of the current year (2013/14) as compared with the approved financial targets. The report also provided a forecast of spending against the approved 2013/14 revenue budget.

In response to a question, the Chief Fire Officer gave an update at this point on the position in respect of the Service's response to the flooding in the Somerset Levels.

Councillor Greenslade extended congratulations on behalf of the Committee for the professionalism and dedication of staff shown and for the Service's commendable response to the flooding which had elevated its reputation as a direct result.

The Treasurer highlighted that spending was forecast to be £74.852 million at the year-end which was £1.932million less than the approved revenue budget of £76.784million, equivalent to 2.52% of the total budget. He added that a lot of effort had been made with budget holders to achieve this position and that he was confident of delivering an underspend at the year end, although the figures may vary, particularly in the light of the Service's response to the flooding. He added that it was anticipated that the response provided to the flooding should be cost neutral to the Service subject to funding through the Bellwin Scheme but this needed to be clarified in due course. It was noted that there was no recommendation set out within this report as to how the underspend should be utilised and that the Authority would need to determine this at the year-end following a recommendation from this Committee.

Reference was made to the issue of pensions liability for retained firefighters that was still outstanding as a result of the ruling on the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. The Treasurer advised that, whilst the Authority had already established a reserve of £1.6 million for this liability, it was not clear at this stage as to whether or not this would be sufficient. Work was ongoing both within the Service and with Popularis (as appointed by the Fire and Rescue Services National Employers') to try to identify the number of firefighters who wished to claim the pension rights and thus to establish the extent of the liability more clearly. This liability rested with fire and rescue services but the point was made that the Government should be pressed to assist with this, perhaps by allowing the capitalisation of revenue over a fixed period to lessen the financial burden.

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. Councillor Chugg left the meeting at this point).

RC/15. Capital Programme 2014-15 to 2016-17

The Committee considered a joint Report of the Chief Fire Officer and the Treasurer (RC/14/3) that set out a proposal for a three year Capital Programme covering the years 2014-15 to 2016-17 and which outlined the difficulties in meeting the full capital expenditure requirements for this Authority, given the size and nature of its assets.

The Chief Fire Officer advised the Committee that the Service had, in recent years, reduced its funding for vehicle replacement in support of the Estates programme. This had created a backlog on the Service's vehicle replacement programme and it was proposed that this now be addressed with the reinstatement of funding within the Capital Programme for 2014-15 to 2016-17 for the Light Rescue Pumps, the cost of which was significantly less than the traditional Type B appliance. The Service was, however, undertaking a review of its entire estate in the long term and the outcome of this would be submitted to the Committee for consideration in due course.

The Treasurer stated that, in reviewing the Capital Programme, the Service needed to challenge what it could afford to do in the future, particularly in the light of the knowledge that future capital funding would be on the basis of a bidding process and not a grant allocation. The Government had already announced that for 2015-16, any capital funding would be allocated following a bidding process based on transformational projects and the Service was anticipating making several bids.

It was noted that the Capital Programme had been constructed on the basis of keeping within the self-imposed 5% borrowing limit. Whilst a forecast debt of £32.8million by 2017 was not considered to be excessive for this Authority given the size of its asset portfolio, the Treasurer suggested that the Authority should continue to monitor its exposure to further debt, particularly in the context of affordability within a reducing revenue budget.

In view of the point that the Authority had not as yet received all of the information needed to assess its revenue budget requirements for 2014-15, the Clerk suggested that the wording in the recommendation in report RC/14/3 be amended to reflect this.

Councillor Greenslade **MOVED**, with Councillor Gordon seconding, that the recommendation set out in report RC/14/3 be approved subject to it being amended to read (amendments shown in bold italics):

“that ***subject to the setting of the Revenue Budget for 2014-15, the Devon and Somerset Fire and Rescue Authority be recommended***”, with the remainder of the wording being as printed.

The motion was then put to the vote and CARRIED unanimously, upon which it was:

RESOLVED that, subject to the setting of the Revenue Budget for 2014-15, the Devon and Somerset Fire and Rescue Authority be recommended:

- (i) to approve a revenue contribution of £1.2m from the 2014-15 revenue budget towards the Light Rescue Pumps (LRP) project;
- (ii) to approve the draft Capital Programme 2014-15 to 2016-17 and associated Prudential Indicators, as detailed in report RC/14/3 and summarised at Appendices A and B respectively to this report; and
- (iii) to note the forecast impact of the proposed Capital Programme (from 2017-18 onwards) on the 5% debt ratio Prudential Indicator as indicated in report RC/14/3.

***RC/16. Proposed Disposal of Two End of Life Service Vehicles**

The Committee considered a joint report of the Director of Operations and the Treasurer (RC/14/4) that set out a proposal to dispose of two service vehicles (Ford Rangers) on a charitable basis that had reached the end of their operational service life in accordance with the provisions in Financial Regulations.

The Chief Fire Officer reported that, as a humanitarian gesture, it was proposed to donate these vehicles to Nepal, where the Service had already developed an association over a number of years. He added that the United Nations had shown an interest in this and was seeking to discuss the development of a comprehensive approach on search and rescue and the Service would be exploring this matter further.

RESOLVED that, in accordance with Financial Regulations, the Committee approves the gifting of the two “end-of-life” 4x4 Ford Ranger vehicles, with an estimated market value of £15,400, to Pokhara and Chitwarn in Nepal as a humanitarian gesture and given the opportunity at this time to have them transported at no cost to the Service.

***RC/17. Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 5 of Part 1 of Schedule 12A (as amended) to the Act, namely information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

***RC/18. Georgia Group Debt – Further Considerations**

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

The Committee considered a report of the Director of People and Commercial Services (RC/14/5) on action taken by the Service to recover a debt arising from services that had not been delivered by the Georgia Group.

RESOLVED that the settlement offer set out in report RC/14/5 as advanced by the Georgia Group under Part 36 of the Civil Protection Rules be accepted, and the consequential write off of the balance of £30,687 be approved in accordance with Financial Regulations.

***DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 11.55hours.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	DSFRA/14/1
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	24 FEBRUARY 2014
SUBJECT OF REPORT	2014-2015 REVENUE BUDGET AND COUNCIL TAX LEVELS
LEAD OFFICER	Treasurer and Chief Fire Officer
RECOMMENDATIONS	<p>(a) <i>that the Authority consider the contents of this report, together with any relevant recommendation made by the Resources Committee, with a view to determining either:</i></p> <p>(i) <i>that the level of council tax in 2014-15 for a Band D property be set at £75.39, as outlined in Option A in this report, representing no increase over 2013-14, and that accordingly a Net Revenue Budget Requirement for 2014-15 of £75,428,200 be approved;</i></p> <p style="text-align: center;">OR</p> <p>(ii) <i>that the level of council tax in 2014-15 for a Band D property be set at £76.89, as outlined in Option B in this report, representing a 1.99% increase over 2013-14, and that accordingly a Net Revenue Budget Requirement for 2014-15 of £75,794,500 be approved;</i></p> <p>(b) <i>that, as a consequence of the decisions at (a) above:</i></p> <p>(i) <i>the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £42,124,448 (Option A) OR £42,962,580 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;</i></p> <p>(ii) <i>the council tax for each property bands A to H associated with the total precept of £42,124,448 (Option A) OR £42,962,580 (Option B), as detailed on Page 2 of the respective budget booklet, be approved; and</i></p>

	(c) <i>that the Treasurer’s ‘Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances’, as set out at Appendix C to this report, be endorsed.</i>
EXECUTIVE SUMMARY	<p>It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year by the 1 March each year.</p> <p>The Secretary of State has announced that the council tax threshold to be applied in 2014-15 that would trigger a requirement to hold a council tax referendum is to be 2.0%. This report considers two potential options A and B below for council tax in 2014-15.</p> <p>OPTION A – Freeze council tax at 2013-14 level (£75.39 for a Band D Property).</p> <p>OPTION B – Increase council tax by 1.99% above 2013-14 (increase of £1.50 to £76.89).</p> <p>The Fire and Rescue Authority is asked to consider the contents of this report, and approve a council tax level for a Band D property and resultant revenue budget level for 2014-15.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	<p>A. Net Revenue Budget Requirement 2014-15.</p> <p>B. Letter of Representation sent to the DCLG regarding the Provisional Local Government Finance Settlement.</p> <p>C. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.</p> <p>D. 2014-15 Public Precept Consultation Results (pages numbered and enclosed separately with the agenda for this meeting).</p> <p>E. Council Tax Precept Survey 2014 (pages numbered and enclosed separately with the agenda for this meeting).</p>
LIST OF BACKGROUND PAPERS	Nil.

1. INTRODUCTION

- 1.1 It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year, before 1 March, in order that it can inform each of the fifteen council tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2014-2015. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels for the Authority.
- 1.2 The Localism Act 2011 includes new provisions which require a local authority to hold a council tax referendum where an authority's council tax increase exceeds the council tax "excessiveness principles" applied for that year. These new rules replace the previous capping regime where the government would impose a cap on council tax increases.
- 1.3 On 5 February 2014, the Department for Communities and Local Government (DCLG) announced that the council tax limit to be applied in 2014-2015, which if exceeded would trigger the need to hold a referendum, is to be 2.0%. This announcement is much later than expected amid speculation that the limit would be set at a lower limit than the 2.0%.
- 1.4 Given that the administration costs associated with holding a local referendum for the Devon & Somerset Fire & Rescue Authority ("the Authority") for one year are estimated to be in the region of £2.3m, this report does not include any proposals to go beyond the referendum limit. Instead it considers two options, A and B below, of which the maximum proposed increase is 1.99%.
- OPTION A** – Freeze council tax at 2013-14 level (£75.39 for a Band D Property).
- OPTION B** – Increase council tax by 1.99% above 2013-14 (£76.89).
- 1.5 This report is, in essence, the same as that submitted to and considered by the Resources Committee at its meeting on 21 February 2014. Any recommendation from that Committee as to the budget and level of council tax to be set for 2014-15 will be reported to this meeting.

2. FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2014-15

- 2.1 The final Local Government Finance Settlement, announced on 5 February 2014, provided local authorities with individual settlement funding assessment figures for 2014-15. It should be noted that as a result of significant changes to the local government finance system introduced in 2013-14, which brought in the new Business Rates Retention Scheme, the new terminology attached to settlements is "Settlement Funding Assessment" (SFA), which replaces the previous "Formula Funding".
- 2.2 The SFA for this Authority results in a reduction in 2014-15 of 7.7% over 2013-14:

TABLE 1 – SETTLEMENT FUNDING ASSESSMENT FOR THE AUTHORITY	£m	%
SFA 2013-14	34.962	
SFA 2014-15	32.283	
Reduction over 2013-14	-2.679	-7.7%

- 2.3 This figure is very much in line (slightly worse) than the figure already included within the the Authority's medium term financial plans, and therefore no change from the grant figure used to inform Corporate Plan proposals in July 2013.
- 2.4 A reduction of 7.7% in 2014-15 is additional to the 10.3% reduction suffered in 2013-14, meaning that the Authority has suffered the third worst settlement of all fire and rescue authorities (FRAs) over the two years. This is very surprising given that, in the previous two years from 2010, this Authority had received the third best settlement, and that the formula used to distribute fire formula funding from 2013-14 included a sparsity factor for the very first time. Given that Devon and Somerset provides fire and rescue cover over the largest geographical area in the country, this Authority should have been one of the biggest gainers from the inclusion of the sparsity factor. It would appear, however, that other changes in the formula have worked against this. In response to the provisional Local Government Finance Settlement announcement in December 2013, I have written a letter to the DCLG on behalf of the Authority expressing disappointment with the provisional settlement. A copy of this letter is attached as Appendix B. The final settlement, however, shows only a slight change from the provisional figures.
- 2.5 The settlement announcement also included an illustrative SFA for 2015-16 of £29.575m, representing a further reduction in 2015-16 of £2.7m or 8.4%. Whilst publication of this figure is helpful to inform planning it should be emphasised that this figure may well be subject to change before the final SFA figure is announced in December 2014. A further reduction of £2.7m in 2015-16 would mean that this Authority's grant funding will have been reduced by a total of £8.6m since 2012-13, equivalent to 22.5%.

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

- 3.1 New rules were introduced last year which requires an authority to hold a local referendum should it propose to increase council tax beyond a government set limit (principles). A referendum would need to be held on our behalf by all of the billing authorities in Devon and Somerset by May of the financial year in question. The administrative costs associated with holding such a referendum would have to be funded by the authority.
- 3.2 If the referendum results in a 'yes' vote then the increase will stand, however, if a 'no' vote is the outcome then the authority will need to revert to a council tax increase limited to the government set limit. This means that, in such circumstances at the budget meeting, two budgets would need to be considered, the budget at the excessive council tax level, and a second "shadow budget" based on the government set limit for council tax increases.
- 3.3 Given that Band D council tax figures for FRAs are relatively low (typically only 4% of the total council tax bill), this Authority has argued with DCLG that FRAs should be exempt from this requirement as the costs associated with holding a referendum are disproportionate to the amount of additional precept gained from any increase. For this Authority the position is exacerbated by the fact that it has fifteen billing authorities that would be required to hold referendums on its behalf, resulting in estimated referendum costs in the region of £2.3m. It is felt that, rather than applying a percentage increase, a cash amount could be used for FRAs.

- 3.4 The government has shown that it is sympathetic to this suggested approach as for 2013-14 it has exempted a small number of FRAs, along with some district councils and police authorities, from a percentage limit and replaced it with a £5 cash increase. Only those authorities in the lower quartile of their authority type in terms of the size of Band D council tax have been exempted, however, which unfortunately did not include this Authority.
- 3.5 On 5 February 2014, the DCLG announced the referendum threshold to be applied in 2014-15 is to 2.0%. This announcement is much later than is usually the case amid speculation that the limit would be set lower than the indicative figure of 2.0% announced as part of the Spending Round 2013 publication in the summer of 2013.

4. COUNCIL TAX AND BUDGET REQUIREMENT 2014-2015

Council Tax

- 4.1 The government has again laid out its expectations that local authorities should freeze council tax in 2014-15 and to encourage this has again announced that it will pay a further Council Tax Freeze Reward Grant to those authorities that freeze, or reduce, council tax in 2014-15. This grant will be equivalent to an increase in council tax of 1.0%, estimated to be £0.472mm for this Authority.
- 4.2 However, where this differs from previous years is that the government has confirmed that the reward grant will be included in the baseline funding for future years, which is the best guarantee we can expect given that it is very rare for a government to make commitments on behalf of future administrations. It has also been announced that the same rules will apply to 2015-16.
- 4.3 It is, of course, still an Authority decision to set a level of council tax that is appropriate to its funding position, and indeed it is voluntary as to whether the Authority agrees to accept the grant available. Whilst this Authority agreed to freeze council tax in 2011-12 and take the reward grant of £1.099m (equivalent to 2.5% increase in CT), for the last two years it agreed to reject the grant and increase council tax by 3.0% in 2012-13 (referendum limit 4.0%), and 1.99% in 2013-14 (referendum limit 2.0%). The decision not to take the grant was largely taken in order to protect future funding baseline figures given that it had been suggested that the reward grant for 2012-13 and 2013-14 would be paid for one year only. In the event the DCLG has now confirmed that the 2011-12 and 2013-14 reward grant will be included in future year baseline funding figures.
- 4.4 For 2014-15, the Authority has to decide whether it wishes to freeze council tax, and if not, decide on what level of increase is appropriate. Each 1% increase in council tax represents a £0.75p increase for a Band D property and is equivalent to a £0.421m variation on the revenue budget. In relation to the referendum option it is my view that given the costs of holding a referendum (circa £2.3m) this is not a viable option for this Authority for 2014-15. This report considers two options:
- OPTION A** – Freeze council tax at 2013-14 level (£75.39 for a Band D Property).
- OPTION B** – Increase council tax by 1.99% above 2013-14 (£76.89).
- 4.5 Each option will result in a reduction in the amount of revenue funding for 2014-15. Table 2 overleaf provides a summary of the reduction associated with each option, including additional precept income.

**TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – REDUCTION IN FUNDING
2014-15**

	OPTION A	OPTION B
	Council Tax Freeze at £75.39	Council Tax Increase of 1.99% to £76.89
	£m	£m
TOTAL FUNDING 2013-14	76.784	76.784
Reduction in Formula Funding	-2.679	-2.679
Increase in Retained Business Rates from new Business Rate Retention System.	0.114	0.114
<u>Changes in Council Tax Precept</u>		
- increase in Council Tax Base resulting from introduction of local Council Tax Benefit System and increase in number of properties	0.666	0.666
- resulting from an increase in Band D Council Tax	-	0.838
- 2014-15 Council Tax Reward Grant	0.472	-
- Increase in Share of Billing Authorities Council Tax Collection Funds	0.071	0.071
Net Change in precept income	1.209	1.575
TOTAL FUNDING AVAILABLE 2014-2015	75.428	75.794
NET REDUCTION IN FUNDING	-1.356	-0.990

4.6 The impact of each of the options over 2013-14 is summarised below:

Option A would result in a reduction in funding in 2014-15 of £1.356m, and the reward grant of £0.472m will be included in future baseline funding figures.

Option B would result in a smaller reduction in funding in 2014-15 of £0.990m and the amount available from the 1.99% increase in council tax of £0.838m will be built into future years funding levels.

Council Tax Base

- 4.7 Whilst the reduction in government funding of £2.679m is in line with previous expectations, the amount of precept income and business rates to be received in 2014-15 from billing authorities will be £1.1m more than originally forecast. The increase in precept income (£0.9m) is as a result of an increase in the council tax base across the area of Devon and Somerset which normally reflects increases in the number of properties e.g. Cranbrook in East Devon. However, for this year the increase is largely as a result of better collection rates than estimated from the billing authorities due to less council tax benefit being paid following the introduction the new Local Council Benefit Scheme in April 2013. The increase in business rates income (£0.2m) reflects the DSFRS share of additional business rates forecast to be collected in 2014-15 from billing authorities.

Net Budget Requirement

- 4.8 Table 3 below provides a summary of the net budget requirement for 2014-15 based on the two options. A breakdown of the more detailed items included in the draft budget are included in Appendix A (*based on Option A for illustrative purposes only*), and budget booklets for each option are enclosed separately with this report which includes further analysis of budget by subjective budget headings e.g. employee costs, property costs, transport costs etc.

TABLE 3 – SUMMARY OF NET REVENUE BUDGET REQUIREMENT 2014-2015

	OPTION A		OPTION B	
	£m	%	£m	%
Approved Net Revenue Budget Requirement 2013-14	76.784		76.784	
PLUS Provision for pay and price increases (PAY AWARD ASSUMED 1.0% IN 2014)	0.968	+1.2%	0.968	+1.2%
MINUS Reduction in investment for Change and Improvement Programme	(0.504)	-0.6%	(0.504)	-0.6%
PLUS Inescapable Commitments	0.557	+0.7%	0.557	+0.7%
PLUS Invest-to-Save Items - Revenue Support to Capital Programme	1.200	+1.6%	1.566	+2.0%
MINUS Budget Savings	(3.577)	(4.7%)	(3.577)	(4.7%)
REDUCTION IN BUDGET OVER 2013-2014 (£m)	(1.356)	(1.8%)	(0.990)	(1.4%)
NET REVENUE BUDGET REQUIREMENT 2014-15	75.428		75.794	

Revenue Support to Capital Programme

- 4.9 Elsewhere on the agenda is a separate on the proposed capital programme 2014-15 to 2016-17. That report highlights the significant capital investment needs of a sparsely populated area such as Devon and Somerset with numbers of fire stations and fire appliances second only to London. The report also raises concerns of the Authority's reliance on increased borrowing to fund future capital investment requirements, particularly in light of the unsuccessful bid of £4.7m to the DCLG to fund the roll-out of the Light Rescue Pump (LRP) programme. It is therefore recommended that the Authority supports revenue contributions to fund capital spending wherever possible in order to reduce borrowing requirement and therefore the resultant commitment required in the revenue budget to service debt charges. It is proposed that the revenue budget for 2014-15 includes provision for a minimum contribution of £1.2m towards capital spending which if agreed would enable debt charges to be maintained below the 5% Prudential Code limit up to 2016-17. Should the Authority be minded to agree Option B of this report (increase council tax by 1.99%), then it is proposed that the additional £0.366m of precept raised be utilised to increase the revenue contribution from £1.2m to £1.566m.

Budget Savings

- 4.10 Table 4 below summarises how savings of £3.577m are to be delivered.

TABLE 4 – BUDGET SAVINGS REQUIRED 2014-15

	£m
Budget Management Savings – As in previous years the budget setting process has included the requirement for budget managers to scrutinise non-operational budget heads with a view to the identification of recurring savings. This process has identified £0.785m of recurring savings which can be removed from base budget.	(0.785)
Corporate Plan Proposals (Support Staff) – Our plans to deliver the required savings has included management action to delete 40 support posts during 2013-14, equivalent to a 13% reduction.	(0.885)
Corporate Plan Proposals (Senior Management) – A review of the senior leadership structure carried out in May 2013 resulted in approval to reduce the size of the Senior Management Board subject to a review by the CFO with final decisions as to the structure of the senior team to be made in 2014.	(0.161)
Corporate Plan Proposals (Operational) – The Corporate Plan proposals agreed by the Authority in July 2013 included the deletion of 149 operational posts to deliver £5m of on-going savings once fully implemented. However given that a strategy has been adopted to deliver this level of reduction without resort to compulsory redundancies it is anticipated that it will take several years for this full reduction to be achieved. In the event that there are insufficient numbers of leavers in this period then a call on the CSR 2010 Earmarked Reserve may need to be made.	(1.746)
TOTAL BUDGET SAVINGS	(3.577)

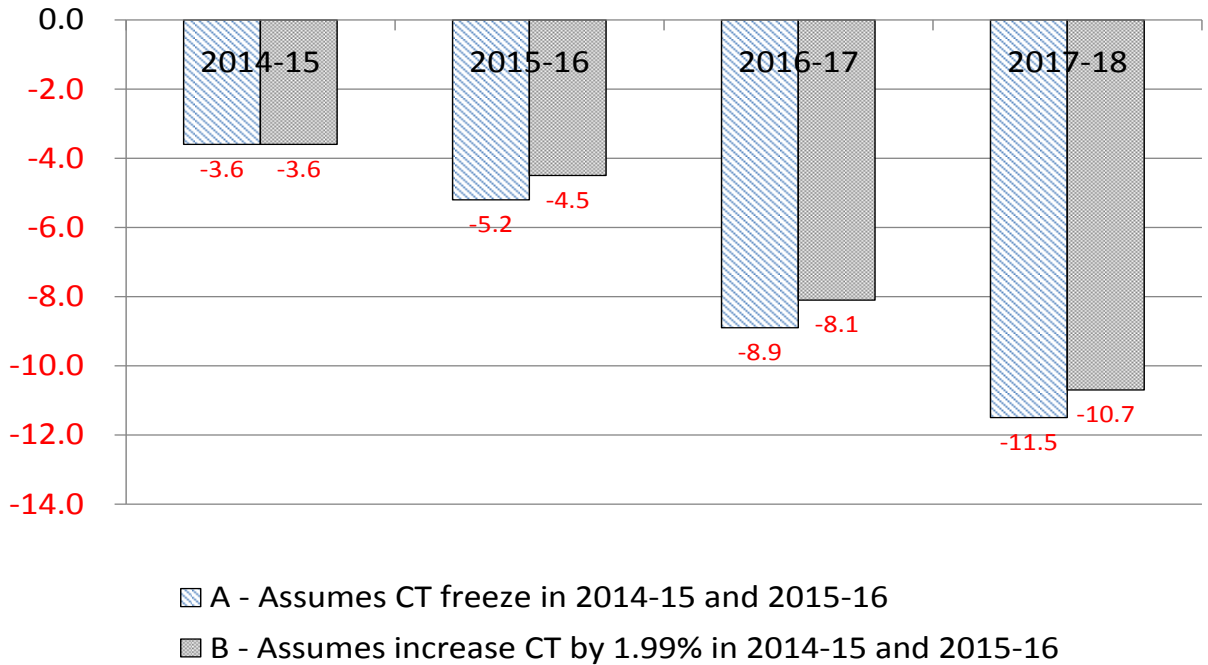
5. MEDIUM TERM FINANCIAL PLAN

5.1 As is stated earlier in this report the recent Local Government Grant Settlement has provided an illustrative settlement figure for 2015-16 which indicates that our funding will be further reduced by £2.7m in 2015-16 (subject to Local Government Finance Settlement in December 2014). This would mean that the Authority would have suffered total reductions of £8.6m in three years to 2015-16. Looking beyond 2015-16, the Chancellors’ Autumn Statement in December 2012 confirmed that the austerity measures to reduce the structural deficit will need to continue until at least 2017-18. This means that the Medium Term Financial Plan (MTFP) needs to be planning for further significant reductions beyond 2015-16.

5.2 Clearly it is difficult to provide forecasts into future years with absolute certainty, particularly in relation to future pay awards, inflationary increases and changes in pension costs. Key assumptions have therefore had to be made in Authority forecasts which will inevitably be subject to change. Prudent forecasts of future budgets can, however, be used to refresh the Authority’s MTFP to inform financial planning and provide updated forecasts of the levels of budget reductions required by 2017-18 to balance the budget.

5.3 The MTFP financial modelling tool has assessed a likely ‘base case’ scenario in terms of savings required over the period 2014-15 to 2017-18. Chart 1 below provides an analysis of those forecast savings required in each year based on assumptions A and B.

CHART 1 – FORECAST BUDGET SAVINGS (CUMULATIVE) 2014 TO 2018 (BASE CASE) - £MILLIONS



- 5.4 Chart 1 illustrates that the savings to be achieved in 2014-15 is £3.6m. Looking beyond 2014-15, it also illustrates that further savings will be required from 2015-16 (forecast to be cumulative savings of circa £11m by 2017-18). As is stated earlier in this report, each 1% increase in council tax results in additional precept of just over £0.4m. Therefore, an increase of 1.99% in 2014-15 (Option C) would result in the savings targets for 2015-16 and beyond being £0.4m less than should a council tax freeze (Option A) be agreed. Should it be agreed to increase by a further 1.99% in 2015-16 (not subject to a decision at this meeting) then the saving target would be £0.8m less if a freeze was agreed over the two years.

6. PLANS TO DELIVER SAVINGS 2014 TO 2018

Corporate Plan 2013-14 to 2014-15

- 6.1 This report proposes a balanced budget for the next financial year 2014-15 including proposals as to how budget savings can be achieved.
- 6.2 The Corporate Plan for 2013-14 to 2014-15 was approved by the Authority at its meeting on 10 July 2013. The Plan includes a range of proposals which when fully implemented will deliver total on-going savings of £6.8m. It is recognised, however, that not all of this sum will be deliverable by 2014-15 as the speed at which it can be delivered will be dependent on the natural turnover of staff over the next two years. Should actual turnover of staff not meet required levels then the Authority may need to utilise reserve balances in 2014-15 to meet any shortfall.
- 6.3 Consideration of proposals for further savings beyond 2015-16 will need to be subject to Authority consideration well in advance of 2016.

7. PRECEPT CONSULTATION 2014-2015

Background and Approach

- 7.1 Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on proposals for expenditure.
- 7.2 In addition to the statutory requirement, members of the public have also been consulted in previous years as it was deemed appropriate to include the public's views on the option of increasing Council Tax at a time of economic difficulty.
- 7.3 At its meeting on 19 December 2013 the Authority considered the issue of council tax precept consultation and resolved (Minute DSFRA/38 refers):

- “(a) *that the Service approaches the constituent authorities of Devon, Somerset, Plymouth and Torbay to identify whether they would be willing to enter into a joint arrangement with this Authority in respect of the undertaking of the statutory consultation with the business community and that the cost of the public consultation exercise be limited to a maximum of £3,000;*
- (b) *that, in the event of joint arrangements with constituent authorities or consultation with the business community as set out above proving not possible, the Chief Fire Officer be delegated authority to make appropriate arrangements for the statutory consultation with the business community, following consultation with the Chairman.”*

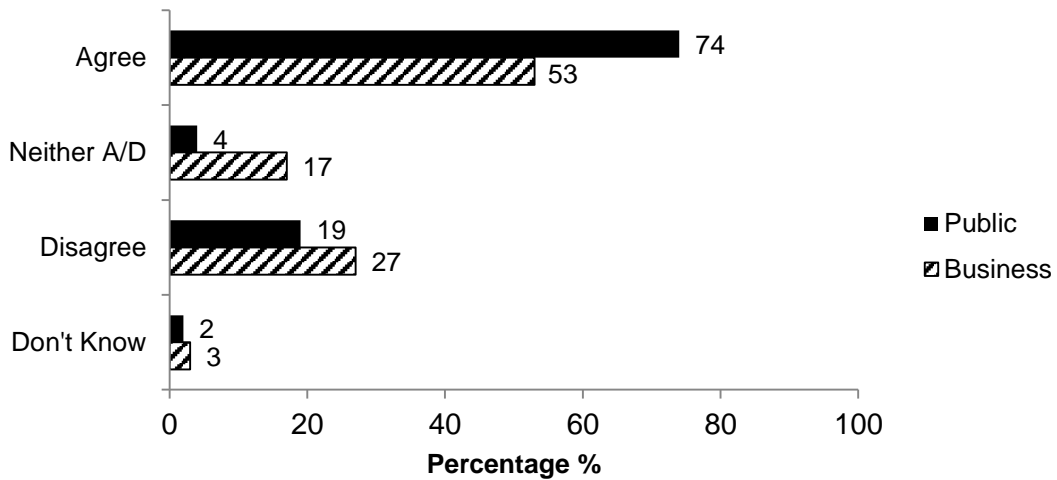
- 7.4 Contact with the constituent authorities of Devon, Somerset, Plymouth and Torbay identified that a co-ordinated and consistent consultation approach was not possible because consultation in those authorities was either concluded or well advanced. Consequently, and in line with the Authority decision, arrangements were made for a telephone survey to be undertaken with the business community only. The key specifications for the survey were:
- To ask four key questions on the precept, value for money and satisfaction
 - To request demographic information
 - To collect answers to both closed and open questions
 - To provide a representative sample of 400 businesses by constituent authority area (Devon County Council; Plymouth City Council; Somerset County Council; and Torbay Council).
- 7.5 To limit cost but still maintain some level of public engagement on issues of council tax precept, again in line with the Authority decision, a street level face-to-face survey was undertaken (using Service staff) as an alternative to the previously proposed public telephone survey. The face-to-face survey was considered to be the most viable alternative, given the time available, and the questions used closely followed the format used for the business telephone survey. To maximise the value of this time, the opportunity was also taken to promote community safety messages and highlight the Service's free home fire safety advisory service.
- 7.6 The business survey commenced in the week beginning Monday, 6 January 2014 and was undertaken by BMG Research who also produced the full results of that can be found in Appendix D.
- 7.7 Face-to-face surveys with members of the public were conducted in Exeter, Taunton, Torquay and Plymouth on 13, 14, 15 and 20 January 2014 respectively. A total of 183 responses were obtained. Appendix E provides the full report of the results.
- 7.8 The results obtained from businesses and members of the public have been brought together in the charts below for ease of comparison.

Results

Question 1: How strongly do you agree or disagree that it is reasonable for the Authority to consider increasing its council tax charge for 2014/15 in order to lessen the impact of the funding cuts?

The results for Question one, shown in Chart 2, illustrate that the majority of respondents agreed that it would be reasonable for the Authority to consider increasing the precept to lessen the impact of funding cuts, despite Government's suggestion that local authorities do not increase council tax charges for 2014/15.

Chart 2: Question 1 results of agreement to consider increasing the precept



Count (unweighted) Public responses 183, Business responses 400

7.9 While the 2014 results of the business survey closely reflect the results from 2013, a change was seen in the level of public agreement for the Authority to consider an increase to the precept: up from 50% agreement in 2013 to 74% agreement in 2014. The majority of this change reflects movement in opinion from ‘neither agree nor disagree’, responses which went from 20% in 2013 to 4% in 2014, to ‘agree’ responses. This movement suggests public respondents were more definite in their opinion.

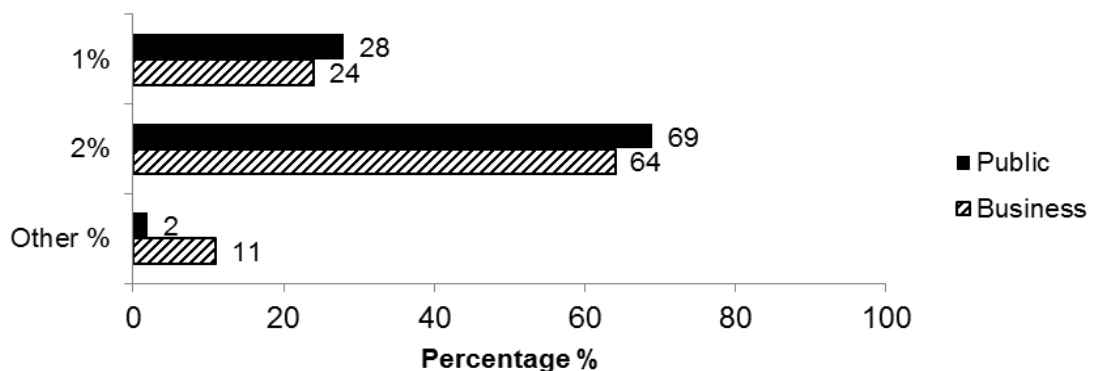
7.10 These results suggest support for the Authority to consider increasing the precept to minimise the impact of cuts to the government grant.

7.11 Respondents who agreed that the Authority should consider increasing the precept were asked:

Question 2: Of the following options, what increase would you consider it reasonable for the Authority to make to its element of the Council Tax?

7.12 The majority of business (64%) and public (69%) respondents were in favour of a 2% increase to the precept as seen in Chart 3.

Chart 3 – Question 2 results of options to increase the precept



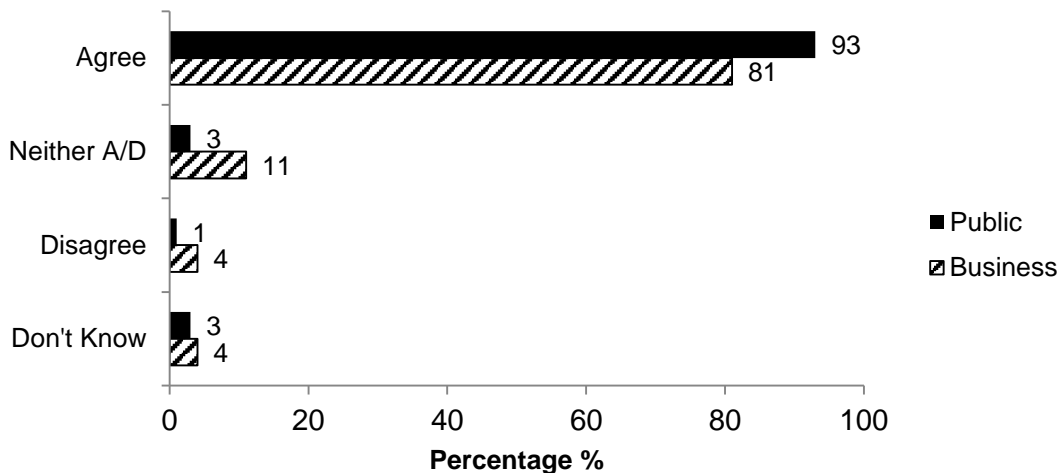
Count (unweighted) Public responses 137, Business responses 210

7.13 Of those providing responses other than '2%', similar proportions of businesses and members of the public responded '1%'. Businesses were more supportive of 'other percentage' changes than members of the public and suggested increases of between 2.5% and 10%.

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

7.14 A high percentage of both members of the public and businesses agreed that the Service provides value for money, see Chart 4. However, as in previous years, members of the public were more likely to agree with the question than businesses.

Chart 4: Question 3 results of agreement with providing value for money

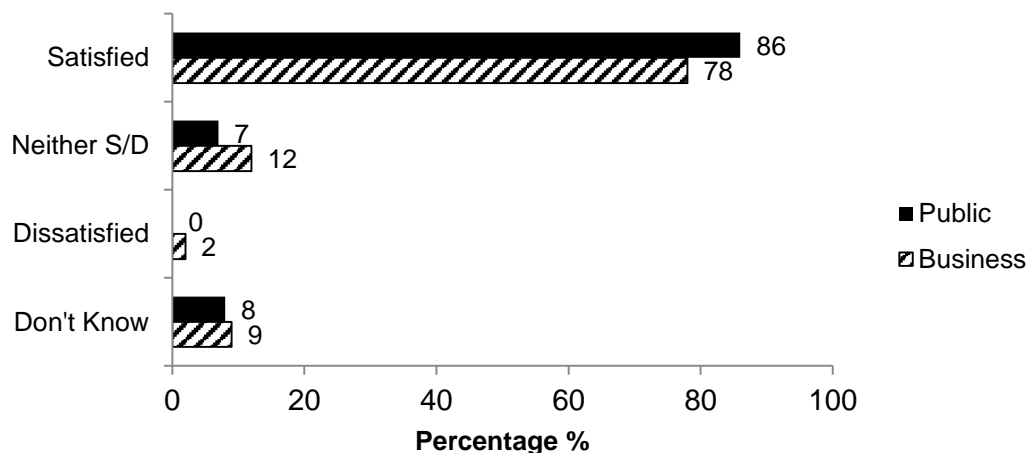


Count (unweighted) Public responses 183, Business responses 400

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

7.15 Chart 5 overleaf shows that the majority of respondents were satisfied with the service provided by the Service, with broadly similar proportions of 'satisfied', 'neither satisfied nor dissatisfied' or 'dissatisfied' responses to the 2013 survey.

Chart 5: Question 4 results of satisfaction with service



Count (unweighted) Public responses 182, Business responses 400

- 7.16 The 2014 results maintain the large increase in business satisfaction, from around 65% to 80%, that was recorded between 2012 and 2013 despite controversial changes to the Service and the recent strikes.

Conclusion

- 7.17 The results of the two consultation exercises indicate that both members of the public and businesses feel it would be reasonable for the Authority to consider increasing its precept for 2014/15. Those who agreed that it would be reasonable were predominantly in favour of a 2% increase (69% of members of the public and 64% of businesses).
- 7.18 Large majorities of both members of the public and businesses believed that the Service provides value for money, at around £46 per head of the population per year, and were satisfied by the service provided by Devon and Somerset.
- 7.19 A large increase was observed in public agreement towards the Authority considering an increase in council tax between the 2013 and the 2014 surveys. This increase may be because of the different consultation methodology used and therefore makes direct year on year comparison less reliable.

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

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

9. SUMMARY

- 9.1 The Authority is required to set its level of revenue budget and council tax for 2014-2015 by 1 March so that it can meet its statutory obligation to advise each of the fifteen billing authorities in Devon and Somerset of the required level of precept. This report provides the necessary background information to assist in making decisions as to the appropriate levels for the Authority.
- 9.2 The report considers two potential options - A and B - and invites the Authority to consider the financial implications associated with each option when determining what budget to set (and associated council tax levels) for 2014-15. As indicated previously, this issue will be discussed by the Resources Committee at its meeting on 21 February 2014 and any recommendation from that Committee will be reported at this meeting.

KEVIN WOODWARD
Treasurer

LEE HOWELL
Chief Fire Officer

APPENDIX A TO REPORT DSFRA/14/1

NET REVENUE BUDGET REQUIREMENT 2014-2015

OPTION A (for illustrative purposes)

		£m	£m	%
	Revenue Budget 2013-2014		76.784	
	Provision for Pay and Prices			
1.	Uniformed Pay (assumed 1.0% from July 2014))	0.453		
2.	Non-Uniformed Pay (assumed 1.0% from April 2014)	0.109		
3.	Provision for prices increases (assumed CPI of 2.0%) plus additional allowance for fuel and utilities)	0.350		
4.	Provision for statutory increase in pension costs.	0.056		
			0.968	1.26%
	One-off Provisions included for 2013-14 Budget only			
5	Change and Improvement Programmes	(0.504)		
			(0.504)	(0.66)%
	Inescapable Commitments			
6	Reduction in debt charges from approved capital programme	(0.248)		
7	Pay increments and other pay changes	0.083		
8	Provision for new ICT Servers replacement	0.250		
9	Increase in pensions liability	0.099		
10	Purchase of Communications hardware to support National Fire Control system	0.161		
11	Additional rates costs from revaluations and Exeter Airport site	0.080		
12	Additional provision for estates maintenance following building conditions survey	0.202		
13	Additional Airwave Contract costs	0.036		
14	Section 31 Business Rates Compensation Grant	(0.151)		
15	Other minor changes (net)	0.045		
			0.557	0.72%
	Invest-to-Save			
16	Revenue Contribution to Capital Spending	1.200		
			1.200	1.56%
	Budget Savings			
17	Budget Management Savings	(0.785)		
18	Corporate Plan Proposals – Support Staff	(0.885)		
19	Corporate Plan Proposals – Senior Management	(0.161)		
20	Corporate Plan Proposals – Operational Staff	(1.746)		
			(3.577)	(4.65%)
	TOTAL CHANGES (LINES 1–20)		(1.356)	(1.77%)
	NET REVENUE BUDGET REQUIREMENT 2014-15		75.428	

Lee Howell
CHIEF FIRE OFFICER

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

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

Your ref :

Date : 14th January 2014

Telephone : 01392 872200

Our ref :

Please ask for : Mr Woodward

Fax : 01392 872300

Website : www.dsfire.gov.uk

Email : kwoodward@dsfire.gov.uk

Direct Telephone : 01392 872317

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Dear Mr Lock,

CONSULTATION – PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2014-15

I am writing to you on behalf of Devon and Somerset Fire and Rescue Authority (DSFRA) in response to the above consultation.

I provide responses to the four specific questions included in the document but would ask that you also consider the following general comments related to the overall settlement some of which I have previously highlighted in my response to the Technical Consultation Document issued in the summer of 2013.

- DSFRA is concerned that local government as a whole is again to suffer a disproportionate contribution to the deficit reduction programme compared to other public sector groups. The fire and rescue service has already suffered a 25% real terms reduction in funding over the four year period covered by SR 2010, compared with an average 8% for all other central government departments. This consultation document confirms a further 1% reduction in 2014-15, and a further 10% in 2015-16, compared to an average 2.2% across all other Whitehall departments. It must be recognised that whilst local government has so far responded well to the challenge of efficiency reforms to reduce costs, DSFRA is concerned of the adverse impact these latest grant reductions will have to front line service delivery.
- We are disappointed that the governments headline message to the public has again focused on the percentage changes in “spending power” rather than the actual changes in government funding to local authorities. As your office will well be aware the reduction in government funding is more than three times more than the 2.9% reduction in spending power announced. We feel that it is very unhelpful for different figures to be used which only serves to undermine the relationship between central and local government. It is important that there is absolute clarity around the savings targets to be achieved to improve transparency and ensure that local residents are aware of the scale of savings to be achieved by their local authorities.

- Your department will be well aware of previous representations made by DSFRA relating to the disproportionate impact that the cuts are having on the more rural fire and rescue services which rely heavily on the Retained Duty System (RDS) to provide fire and rescue cover over a large geographical area. For a rural fire and rescue service with predominantly RDS cover the scope for savings is significantly limited when compared to a more urban area. As a rule of thumb a fire station with 24 hour full time cover costs ten times more than one that is covered by RDS. DSFRA is disappointed that the latest settlement figures for fire and rescue makes no recognition of this, rather it has applied an even percentage reduction to all fire and rescue authorities funding totals. DSFRA find this particularly surprising given that in his independent report **FACING THE FUTURE: Findings from the review of efficiencies and operations in fire and rescue authorities in England**, Sir Ken Knight found that there were efficiencies to be released by increasing the proportion of retained (or 'on call') fire fighters. Given that 87% of DSFRA stations are already manned by on call firefighters it has limited scope to make significant savings in this area.
- DSFRA supports the All Party Parliamentary Group who asks for the 50% gap in grant funding between urban and rural areas to be reduced in stages to 40% by the year 2020. We are very disappointed therefore that the start-up funding assessments announced contain strong protections built into the baseline figures for those authorities that are most dependent on grant funding. The formula funding elements of their assessments have been relatively protected, receiving higher floors for floor damping, resulting in higher assessments than would otherwise have been the case. The main gainers from this approach are the more urban areas which have benefited from more favourable grant settlement over many years. The cost of this protection will of course be picked up by the more rural areas which only serves to exacerbate the 50% gap. As an authority more dependent on council tax precept (high gearing) we feel that we are facing a 'double whammy' in so much as not only have we suffered less favourable grant distributions in the past, but we are now to be penalised by this fact and expected to contribute to the protection of those urban authorities that have had the benefit of much better past settlements. DSFRA does not feel as though the rural arguments are being taken seriously.
- Whilst we obviously welcome the fact that additional funding has been allocated to the most rural local authorities, an allocation of just £50k is very disappointing and does very little to redress the inequitable distribution in favour of the more urban areas. In our submission to the 2012 Local Government Finance Settlement we asked for an explanation as to why, when our 2013-14 grant now included recognition for sparsity (£0.9m by your own figures) our overall grant reduction for the years 2013-14 to 2014-15 is the third worst of all fire and rescue authorities in England. To date we have not received an explanation and would again ask for a response to be made.
- DSFRA is also disappointed that there has been no change in the council tax referendum rules to apply a different approach to fire and rescue authorities. We have asked that rather than a percentage limit that a cash sum e.g. £5 be applied. The fact remains that because of the relatively low Band D council tax figures for an FRA, typically only 4% of the total council tax bill for any area, the cost of holding the referendum would be totally disproportionate to the additional amount of precept to be possibly achieved. When you add to this the risk of a 'no' vote and the potential cost of re-billing the risk becomes too high and therefore not a serious option. For our authority, which has 15 billing authorities across Devon and Somerset, the cost of just holding the referendum has been estimated at £2.3m (equivalent to a 5.5% increase in council tax). We note that the referendum thresholds are still to be determined. We request that as part of those considerations a different approach be applied to fire and rescue authorities.

Responses to Questions

We provide below our responses to the specific questions raised in the consultation document.

Question 1: Do you agree with the Government's proposal to remove the capitalisation holdback and re-allocate the funding ?

Response – Yes. In our response to the Technical Consultation Document issued in the summer of 2013 we had already raised our concerns as to the need for such a large amount as £100m to be held back for capitalisation purposes.

Question 2: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £800m to £700m ?

Response – Yes. As a fire and rescue authority we do not benefit from New Homes Bonus funding and would therefore not expect there to be any adverse impact to our funding levels.

Question 3: Do you agree with the Government's proposal to increase and roll in funding for rural authorities ?

As a beneficiary of this funding (£50k) we obviously welcome the proposal for it to continue and be increased in 2014-15. However it has to be said that a national allocation of £9.5m does very little to redress, what we see, as the inequitable distribution of funding which sees the most urban areas having 50% more grant funding per head than rural areas.

We remain very concerned of the disproportionate impact that the approach of funding reductions is having on the most rural FRAs such as ourselves and support the All Party Parliamentary Group who asks for the 50% gap to be reduced in stages to 40% by the year 2020.

Question 4: Do you have any comments on the impact of the 2014-15 settlement on protected groups, as set out in the draft Equality Statement ?

Response – Yes. As we have already stated in our response to Q3 we not believe that the amount of additional funding to rural areas goes anywhere near far enough to protect the most rural areas from the impact of the funding reductions. In addition we do agree with the strong protections provided to those groups more dependent on grant funding, which is not provided from new money but is provided at the expense of a different group i.e. those authorities less dependent on grant funding.

Yours faithfully

Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority

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

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

THE ROBUSTNESS OF THE 2014-15 BUDGET

The proposed net revenue budget requirement (Option A or B) for 2014-15 have been constructed based upon risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Corporate Plan. It should be emphasised that these assessments are being made for a period up to the 31st March 2015, in which time external factors, which are outside of the control of the authority, may arise which will cause additional expenditure to be incurred. For example, the majority of retained pay costs are dependent on the number of call outs during the year, which can be subject to volatility dependent on spate weather conditions. Other budgets, such as fuel are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 overleaf, along with details of the action taken to mitigate each of these identified risks.

TABLE 1 – BUDGET SETTING 2014-15 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO VOLATILE CHANGES

Budget Head	Budget Provision 2014-15 £m	RISK AND IMPACT	MITIGATION
Retained Pay Costs	12.4	A significant proportion of costs associated with retained pay is directly as a result of the number of calls responded to during the year. The level of calls from year to year can be volatile and difficult to predict e.g. spate weather conditions. Abnormally high or low levels of calls could result in significant variations against budget provision.	In establishing a General Reserve for 2014-15, allowance has been made for a potential overspend on this budget. The amount is largely based upon the required local contribution to the costs of a major incident covered under the 'Bellwin' Scheme.
		In addition, negotiations are still outstanding relating to the outcome of the Part-Time Workers (less than favourable working conditions) tribunal, which during 2008 ruled in favour of retained firefighters having the same conditions of service in relation to pension and sickness benefits as wholtime firefighters. Given the significant number of retained firefighters employed by the Service, and the fact that this ruling will be backdated to the year 2000, this ruling will have a significant impact on the Service budget.	A 'Provision' of £1.6m has been set aside for the impact of the ruling from the Part Time Workers tribunal. However, until final negotiations are complete the full extent of the impact to the Service budget cannot be quantified.
Fire-fighter' s Pensions	2.2	Whilst net pension costs funded by the government through a top-up grant arrangement, the Authority is still required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme.	In establishing a General Reserve for 2014-15 an allowance has been made for a potential overspend on this budget. The figure is based upon a further two ill health retirements during the year; over and above the number budgeted for.
Insurance Costs	0.9	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority.	In establishing a General Reserve for 2014-15 an allowance has been made for a potential overspend on this budget. The amount is largely based upon the occurrence of one aerial platform appliance being totally written-off.
Fuel Costs	0.8	Whilst the budget has made some allowance for further increases in fuel costs during 2014-15, it is highly possible that increases could be in excess of the budget provided.	In establishing a General Reserve for 2014-15 an allowance has been made for a potential overspend on this budget.
Treasury Management Income	-0.1	As a result of the economic downturn in recent years, and the resultant low investment returns, the ability to achieve the same levels of income returns as in previous years is diminishing. The uncertainty over future market conditions means that target investment returns included in the base budget could be at risk.	The target income for 2014-15 has been set at a prudent level of achieving only a 0.4% return on investments. Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Income	-0.8	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.8m of external income. Whilst the work of the Commercial Services Arm will seek to at least hit this target in 2014-15, actual performance will be dependent on the full impact of the economic downturn.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Capital Programme	7.8	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.

Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium Term Financial Plan (MTFP) provides forecasts to be made of indicative budget requirements over a four year period covering the years 2014-15 to 2017-18. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.

Given the CSR 2010 announcement, which included average reductions in grant of 25% for fire and rescue authorities by 2014-15, and the further 10% reduction to come in 2015-16 the strategy for setting a budget for 2014-15 has been very mindful of the likely funding scenarios over the next four years rather than just one year. Therefore the budget for 2014-15 has included some new invest-to-save funding to be utilised to provide some direct revenue funding towards capital spending therefore reducing future debt charge liabilities,

THE ADEQUACY OF THE LEVEL OF RESERVES

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

The current level of General Reserve balances for the authority is £5.191m, which represents 6.7% of the revenue budget. This may increase by the end of the financial year should the projected underspend against the current year's budget result in a further transfer of funds into the Reserve.

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

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

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

It should also be emphasised that a reserve level at 6.7% compares to an average reserve balance of 9.0% for all fire and rescue authorities, which places this Authority in the lower quartile for all FRAs.

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

CONCLUSION

It is considered that the budget proposed for 2014-15 represents a sound and achievable financial plan, and will not increase the Authority's risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

KEVIN WOODWARD
Treasurer



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/14/2
MEETING	DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	24 FEBRUARY 2014
SUBJECT OF REPORT	CAPITAL PROGRAMME 2014-15 TO 2016-17
LEAD OFFICER	Chief Fire Officer and Treasurer
RECOMMENDATIONS	<p>(a) <i>That, subject to consideration of any relevant recommendation from the Resources Committee, approval be given to:</i></p> <p>(i) <i>a minimum revenue contribution of £1.2m being made from the 2014-15 revenue budget towards the Light Rescue Pumps (LRP) project;</i></p> <p>(ii) <i>the draft Capital Programme 2014-15 to 2016-17, as summarised at Appendix A to this report;</i></p> <p>(iii) <i>the associated Prudential Indicators, as summarised at either at Appendix B (council tax Option A) or Appendix C (council tax Option B) to this report, as appropriate;</i></p> <p>(b) <i>that the forecast impact of the proposed Capital Programme (from 2017-18 onwards) on the 5% debt ratio Prudential Indicator, as indicated in this report, be noted.</i></p>
EXECUTIVE SUMMARY	<p>This report sets out the proposals for a three year Capital Programme covering the years 2014-15 to 2016-17 and also outlines the difficulties in meeting the full capital expenditure requirement for this Authority, given its size, number of fire stations and fire appliances required to be maintained and eventually replaced. The Authority has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator (debt charges as a percentage of the Revenue Budget) against a reducing revenue budget.</p> <p>All aspects of the programme have been considered. To support continued funding for the roll out of the Light Rescue Pumps (LRP), it is proposed to make a provision in the 2014-15 revenue budget for a contribution of a minimum of £1.2m, and to again reduce the Estates programme to enable debt charges to be kept within the 5% limit up until 2016-17.</p>

	To inform longer term planning the Prudential Indicator has been profiled for a further three years beyond 2016-17 to show the impact of providing sufficient funds for the LRP programme over this period.
RESOURCE IMPLICATIONS	As indicated within the Report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	<p>A. Summary of Proposed Capital Programme 2014-15 – 2016-17 (and indicative Capital Programme 2017-18 to 2019-20).</p> <p>B. Prudential Indicators 2014-15 – 2016-17 (and indicative Prudential Indicators 2017-18 to 2019-20). <i>(Based upon Council Tax Option A included in separate report “2014-15 Revenue Budget and Council Tax Levels” i.e. Revenue Contribution to Capital of £1.2m).</i></p> <p>C. Prudential Indicators 2014-15 – 2016-17 (and indicative Prudential Indicators 2017-18 to 2019-20). <i>(Based upon Council Tax Option B included in separate report “2014-15 Revenue Budget and Council Tax Levels” i.e. Revenue Contribution to Capital of £1.566m).</i></p>
LIST OF BACKGROUND PAPERS	<p>Report RC/14/03 “Capital Programme 2014-15 to 2016-17” – as reported to Resources Committee 3 February 2013.</p> <p>Report RC/14/06 “Capital Programme 2014-15 to 2016-17” – as reported to Resources Committee 21 February 2013.</p>

1. INTRODUCTION

- 1.1 Each year the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme. Each year considerable effort is made to ensure that the impact of borrowing is maintained below the 5% ratio of financing costs to net revenue stream – one of several Prudential Indicators previously agreed by the Authority. The impact of a reducing revenue base on the Service's ability to borrow whilst maintaining debt charge below this ceiling has, however, made the allocation of funds between the main cost centres of fleet and estates increasingly difficult.
- 1.2 The Department for Communities and Local Government (DCLG) has in recent years provided some grant funding to fire and rescue authorities for capital purposes. In 2013-14 and 2014-15 an amount of £70m has been made available in each year, which is part distributed on a pro-rata basis (population) and part subject to a bidding process. Unfortunately, the submission of a bid in 2013 by the Service of £4.7m to support the introduction of the Light Rescue Pump (LRP) was unsuccessful. The remaining distribution of grant (based on population) to the Authority of £1.4m in each year represents a 30% reduction from the previous levels.
- 1.3 For 2015-16, DCLG has announced that an amount of £45m will be made available for capital purposes and that it will all be subject to a bidding process based upon transformational projects. The Authority will be submitting a bid by the deadline of April 2014, with announcements of successful bidders to be made in the autumn of 2014. There is no announcement of additional grants to be distributed on a pro-rata basis meaning that for 2015-16 onwards it is unlikely that any capital grants will be available to fund mainstream capital programmes.
- 1.4 Up until 2013-14 the Authority's capital funds have predominantly been directed towards specific Estates projects culminating in the Training Academy build at Exeter Airport, reducing the available budget for the vehicle replacement programme, thereby creating a significant backlog. However, last year the Estates programme was significantly reduced to accommodate the reinstatement of the fleet programme to fund the proposed introduction of the LRP.
- 1.5 The programme for 2014-15 to 2016-17, as proposed within this report, includes a further reduction in the Estates programme, which together with a proposed contribution from the 2014-15 revenue budget of a minimum of £1.2m towards the LRP project, will help to keep debt charges within the 5% Prudential Indicator. It should be recognised, however, that the proposed programme does come with some risk in terms of progression of the Programme from 2016-17 onwards which may require a reconsideration by the Authority of its previous stance on the 5% Prudential Indicator.
- 1.6 An earlier version of this report was submitted to the meeting of the Resources Committee on 3 February 2013. However, given that on the day of that meeting the Committee was unable to consider the full implications of the recommendations to the revenue budget (due to delays by the government in the release of council tax referendum limits to be applied), it was agreed that any recommendations from that meeting relating to capital programme proposals would be subject to further consideration alongside the 2014-15 revenue budget and council tax report. The Committee resolved (Minute RC/15 refers):

“that subject to the setting of the Revenue Budget for 2014-15, the Devon and Somerset Fire and Rescue Authority be recommended:

- (i) to approve a revenue contribution of £1.2m from the 2014-15 revenue budget*

towards the Light Rescue Pumps (LRP) project;

- (ii) to approve the draft Capital Programme 2014-15 to 2016-17 and associated Prudential Indicators, as detailed in report RC/14/3 and summarised at Appendices A and B respectively to this report; and*
- (iii) to note the forecast impact of the proposed Capital Programme (from 2017-18 onwards) on the 5% debt ratio Prudential Indicator as indicated in report RC/14/3."*

1.7 A revised version of the report was considered at the meeting of Resources Committee on 21 February to enable recommendations to be fully considered alongside implications for the 2014-15 revenue budget.

1.8 Elsewhere on the agenda to this meeting is a separate report "2014-15 Revenue Budget and Council Tax levels" (DSFRA/14/1). That report includes two potential options, A and B, for the setting of council tax in 2014-15. If Option B of that report is approved (i.e. increase council tax by 1.99%), then it is proposed that the additional precept of £0.366m raised from this option, over option A, be utilised to increase the revenue contribution to capital from £1.2m to £1.566m.

2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

2.1 On 8 December 2008, the Resources Committee considered report RC/08/10 - "Affordable Capital Investment Plans for 2009-2010 to 2011-12" – on, amongst other things, the instigation of a principle that debt repayments be kept below 5% of the total revenue budget (Minute *RC/15) refers). This may well be breached in future years, not only as a consequence of additional capital investment, but also as a result of future revenue budgets being lower than originally forecast at the time following the Comprehensive Spending Review (CSR) 2010 announcement. This, along with the reduction in government grant has a direct impact on the Capital Programme going forward.

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

2.3 The issue of affordable capital spending has been the subject of several reports to both the Resources Committee and this Authority in recent years. The most recent report was considered by Authority on 18 February 2013 (Minute DSFRA/53 refers) when setting the existing capital programme. The proposed programme contained in this report increases the external borrowing requirement to £32.8m by 2016-17 (or £32.5m based upon a revenue contribution of £1.566m), increasing the debt ratio to 5.00% (or 4.93%). This compares to a current external borrowing of £26.2m as at 31 March 2014.

2.4 Whilst a debt of £32.8m is not considered excessive for this size Authority, given the large size of the asset portfolio, it is clear that the Authority will want to monitor its exposure to further debt levels as the Service moves forward in the next three years, to ensure that the debt levels are affordable in the context of a reducing budget and the ability to service debt repayments.

- 2.5 The focus of this Authority over many years has been to control spending within the 5% limit. To achieve this, the Service has reduced the spend on the appliance replacement programme to support Estates projects, utilising revenue funding wherever possible. It has always been the intention to re-commence the fleet programme by 2013-14, however, the extent to which this can be achieved is subject to affordability as measured by the Prudential Indicators.
- 2.6 The revised programme has again been constructed on the basis of keeping the debt ratio within the 5% limit. To achieve this Estates programme for the years 2014-15 to 2016-17 has been reduced by £0.5m from previously reported levels. It is also proposed that a minimum revenue contribution of £1.2m be made in 2014-15 to support the LRP project. It still remains the case however that not all of the Service's capital investment backlog can be delivered in this period, and the position will need to be reviewed on an annual basis subject to the overall financial position of the Authority.

3. SERVICE ESTATES

- 3.1 Whilst combination provided many benefits, the Estates department inherited additional building stock with no increase in budget or staffing, limiting the ability of the department over recent years. Last year the department was subject to a review and has been re-structured, which will provide improved efficiencies and ways of working.
- 3.2 The budget for Estates remains, however, insufficient for the Authority's extensive property portfolio and associated maintenance requirements. Outside of specific projects the budget is normally in the range of £1.75 - £2m. This figure does not reflect the true costs which should be nearer to £5m per annum. Whilst the temporary increase in recent years, to meet specific Service projects, has proved successful; the level of future funding will only exacerbate this problem.
- 3.3 In seeking to present the Authority with an affordable programme, for the second year, no new major projects are included. It is also proposed to reduce the provision for minor improvements and structural maintenance by £0.5m over the next three years.

4. OPERATIONAL ASSETS

Vehicle Replacements/Equipment

- 4.1 The Authority has the second largest fleet of all fire and rescue services in England. Until 2013-14 this budget had been reduced in support of the Estates programme, creating a significant backlog in vehicle replacement. However in setting the current programme in February 2013 a reinstatement of the programme was made to provide the necessary funding for the proposed investment in the LRP programme, commencing in 2013-14. The Authority has previously consulted on these vehicles and over the last twelve months the LRP has been subject to a pilot and a full procurement exercise.

Light Rescue Pumps

- 4.2 It was planned that funding for the introduction of the Light Rescue Pump (LRP) would be part funded from government grant. The Minister reported last year that the grant would be:
- an efficiency fund, administered as a capital grant via a bidding process, and
 - a pro-rata distribution using the current distribution method.

- 4.3 The Service submitted a bid for £4.7m over a two year period to offset future borrowing costs. This bid was not successful, however, successful and this has adversely impacted on the Service's ability to roll out the LRP programme. However, given that the £4.7m will now need to be funded from our own sources it was proposed that this programme takes place over a six year period rather than the original four years planned. However, this additional borrowing runs the risk that the 5% Prudential Indicator will be breached at some point in the next six years. To alleviate this borrowing requirement it is proposed that in setting the revenue budget for 2014-15 a provision be made for a minimum of £1.2m revenue contribution towards the project. This will enable the roll out to continue and keep within the 5% limit by 2016-17. However, this report provides indicative prudential indicator figures beyond the normal three year period which highlights that the indicator is likely to be breached in 2017-18 (5.57%).
- 4.4 Despite this, the LRP programme remains the bedrock of the Authority's future fleet replacement strategy for introducing 'Tiered Response'; meeting future service delivery arrangements with a more cost effective vehicle, improved service to local communities, along firefighter safety. The capital programme has been adjusted to support this proposal over a six year term. The procurement timetable has provided for the introduction of six LRP's in 2013-14 and 16 vehicles, per annum, in future years.

Breathing Apparatus Replacement Programme

- 4.5 There is an operational need to harmonise the breathing apparatus equipment between Somerset (Scott Sabre) and Devon (InterSpiro) and a full business case has been developed to consider the most appropriate and cost effective options. The programme for 2013-14 indicated that an estimated £1.4m would be required for the harmonisation Breathing Apparatus (BA) equipment in 2013-14.
- 4.6 However, again recognising the financial constraints on the Capital Programme, the purchase of BA has been slipped to 2014-15 subject to future decisions regarding "4G" technology which supports the use of telemetry. The figure for the purchase of BA has also been revised to £0.884m reflecting the outcome of the Business Case.

5. REVISED CAPITAL PROGRAMME FOR 2014-15 – 2016-17

- 5.1 Appendix A provides an analysis of the proposed programme for the three years 2014-15 to 2016-17 as contained in this report. This programme represents an increase in overall spending of £0.1m over the previously agreed programme as illustrated in Figure 1 below.

	Estates £m	Fleet & Equipment £m	Total £m
EXISTING PROGRAMME			
2013-14	3.3	3.5	6.8
2014-15	2.0	3.7	5.7
2015-16	1.7	3.4	5.1
2016-17(provisional)	1.7	3.2	4.9
Total 2013-14 to 2016-17	8.7	13.8	22.5
PROPOSED PROGRAMME			
2013-14 (forecast spending)	2.5	2.5	5.0
2014-15	2.7	5.1	7.8
2015-16	1.5	3.5	5.0
2016-17	1.5	3.3	4.8
Total 2013-14 to 2016-17	8.2	14.4	22.6
PROPOSED CHANGE	-0.5	0.6	0.1

Figure 1

- 5.2 The increase of £0.6m spending for Fleet and Equipment relates to additional provision of £0.3m for LRP's, following completion of procurement process, and £0.3m to fund replacement ICT Servers to be funded from a revenue contribution.

Forecast Debt Charges

- 5.3 The estimated debt charges emanating from this revised spending profile is illustrated in Figures 2 and 3 below.

Summary of Estimated Capital Financing Costs (Based upon Revenue Contribution of £1.2m in 2014-15)

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Base budget for Capital Financing costs	4.626	4.377	4.349	4.776	5.259	5.689
Debt charges and operating leasing rentals						
Change over previous year		-0.249	-0.028	0.427	0.483	0.430
Debt ratio	3.76%	3.86%	4.32%	5.00%	5.57%	6.13%

Figure 2

Summary of Estimated Capital Financing Costs (Based upon Revenue Contribution of £1.566m in 2014-15)

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Base budget for Capital Financing costs	4.626	4.377	4.304	4.731	5.214	5.644
Debt charges and operating leasing rentals						
Change over previous year		-0.249	-0.073	0.427	0.483	0.430
Debt ratio	3.76%	3.84%	4.25%	4.93%	5.50%	6.07%

Figure 3

- 5.4 Appendix A also provides indicative capital requirements beyond 2016-17 up to 2019-2020. The forecast figures for external debt and debt charges beyond 2016-17 are based upon the indicative programmes as included in Appendix A for the years 2017-18 to 2019-20. The affordability of these programmes will need to be subject to annual review based upon the financial position of the Authority.

6. PRUDENTIAL INDICATORS

- 6.1 Appendix B provides a summary of the Prudential Indicators associated with this level of spending over this period based upon a revenue contribution of £1.2m. Appendix C provides a revised summary based upon a revenue contribution of £1.566m. It is forecast that the Capital Financing Requirement (the need to borrow to fund capital spending) will have increased from current levels of £26m to over £36m by 2020. Figure 4 below provides further analysis of forecast borrowing for each year.

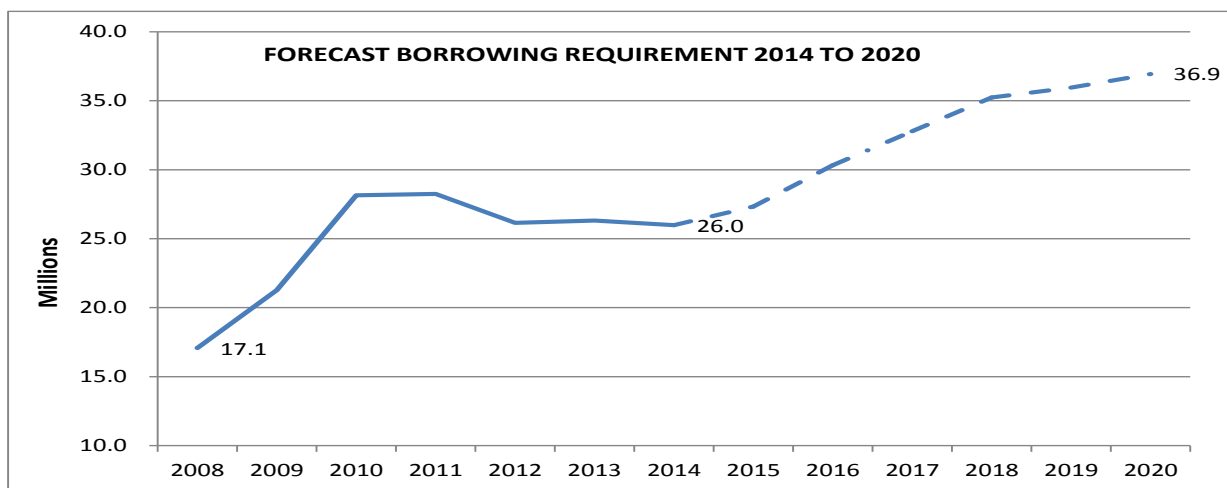


Figure 4

- 6.2 The reducing revenue budget impacts significantly upon the borrowing capacity of this Authority. Whilst the programme now presented maintains borrowing within 5% to 2016-17, it does come with a risk that this could be breached from 2017-18 onwards albeit that the Service considers it has measures in place to mitigate against this. Previous Capital Programmes and the borrowing profile have been reasonable and affordable.
- 6.3 The Treasurer has reported previously that given the size of the DSFRA asset portfolio a borrowing profile at £36m is not deemed to be excessive. However reducing the programme for the next three years and providing a revenue contribution of a minimum £1.2m keeps the consequences of borrowing below 5% and maintains the Service debt exposure to £32.8m by 2016-17.
- 6.4 The LRP project is being rolled out over the next six years and the prudential indicator has been profiled beyond 2016-17 to reflect the on-going impact. Whilst the budget for Estates has again been reduced to assist pump priming the introduction of the LRP and stabilise the backlog of Medium Rescue Pump (MRP) - the more traditional size appliance - replacement, it should be recognised that this reduced spend will have a detrimental impact on the ability to maintain Service fire stations with a reducing revenue budget. It has been reported previously that the Authority has a property portfolio that requires significant investment, with a backlog of some £16m.

7. CONCLUSION

- 7.1 This report emphasises the difficulties in meeting the full capital expenditure requirement for the Service, given the geographical size, number of fire stations and fire appliances required to be maintained and eventually replaced, and also keeping debt charges within the 5% limit. Indications are that there is a risk that this limit is breached by 2017-18 (up to 5.57%). However the programme proposed in this report does not commit any spending beyond 2016-17. Decisions on further spending will be subject to annual review based upon the financial position of the Authority.
- 7.2 The proposed capital programme for 2014-15 to 2016-17 as set down in Appendix A limits future spending whilst providing towards reducing the fire appliance replacement backlog. The programme is therefore recommended for approval.

LEE HOWELL
Chef Fire Officer

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT DSFRA14/2

Capital Programme (2014/15 to 2019/20)					PROPOSED PROGRAMME 2014-15 TO 2016-17			INDICATIVE PROGRAMME 2017-18 TO 2019-20		
2013/2014 Revised Programme (£000)	2013/2014 Predicted outturn (£000)	Item	PROJECT		2014/15 (£000)	2015/16 (£000)	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)	2019/20 (£000)
			Estate Development							
79	39		SHQ major building works		40					
1,544	1,214		Major Projects - Training Facility at Exeter Airport		330					
			Minor improvements & structural maintenance		2,050	1,500	1,500	1,750	1,750	1,750
255	97		USAR works		158					
1,288	1,153		Minor Works slippage from earlier years		134					
63	43		Projects funded from Revenue		20					
3,229	2,546		Estates Sub Total		2,732	1,500	1,500	1,750	1,750	1,750
			Fleet & Equipment							
			Appliance replacement		2,557	3,202	2,557	2,557	1,438	2,119
			Specialist Operational Vehicles				400	400		
60	56		Vehicles and equipment funded from revenue		0					
			Equipment		1,454	320	320	320	380	200
100	100		USAR Vehicles		0					
481	337		Equipment slippage from earlier years		144					
2,883	1,937		Appliance & Specialist Operational Vehicle slippage from earlier years		940					
3,523	2,430		Fleet & Equipment Sub Total		5,095	3,522	3,277	3,277	1,818	2,319
6,752	4,976		SPENDING TOTALS		7,827	5,022	4,777	5,027	3,568	4,069

Programme Funding										
Based on Council Tax Option A in separate report "2014-15 Revenue Budget and Council Tax Levels"										
			Programme funding							
1,596	1,596		Main programme		3,215	5,022	4,777	5,027	3,568	4,069
3,361	1,743		Revenue funds		3,056					
355	197		Earmarked Reserves		158					
1,440	1,440		Grants		1,398					
6,752	4,976		FUNDING TOTALS		7,827	5,022	4,777	5,027	3,568	4,069
Based on Council Tax Option B in separate report "2014-15 Revenue Budget and Council Tax Levels"										
			Programme funding							
1,596	1,596		Main programme		2,849	5,022	4,777	5,027	3,568	4,069
3,361	1,743		Revenue funds		3,422					
355	197		Earmarked Reserves		158					
1,440	1,440		Grants		1,398					
6,752	4,976		FUNDING TOTALS		7,827	5,022	4,777	5,027	3,568	4,069

APPENDIX B TO REPORT DSFRA/14/2

PRUDENTIAL INDICATORS	INDICATIVE INDICATORS 2017/18 to 2019/20					
	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate	2019/20 £m estimate
Capital Expenditure						
Non - HRA	7.827	5.022	4.777	5.027	3.568	4.069
HRA (applies only to housing authorities)						
Total	7.827	5.022	4.777	5.027	3.568	4.069
Ratio of financing costs to net revenue stream						
Non - HRA	3.86%	4.32%	5.00%	5.57%	6.13%	6.51%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	27,328	30,327	32,779	35,231	35,946	36,939
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,509	1,443	1,374	1,299	1,209	1,112
Total	28,837	31,770	34,153	36,530	37,155	38,051
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	1,328	2,933	2,383	2,377	625	896
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	1,328	2,933	2,383	2,377	625	896
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.19	-£0.44	-£0.20	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	34,145	36,747	37,585	38,701	39,565	40,252
Other long term liabilities	1,449	1,371	1,278	1,177	1,070	963
Total	35,594	38,118	38,863	39,878	40,635	41,216
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,779	35,231	35,946	36,939	37,768	38,405
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
Total	34,153	36,530	37,155	38,051	38,778	39,313

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2014/15		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

APPENDIX C TO REPORT DSFRA/14/2

PRUDENTIAL INDICATORS	INDICATIVE INDICATORS 2017/18 to 2019/20					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
	estimate	estimate	estimate	estimate	estimate	estimate
Capital Expenditure						
Non - HRA	7.827	5.022	4.777	5.027	3.568	4.069
HRA (applies only to housing authorities)						
Total	7.827	5.022	4.777	5.027	3.568	4.069
Ratio of financing costs to net revenue stream						
Non - HRA	3.84%	4.25%	4.93%	5.50%	6.07%	6.45%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	26,962	29,997	32,486	34,974	35,726	36,756
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,509	1,443	1,374	1,299	1,209	1,112
Total	28,471	31,440	33,860	36,273	36,935	37,868
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	962	2,969	2,420	2,413	662	933
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	962	2,969	2,420	2,413	662	933
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.20	-£0.54	-£0.29	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	33,834	36,474	37,350	38,505	39,407	40,133
Other long term liabilities	1,449	1,371	1,278	1,177	1,070	963
Total	35,283	37,845	38,628	39,682	40,477	41,097
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,486	34,974	35,726	36,756	37,621	38,295
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
Total	33,860	36,273	36,935	37,868	38,631	39,203

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2014/15		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/14/3
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	24 FEBRUARY 2014
SUBJECT OF REPORT	TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS REPORT 2014/15 TO 2016/17)
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p><i>That the Fire and Rescue Authority approves;</i></p> <ul style="list-style-type: none"> <i>(i) the Treasury Management Strategy and the Annual Investment Strategy;</i> <i>(ii) the Minimum Revenue Provision (MRP) statement for 2014/2015, as contained as Appendix B;</i> <i>(iii) that the Treasurer be delegated authority to effect movements between the separately agreed prudential limits for borrowing;</i> <i>(iv) that the statement at paragraph 4.4 of this report that borrowing limits and the debt management strategy have been set to ensure that in the medium term the gross borrowing will return to below the capital financing requirement for 2013/2014 to 2016/2017, in line with the requirements of the CIPFA Prudential Code, be noted.</i>
EXECUTIVE SUMMARY	This report sets out a treasury management strategy and investment strategy for 2014/2015, including the Prudential Indicators associated with the capital programme for 2014/2015 to 2016/2017 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2014/2015 is also included for approval.
RESOURCE IMPLICATIONS	As indicated in this report

EQUALITY IMPACT ASSESSMENT	None
APPENDICES	<p>A. Prudential and Treasury Management Indicators 2014/2015 to 2016/2017.</p> <p>B. Minimum Revenue Provision Statement 2014/2015</p>
LIST OF BACKGROUND PAPERS	<p>Local Government Act 2003.</p> <p>Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code.</p>

1. **INTRODUCTION**

Background

1.1 Treasury management is defined as:

“the management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Statutory requirements

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

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

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

CIPFA requirements

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

1.6 The primary requirements of the Code are as follows:

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

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

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

Treasury Management Strategy for 2014/15

1.8 The suggested strategy for 2014/15 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury advisor, Sector.

1.9 The strategy covers:

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

- creditworthiness policy
- policy on use of external service providers
- capital plans and prudential indicators
- the Minimum Revenue Provision (MRP) strategy

Balanced Budget Requirement

- 1.10 The Authority has to set a balanced budget, which means that revenue raised in year should meet expected expenditure. In particular a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:-
- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
 - Any increases in running costs from new capital projects
- are set at a level which is affordable within the projected income of the Authority for the foreseeable future.

2. TREASURY LIMITS FOR 2014/15 TO 2016/17

- 2.1 It is a statutory duty for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.
- 2.2 The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Authority council tax levels is ‘acceptable’.
- 2.3 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in paragraph 4.5 of this report.

3. CURRENT POSITION

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

TABLE 1 Capital programme	2012/13 Outturn £m	2013/14 Predicted outturn £m	2014/15 Budget £m	2015/16 Budget £m	2016/17 Budget £m
Land and buildings	3.946	2.546	2.732	1.500	1.500
Vehicles, Plant and Equipment	0.725	2.430	5.095	3.522	3.277
TOTAL CAPITAL EXPENDITURE	4.671	4.976	7.827	5.022	4.777

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

TABLE 2 Capital programme financing	2012/13 Outturn £m	2013/14 Predicted outturn £m	2014/15 Budget £m	2015/16 Budget £m	2016/17 Budget £m
Programme per Table 1	4.662	4.976	7.827	5.022	4.777
Financed by:					
Borrowing	2.076	1.596	3.215	5.022	4.777
Revenue	0.565	1.940	3.214		
Grants	2.021	1.440	1.398		

Capital Financing Requirement (CFR)

- 3.3 The Capital Financing Requirement represents the authority's underlying need to borrow for capital purposes. The forecast CFR for 2014/15 to 2016/17, based on the spending plans are shown in Table 3.

TABLE 3 Capital Financing Requirements (CFR)	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Capital Financing Requirement as at 31 March – borrowing	26.307	25.978	27.328	30.327	32.779
Capital Financing Requirement as at 31 March – other long term liabilities	1.558	1.533	1.509	1.443	1.374
Total Capital Financing Requirement as at 31 March	27.865	27.511	28.837	31.770	34.153

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

TABLE 4 CFR projections	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Total CFR 1 April	27.757	27.865	27.511	28.837	31.770
Financing need for the year	2.076	1.596	3.215	5.022	4.777
Less MRP	(1.968)	(1.950)	(1.889)	(2.089)	(2.394)
Total Capital Financing Requirement as at 31 March	27.865	27.511	28.837	31.770	34.153
Movement in CFR	0.108	(0.354)	1.326	2.933	2.383

4. PRUDENTIAL AND TREASURY INDICATORS 2014/15 – 2016/17

- 4.1 The prudential indicators are relevant for the purposes of setting an integrated treasury management strategy. A summary of the indicators (based upon Appendix B as included in the separate report on the agenda to this meeting “Capital Programme 2014-15 to 2016-17” i.e. based upon a revenue contribution of £1.2m toward capital spending) are included as Appendix A to this report. Explanations of the purpose of each of these indicators are provided in the following paragraphs. The Authority is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on 11 April 2007 by the full authority and the revised Code was adopted by the Authority on 19 February 2010.

Current borrowing position

- 4.2 The Authority’s treasury portfolio position at 31st March 2013, with forward projections are summarised below in Tables 5 & 6. Table 5 shows the actual external debt (the treasury management operations). Table 6 shows the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

TABLE 5 Gross debt	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt (1 April)	27.066	27.167	26.214	27.328	30.327
New Borrowing	2.000	0	1.384	3.126	2.546
Replacement debt	0	0	0	0	0
Repaid debt	(1.899)	(0.953)	(0.270)	(0.127)	(0.094)
External debt (31 March)	27.167	26.214	27.328	30.327	32.779
Other long-term liabilities (OLTL) (1 April)	1.613	1.558	1.532	1.509	1.443
Expected in year changes to OLTL	(0.055)	(0.026)	(0.023)	(0.066)	(0.069)
OLTL (31 March)	1.558	1.532	1.509	1.443	1.374
Total Gross debt at 31 March	28.725	27.746	28.837	31.770	34.153

TABLE 6 Capital Financing Requirement	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
	Actual	Estimate	Estimate	Estimate	Estimate
Total Gross Debt from Table 5	28.725	27.746	28.837	31.770	34.153
Capital Financing Requirement 31 March from Table 4	27.865	27.511	28.837	31.770	34.153
Under / (over) borrowed 31 March	(0.860)	(0.235)	-	-	-

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

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

Limits to Borrowing Activity

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

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

4.6 Tables 7 and 8 detail, respectively:

- the recommended Authorised Limits for 2014-15 and the medium term; and
- the recommended Operational Boundaries for 2014-15 and the medium term.

TABLE 7 Authorised limits	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Authorised limit for External Debt				
- External Debt	32.770	34.145	36.747	37.585
- Other long term liabilities	1.520	1.449	1.371	1.278
TOTAL AUTHORISED LIMIT FOR EXTERNAL DEBT	34.290	35.594	38.118	38.863

TABLE 8 Operational boundary	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Operational Boundary for External Debt				
- External Debt	31.472	32.779	35.231	35.946
- Other long term liabilities	1.443	1.374	1.299	1.209
TOTAL OPERATIONAL BOUNDARY FOR EXTERNAL DEBT	32.915	34.153	36.530	37.155

4.7 It is estimated that the actual external debt at 31 March 2014 will be £26.214 million.

Prudential Indicators for Affordability

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

4.9 A key indicator of the affordability of capital investment plans is the ratio of financing costs to the net revenue stream; this indicator identifies the trend in the cost of capital financing (borrowing costs net of investment income) against the Authority's net budget requirement. Annual capital financing costs are a product of total debt outstanding, the annual repayment regime and interest rates. The forecast ratios for 2014/15 to 2016/17 based on current commitments and the proposed Capital Programme are included in Table 9.

TABLE 9 Financing v Net revenue	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Ratio of Financing Costs to Net Revenue Stream	3.66	3.76	3.86	4.32	5.00

4.10 At its meeting on 3 February 2014, the Resources Committee considered again the need to determine a level of borrowing for the Authority which would be deemed to be affordable, sustainable and prudent. At that time and in line with previous considerations the Treasurer advised that debt repayments should be kept within a ceiling of 5% of the net revenue stream for the period 2014/15 to 2016/17.

4.11 The estimate of the incremental impact of capital investment decisions proposed in the recommended Capital Programme over and above capital investment decisions that have previously been taken by the Authority are given in Table 10. These figures do not represent the total impact on the Authority tax over and above 2013-14 as a consequence of the total capital programme, only the incremental impact over and above previous decisions made on capital investment. The figures given represent the incremental impact for a Band D property.

TABLE 10	2014/15 Estimate £ p	2015/16 Estimate £ p	2016/17 Estimate £ p
Element of Authority tax for New Capital Spending	(£0.19)	(£0.44)	(£0.20)

5. **BORROWING STRATEGY**

Borrowing rates

5.1 The Sector forecast for the PWLB new borrowing rate is shown in Table 11: -

TABLE 11

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
5yr PWLB rate	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
10yr PWLB rate	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
25yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%

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

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

Temporary borrowing from the money markets or other local authorities

PWLB variable rate loans for up to ten years.

Short dated borrowing from non PWLB sources.

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

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

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

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

if it were felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks

of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

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

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

Policy on borrowing in advance of need

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

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

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

6. DEBT RESCHEDULING

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

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

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

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

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

7. ANNUAL INVESTMENT STRATEGY

Investment Policy

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

- (a) the security of capital and
- (b) the liquidity of its investments.

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

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

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

Creditworthiness Policy

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

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

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

- 7.7 The selection of counterparties with a high level of creditworthiness will be achieved by selecting institutions down to and including the durational band of no more than three months within Sector’s weekly credit list of worldwide potential counterparties. These will be referred to as highly credit rated institutions.
- 7.8 CIPFAs 2011 TM Code removed the requirement to have regard to the “lowest” credit rating from the credit rating agencies of Fitch, Moodys and Standard and Poors. Historically, this Authority chose to follow the Sector colour matrix credit assessment as it gave a more balanced approach. With the removal of this lowest common denominator requirement from CIPFA the Authority’s will continue to use a combination of the Sector colour matrix and any additional information available locally on which to base investment decisions.
- 7.9 All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority’s minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority’s lending list.
- 7.10 Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.
Approved Instruments for Investments
- 7.11 Investments will only be made with those bodies identified by the authority for its use through the Annual Investment Strategy. A non specified investment covers those counterparties where there is either no recognised credit rating and/or an anticipation that an investment will be for greater than one year in duration. Table 12 below shows those bodies with which the Authority will invest.

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

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

Investment Strategy

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

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

Sector Bank Rate forecast for financial year ends (March)

2014 0.50%

2015 0.50%

2016 0.50%

2017 1.25%

There are upside risks to these forecasts if economic growth remains strong and unemployment falls faster than expected. However there could be downside risk if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

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

7.16 For 2014-15 the Authority has budgeted for an investment return of 0.40% on investments placed during the financial year.

End of year investment report

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

Policy on the use of external service providers

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

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

Treasury Management Scheme of Delegation

Full Authority;

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy
- Approval of/amendments to the Authority's adopted clauses, treasury management policy statement and treasury management practices

- Budget consideration and approval
- Approval of the division of responsibilities
- Approving the selection of external service providers and agreeing terms of appointment.
- Reviewing the treasury management policy and procedures and making recommendations to the Authority.

Resources Committee;

- Receiving and reviewing regular monitoring reports and acting on recommendations

Role of the Section 151 officer

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

8. MINIMUM REVENUE PROVISION (MRP) STRATEGY

- 8.1 What is a Minimum Revenue Provision? - Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. fire stations, vehicles, equipment etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and will in future be determined under Guidance.
- 8.2 New statutory duty - Statutory Instrument 2008 no. 414 s4 lays down that: "A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."
- 8.3 The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended). There is no requirement to charge MRP where the Capital Financing Requirement is nil or negative at the end of the preceding financial year.
- 8.4 New Government Guidance - Along with the above duty, the Government issued new guidance in February 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Authority for approval before the start of the financial year to which the provision will relate.

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

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

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

Option 1 – Regulatory Method

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

Option 2 – CFR Method

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

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

Option 3 – Asset Life Method

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

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

Option 4 – Depreciation Method

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

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

- 8.8 As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- 8.9 A draft MRP statement for 2014-15 is attached as Appendix B for Authority approval. The financing of the approved 2014-15 capital programme, and the resultant prudential indicators, have been set on the basis of the content of this statement.

9. SUMMARY AND RECOMMENDATIONS

- 9.1 The Authority is required to consider and approve the treasury management strategy to be adopted prior to the start of the financial year. This strategy must also include proposed prudential indicators and a minimum provision statement (MRP). Approval of the strategy for 2014-15 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice in 2011.

KEVIN WOODWARD
Treasurer

APPENDIX A DSFRA/14/

PRUDENTIAL INDICATORS	INDICATIVE INDICATORS 2017/18 to 2019/20					
	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate	2019/20 £m estimate
Capital Expenditure						
Non - HRA	7.827	5.022	4.777	5.027	3.568	4.069
HRA (applies only to housing authorities)						
Total	7.827	5.022	4.777	5.027	3.568	4.069
Ratio of financing costs to net revenue stream						
Non - HRA	3.86%	4.32%	5.00%	5.57%	6.13%	6.51%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	27,328	30,327	32,779	35,231	35,946	36,939
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,509	1,443	1,374	1,299	1,209	1,112
Total	28,837	31,770	34,153	36,530	37,155	38,051
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	1,328	2,933	2,383	2,377	625	896
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	1,328	2,933	2,383	2,377	625	896
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.19	-£0.44	-£0.20	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	34,145	36,747	37,585	38,701	39,565	40,252
Other long term liabilities	1,449	1,371	1,278	1,177	1,070	963
Total	35,594	38,118	38,863	39,878	40,635	41,216
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,779	35,231	35,946	36,939	37,768	38,405
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
Total	34,153	36,530	37,155	38,051	38,778	39,313

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2014/15		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

MINIMUM REVENUE STATEMENT (MRP) 2014-15

Supported Borrowing

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

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

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

Finance Lease and PFI

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

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

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	DSFRA/14/4
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	24 FEBRUARY 2014
SUBJECT OF REPORT	TRANSFORMATION FUNDING FOR 2015-16
LEAD OFFICER	Chief Fire Officer
RECOMMENDATIONS	<p>(a) <i>That the indicative process for submission of bids against the government Transformation Funding for fire and rescue authorities in 2015-16, together with the proposal to submit bids on behalf of the Authority as outlined in paragraph 2.3 of this this report, be noted;</i></p> <p>(b) <i>that, in line with (a) above and with guidance issued by the Department for Communities and Local Government, the Treasurer and Authority Chairman be authorised to sign-off any bid submitted on behalf of the Authority against the fire and rescue authority transformation funding 2015-16.</i></p>
EXECUTIVE SUMMARY	This report outlines the government's fire and rescue authority transformation fund available for 2015-16, the proposed single competitive process for bidding against this fund and the proposed method for the Authority to duly submit bids in accordance with the bidding process indicated by the Department for Communities and Local Government.
RESOURCE IMPLICATIONS	As indicated in report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with equality and human rights legislation.
APPENDICES	Nil
LIST OF BACKGROUND PAPERS	Department for Communities and Local Government Consultation Document "Fire and Rescue Authority Transformation Funds for 2015-16 Bidding Process, published December 2013

1. BACKGROUND

- 1.1 In December 2013 the Department for Communities and Local Government (DCLG) issued a consultation document on its intended bidding process through which the transformation funds for fire and rescue authorities, announced as part of the Spending Round 2013, will be administered.
- 1.2 A single, competitive bidding process is proposed for the distribution of both the £30million revenue funding to be made available to the fire sector for 2015-16 to support transformational change and deliver sensible savings and the £45 million capital fire efficiency incentive fund aimed at assisting fire and rescue authorities in achieving efficient and effective service delivery.
- 1.3 It is intended that the funds will be targeted at efficiencies that have a good strategic fit with the four themes set out below and with the Spending Round documents, and that have the potential to deliver the greatest savings, particularly through greater collaboration with other emergency services combined with optimisation of an authority's existing asset base. The four themes relate to initiatives which:
- encourage greater collaboration;
 - improve local accountability;
 - prioritise prevention and protection; and
 - promote asset transformation/ other efficiencies.
- 1.4 DCLG has indicated that it would expect all bids submitted to clearly demonstrate:
- a sound business case/value for money (in line with the Treasury Green Book criteria);
 - alignment with transformation objectives set out in the consultation document and associated guidance; and
 - sound plans for project management to ensure delivery of intended outcomes.
- 1.5 The consultation document also indicates that there will be an expectation that bids will be signed off by the relevant elected member with responsibility for fire and rescue and by the senior responsible financial officer (chief finance officer or Treasurer). A copy of the consultation document, together with other associated documentation, can be found by following the link below:
- www.gov.uk/government/consultations/fire-and-rescue-authorities-transformation-funds-for-2015-to-2016-bidding-process

2. CURRENT POSITION

- 2.1 The outcome of the consultation together with final details as to the bidding process have yet to be announced. The indicative timeframe, however, as per the consultation document is for the bid process to commence at some point in February 2014 and close by April 2014.

- 2.2 Since the announcement, via the consultation document, of the bidding process the Service has been working with potential partner agencies, such as the South West Ambulance Services Trust, on appropriate bids around the sharing of estate etc. Clearly, however, the indicative timetable is extremely tight and considerable, detailed work will be necessary to formulate bids within this timescale that are capable of meeting the criteria as specified in paragraph 1.4 above.
- 2.3 It is also the case that the Authority calendar of meetings does not readily align to the indicative bidding timetable. Consequently, it is proposed that officers should continue to identify and develop appropriate bids, in conjunction with partner agencies as appropriate, with the Treasurer and Authority Chairman duly authorised to sign any final bids for submission, in line with DCLG requirements. It is proposed to keep Members apprised of the details of any such bids being developed via the Members Forum meeting scheduled for Wednesday 26 March 2014.

LEE HOWELL
Chief Fire Officer

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	DSFRA/14/5
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	24 FEBRUARY 2014
SUBJECT OF REPORT	CONFIRMATION OF SCHEME OF MEMBERS ALLOWANCES 2014-15
LEAD OFFICER	Clerk to the Authority
RECOMMENDATIONS	<p><i>that, as required by the relevant Regulations, the Authority:</i></p> <ul style="list-style-type: none"> <i>(i) considers whether any changes should be made to the existing scheme; and</i> <i>(ii) authorises the Clerk to publicise the rates so confirmed in one or more local newspapers circulating in the area served by the Authority.</i>
EXECUTIVE SUMMARY	<p>Regulations require the Authority to have in place its own Scheme for the payment of a basic allowance to each of its Members. The Authority may also provide for the payment of Special Responsibility Allowances and reimbursement of travel and subsistence expenditure. The Regulations also require the details of any such Schemes to be confirmed and published by the Authority for each financial year in question.</p> <p>The Authority approved its current Scheme of Allowances in February 2012 following consideration of an in-depth report prepared by an independent consultant. The Scheme provides for automatic uprating where applicable:</p> <ul style="list-style-type: none"> • of Basic and Special Responsibility allowances by reference to pay awards agreed by the National Joint Council for Local Government Services (the “Green Book”). There was no automatic uprating for the 2012-13 financial year. In line with the automatic uprating mechanism, however, the allowance rates initially approved by the Authority at its budget meeting in February 2013 were, subsequently, increased for the 2013-14 financial year by 1%, with effect from 1 April 2013, to reflect the Local Government pay award. The current rates payable in 2013-14 are shown in paragraph 2.1 of this report;

	<ul style="list-style-type: none"> • of rates payable for reimbursement of travel by private car by reference to figures produced by Her Majesty's Revenue and Customs; and • of rates payable for reimbursement of subsistence expenditure by reference to rates currently payable to Devon & Somerset Fire & Rescue Service employees. <p>In light of the above and to comply with the relevant Regulations, the Authority is invited to consider whether any changes should be made to the current Scheme of Allowances.</p>
RESOURCE IMPLICATIONS	The payment of allowances as set out in this report, including the uprating of those allowances as indicated (based on an assumed 1% pay award for Green Book employees) would increase total allowances costs by £1,200 (from £125,000 to £126,200), for which provision has been made in the draft revenue budget for 2014/15.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The proposals in this report are considered compatible with equality and human rights legislation.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	The Local Authority (Members' Allowances)(England) Regulations 2003 Report DSFRA/12/05 ("Devon & Somerset Fire & Rescue Authority Approved Scheme of Members' Allowances), together with report of Independent Consultant, as submitted to budget meeting of the Authority on 17 February 2012.

1. **BACKGROUND**

- 1.1 The Local Authority (Members' Allowances)(England) Regulations 2003 require the Authority to make a Scheme of Members Allowances that:
- MUST provide for payment of a basic allowance to every Member of the Authority (to recognise the time commitment of all Members and cover incidental costs such as postage, telephone calls etc in connection with Authority duties); and
 - MAY provide:
 - for payment of a Special Responsibility Allowance for those Members undertaking additional roles (e.g. Authority and Committee Chairs); AND
 - payment of travel and subsistence expenses in relation to Authority duties.
- 1.2 The Regulations also require the Authority to confirm its Scheme of Allowances for each financial year in question and for this information to be published in one or more local newspapers circulating in the area served by the Authority.

2. **AUTHORITY APPROVED SCHEME**

- 2.1 At its budget meeting on 17 February 2012 the Authority considered a review of its Allowances Scheme as conducted by an independent consultant and determined – in accordance with the review recommendations - rates payable for basic and special responsibility allowances in the 2012-13 financial year together with an automatic annual uprating mechanism to apply (Minute DSFRA/72 refers). The Regulations constrain application of any automatic uprating mechanism to a maximum period of four years after which a further, major review should be undertaken.
- 2.2 For the last (2013-14) financial year, application of this annual automatic uprating – which was by reference to any pay award made by the National Joint Council for Local Government Services – resulted in allowances being increased by 1% from April 2013, giving the current rates shown in the table below.

Rates Payable for Basic and Special Responsibility Allowances

Type of Allowance	Amount per annum £
Basic	2,525
Special Responsibility	
• Chairman of Authority (5 x basic)	12,625
• Vice Chairman of Authority (2.5 x basic)	6,313
• Committee Chairs (1.5 x basic)	3,788
• Members of the Commercial Services Committee (1.5 x basic) ¹	3,788

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

- 2.3 The Allowances Scheme also provides for the reimbursement of travel and subsistence expenses as shown below:

Rates Payable for Reimbursement of Travel Expenses

	<i>Rate per mile</i>	
	<i>First 10,000 miles</i>	<i>Above 10,000 miles</i>
Cars	45p	25p
Motorcycles	24p	24p

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

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

Rates Payable for Reimbursement of Subsistence Expenses

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

Annual uprating mechanism: rates payable to Devon & Somerset Fire & Rescue Service employees.

- 2.4 There was no increase in the travel or subsistence rates for 2013-14 so they remain unchanged.

- 2.5 The Authority will be subject to a Peer Review later in 2014. It is proposed that an examination of the governance arrangements currently in place for the Authority, including committee structure, will feature as part of that review. The outcome of this review will be used by the Authority to inform consideration of a partial review of the allowances scheme before 2016, as agreed by the Authority in February 2012.

3. CONCLUSION

- 3.1 The Authority Scheme was last subject to a major review in 2012 and the existing automatic uprating mechanism can only remain in place for a maximum period of four years after which a further, major review should be undertaken. The Authority will be subject to a Peer Review later in 2014 which will include an examination of governance arrangements currently in place for the Authority. The outcome of the peer review will be used by the Authority to determine whether a partial review of the allowances scheme is conducted before the next major review which is due in 2016.

- 3.2 The Authority is invited to consider this report and, in accordance with the relevant Regulations, to:

- confirm whether any changes should be made to the existing scheme; and
- authorise the Clerk to publish the rates so confirmed in one or more local newspapers circulating in the area served by the Authority.

MIKE PEARSON
Clerk to the Authority

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	DSFRA/14/6
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	24 FEBRUARY 2014
SUBJECT OF REPORT	THE LOCALISM ACT – PAY POLICY STATEMENT 2014-15
LEAD OFFICER	Clerk to the Authority
RECOMMENDATIONS	<i>That, subject to any amendments that may be agreed at the meeting, the Authority approves the Pay Policy Statement as appended to this report and agrees to its publication in accordance with the Localism Act 2011.</i>
EXECUTIVE SUMMARY	<p>The Authority is required under the Localism Act 2011 to approve and publish a Pay Policy Statement, by 31 March of each year, to operate for the forthcoming financial year. This Statement sets out the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees.</p> <p>This paper provides further background information in relation to the requirements of the Localism Act and includes a proposed Pay Policy Statement for 2014/15, which now includes the arrangements for reviewing Chief Officers' pay and a statement of the Authority's position on re-employment of employees following redundancy or retirement.</p>
RESOURCE IMPLICATIONS	There is no resource implication associated with production or approval of the Pay Policy Statement which, in itself, does not affect any existing levels of pay.
EQUALITY RISK & BENEFITS ANALYSIS	An Equal Pay Audit was undertaken in 2013-14. Additionally, the proposals in this report are considered compatible with equality and human rights legislation.
APPENDICES	A. Draft Pay Policy Statement 2014-15

LIST OF BACKGROUND PAPERS

1. Localism Act 2011 Sections 38 to 43.
2. Department for Communities and Local Government (DCLG) Statutory Guidance “Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act 2011”, published February 2012;
3. DCLG Statutory Guidance “Openness and Accountability in Local Pay: Supplementary Guidance”, published February 2013;
4. “Pay Policy and Practice in Local Authorities: A Guide for Councillors” produced by the Local Government Association, published January 2013.
5. Code of Recommended Practice for Local Authorities on Data Transparency: Government Response to Consultation published by the DCLG, December 2013

1. INTRODUCTION

- 1.1 The Localism Act 2011 (“the Act”) introduced a new requirement for all public authorities, including combined fire and rescue authorities, to approve and publish annually a Pay Policy Statement. There were numerous reasons for the introduction of this new duty, including:
- the estimation that, between 2001 and 2008 median top salaries in local government grew at faster rate than entry salaries and that, in that context, around 800 local government employees were in the top 1% of all earners;
 - the commitment of the Coalition Government to strengthen councillors powers to vote on large salary packages for council officers;
 - the outcome of the Hutton review into fair pay in the public sector which made several recommendations for promoting pay fairness in the public sector by increasing transparency over pay and tackling disparities between the lowest and the highest paid in public sector organisations.
- 1.2 The provisions on pay in the Act are designed to bring together the strands of Government thinking to address pay issues in local government as outlined above.
- 1.3 Pay Policy Statements must articulate an authority’s policy towards a range of issues relating to the pay of its workforce, particularly its senior staff (or “chief officers”) and its lowest paid employees. Pay Policy Statements must be prepared and approved by the full Authority by 31 March in each year and be published as soon as reasonably practicable thereafter. Publication can be in such a manner as the Authority considers appropriate, but must include publication on the Authority’s website. A Pay Policy Statement may be amended “in year” but, should it be amended, the revised Statement must again be published.
- 1.4 In essence, the purpose of the Pay Policy Statement is to ensure that there is the appropriate accountability and transparency of top salaries in local government. Under the Act elected Members have the ability to take a greater role in determining the pay for top earners and therefore ensuring that these decisions are taken by those who are directly accountable to the local people. In addition, communities should have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility.

2. CONTENT OF THE PAY POLICY STATEMENT

- 2.1 The Act requires that each authority’s Pay Policy Statement must include its policies on:
- the level and elements of remuneration for each chief officer;
 - the remuneration of its lowest paid employees (together with its definition of “lowest paid employees” and its reasons for adopting that definition);
 - the relationship between the remuneration of its chief officers and other employees;
 - other specific aspects of chief officers’ remuneration namely: remuneration on recruitment; increases and additions to remuneration; use of performance-related pay and bonuses; termination payments; and, transparency (i.e. the publication of and access to information relating to the remuneration of chief officers).

- 2.2 The term remuneration is defined as the chief officer's salary, any bonuses payable, any charges, fees or allowances payable, any benefits in kind to which the chief officer is entitled as a result of their office or employment, any increase in or enhancement of the chief officer's pension entitlement where the increase or enhancement is as a result of the resolution of the Authority and any amounts payable by the Authority to the chief officer on the chief officer ceasing to hold office under or be employed by the Authority other than amounts that may be payable by virtue of any enactment.
- 2.3 The term "chief officers" in a fire and rescue service context will refer to the Chief Fire Officer but "chief officers" are defined in Section 43 of the Act to include a Head of Paid Service, a Monitoring Officer, any other statutory chief officer, or a deputy chief officer or other non-statutory chief officer as defined in the Local Government and Housing Act 1989 (these include officers reporting directly either to the Head of Paid Service or the Authority).

3. ACCOUNTS AND AUDIT REGULATIONS 2011

- 3.1 Whilst the Localism Act 2011 does not require details on salary levels to be published in the Pay Policy Statement, the Accounts and Audit Regulations require the published Statement of Accounts for an authority to include information on senior employees who are identified by job title and paid over £50,000, in bands of £5,000. Any senior employee earning in excess of £150,000 must be identified by name.
- 3.2 "Senior employees" are defined as per the Local Government and Housing Act 1989 (see para. 2.3 above) but also include "a person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money), whether solely or collectively with other persons".
- 3.3 Previous Statements of Accounts for the Authority have identified the salaries of the then Senior Management Board in accordance with the Regulation requirements. Since the Service has restructured this will need to be amended to reflect the members of the Executive Board. In addition, in accordance with the draft Local Authorities (Data Transparency) Code 2013, details of remuneration (including salary in bands of £5,000) and a list of job responsibilities for all senior employees whose salary exceeds £50,000 will need to be published. In the interests of transparency, consideration will be given to how the Authority can bring together in one place, all of the information relating to levels of remuneration for senior employees.

4. STATUTORY GUIDANCE

- 4.1 Section 40 of the Localism Act 2011 Act provides for the Secretary of State to issue guidance on Pay Policy Statements which relevant authorities are required to "have regard to". The 2012 guidance suggests that authorities should publish in their Pay Policy Statement their approach to retirement/re-employment:

"Authorities should use their pay policy statements to explain their policies toward the reward of chief officers who were previously employed by the authority and who, on ceasing to be employed, were in receipt of a severance or redundancy payment from that authority. This should include any local policy toward ex-employees later engaged as chief officers under a contract for services. Similarly, authorities should include their policies towards the reward of chief officers who are also in receipt of a pension under the Local Government Pension Scheme or relevant Fire Fighter Pension Scheme. These policies should take account of their agreed approach on abatement of pensions".

- 4.2 The 2013 guidance focusses on the presentation and accessibility of Pay Policy Statements (they should use plain English, free from acronyms/jargon, and as a minimum be published on an authority's website) and emphasises the guidance that authorities should be given the opportunity to vote on large salary packages offered for new appointments. The guidance states this should be for appointments with a salary package of £100,000 or more but also indicates that this "threshold" should be proportionate to each individual authority. The guidance suggests that an authority's Pay Policy Statement should reflect its stance on large salary packages i.e. indicate whether this will be subject to decision by the full Authority and it is recommended that this is more explicit in the Pay Policy Statement.

5. PAY POLICY IN PRACTICE IN LOCAL AUTHORITIES – A GUIDE FOR COUNCILLORS

- 5.1 This document was published by the Local Government Association (LGA) in 2013. Unlike the guidance referred to in Section 4 above, however, it does not constitute statutory guidance and is perhaps best viewed as "best practice". In November 2013 the LGA specifically issued the guidance to all fire and rescue authorities in England and Wales. Within the covering letter the LGA highlighted that the practice of re-employment of individuals who have been made redundant or have retired and are in receipt of a pension should therefore only be used in exceptional and justifiable circumstances such as business continuity. Within the guide is an LGA model Pay Policy Statement which suggests the following paragraph:

"It is not the council's policy to re-employ or to contract with senior managers who have been made redundant from the council unless there are exceptional circumstances where their specialist knowledge and expertise is required for a defined period of time or unless a defined period of (define number of years) has elapsed since the redundancy and circumstances have changed"

- 5.2 The covering letter to the LGA guidance suggests that this paragraph should be widened to incorporate retirements in addition to redundancies. **Modified paragraphs have been added to the Pay Policy Statement, at section 8, for the Authority to consider and determine.**

6. CATEGORIES OF STAFF CONTRACTS WITHIN THE AUTHORITY

- 6.1 To produce a Pay Policy Statement it is necessary to define the categories of staff within the Service and by which terms and conditions they are governed. The Authority has three categories of staff (for pay purposes), which are described in section 2 of the Pay Policy Statement and summarised as follows:

- Chief Fire Officer and other members of the Executive Board - subject to the Scheme of Conditions of Service of the National Joint Council for Brigades Managers of Local Authorities' Fire Brigades (the "Gold Book")
- Uniformed staff - subject to the Scheme of Conditions of Service of the National Joint Council for Local Authority Fire & Rescue Services (the "Grey Book")
- Support Staff – subject to the Scheme of Conditions of Service of the National Joint Council for Local Government Services (the "Green Book").

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

6.3 The level of remuneration for the Chief Fire Officer is subject to annual reviews in accordance with the Gold Book. The relevant sections (9 – 11) from the Gold book in relation to salary increases are set out below:

The NJC will publish annually recommended minimum levels of salary applicable to chief fire officers/chief executives employed by local authority fire and rescue authorities.

There is a two-track approach for determining levels of pay for Brigade Manager roles. At national level, the NJC shall review annually the level of pay increase applicable to all those covered by this agreement. In doing so, the NJC will consider affordability, other relevant pay deals and the rate of inflation at the appropriate date. Any increase agreed by the NJC will be communicated to fire authorities by circular.

All other decisions about the level of pay and remuneration to be awarded to individual Brigade Manager roles will be taken by the local Fire and Rescue Authority, who will annually review these salary levels

6.4 Previously, there has not been a process in place to discharge the Authority's responsibility to conduct an annual review of the Chief Fire Officer's remuneration and **proposed arrangements for this are set out in paragraph 3.5 of the Pay Policy Statement for the Authority to consider and determine.**

7. PAY MULTIPLES

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

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

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

8. PAY POLICY STATEMENT 2014-15

- 8.1 The Pay Policy Statement 2014-15, which has been developed in accordance with the Localism Act requirements and the recent publication of a draft Local Authorities (Data Transparency) Code 2013, is attached for determination by the Authority.

MIKE PEARSON
Clerk to the Authority

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

THE LOCALISM ACT – PAY POLICY STATEMENT 2014-15

1. **INTRODUCTION**

- 1.1 Under section 38(1) of the Localism Act 2011, Devon & Somerset Fire & Rescue Authority (the Authority) is required to prepare a Pay Policy Statement. The Authority is responsible for ensuring that the pay policy will set out the issues relating to the pay of the workforce and in particular the senior officers and the lowest paid employees. This will ensure that there is the appropriate accountability and transparency of the salaries of our senior staff. The Authority will also publish the statement on the Authority's website and update it on an annual basis or at such times as it is amended. The purpose of the statement is to provide greater transparency on how taxpayer's money is used in relation to the pay and rewards for public sector staff.
- 1.2 This is the third such Pay Policy Statement that the Authority has produced and it will continue to be reviewed and refined by the Authority as part of its rewards & recognition strategies for the Service.
- 1.3 It should be noted that Regulation 4 of the Accounts and Audit (Amendment number 2) Regulations 2009 have already introduced a legal requirement to increase transparency and accountability within Local Government. The amended Regulations require authorities to disclose individual remuneration details for senior employees and these can be viewed at the [Senior Management Salaries](#) page on the internet. In addition, the rates of pay for all other categories of staff can be found at [Rates of Pay](#).

2. **CATEGORIES OF STAFF**

- 2.1 As part of the Pay Policy Statement, it is necessary to define the categories of staff within the Service and by which set of Terms and Conditions they are governed:
- 2.2 **Executive Board, including Chief Fire Officer:** The Executive Board is a mix of uniformed Brigade Managers and non-uniformed Officers who are the Directors of the Service. The salary structure for Brigade Managers and other Executive Board members has previously been determined by the Authority and is subject to annual reviews in accordance with the Constitution and Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Local Authorities' Fire Brigades (the "Gold Book"). The minimum remuneration levels for Chief Fire Officers are set nationally in relation to population bands and in accordance with the Gold Book. At a national level, the National Joint Council for Brigade Managers of Fire and Rescue Services reviews annually any cost of living increase applicable to all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration over and above the minimum levels for Chief Fire Officers are taken locally by the full Authority, arrangements for which are set out in paragraph 3.5.
- 2.3 **Uniformed Staff:** This includes Whole-time and Retained Duty staff and also the Control Room uniformed staff. The remuneration levels for these staff are subject to national negotiation as contained in the Scheme of Conditions of Service of the National Joint Council for Local Authority Fire & Rescue Services which is known as the "Grey Book". Any additional allowances are subject to local agreement.

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

3. REMUNERATION OF THE CHIEF FIRE OFFICER AND EXECUTIVE BOARD

- 3.1 The position of Chief Fire Officer is subject to minimum remuneration levels as set out in the “Gold Book” and according to population bands. The Authority is in Population Band 4 (1.5m people and above). The minimum salary level for this position is currently £116,310 per annum. The Authority is the largest non-metropolitan fire and rescue authority in the UK.
- 3.2 In 2006, prior to the combination of Devon Fire & Rescue Service and Somerset Fire & Rescue Service, the [then] Shadow Devon and Somerset Fire and Rescue Authority reviewed the remuneration of the Chief Fire Officer and undertook a salary survey of other fire & rescue services within the same population band. The average salary, based on 2005 data, was found to be £124,184 and the salary level for the Chief Fire Officer for the new, combined service, was set at a notional level of £124,800 per annum for 2007. Annual, national cost of living reviews have since increased the salary to £136,392, the last being in January 2009.
- 3.3 The relevant sections 9 – 11 from the Gold book in relation to salary increases are set out below:
- Salaries*
- The NJC will publish annually recommended minimum levels of salary applicable to chief fire officers/chief executives employed by local authority fire and rescue authorities.*
- There is a two-track approach for determining levels of pay for Brigade Manager roles. At national level, the NJC shall review annually the level of pay increase applicable to all those covered by this agreement. In doing so, the NJC will consider affordability, other relevant pay deals and the rate of inflation at the appropriate date. Any increase agreed by the NJC will be communicated to fire authorities by circular.*
- All other decisions about the level of pay and remuneration to be awarded to individual Brigade Manager roles will be taken by the local Fire and Rescue Authority, who will annually review these salary levels.*
- 3.4 Since combination, the Authority has chosen not to apply any additional pay increases, other than those agreed at a national level, to the Chief Fire Officer. Consequently, there have been no pay increases for the Chief Fire Officer for five years, at either a national or local level, since the last national cost of living increase in January 2009.

3.5 Any locally determined changes in the Chief Fire Officer's remuneration are subject to full Authority approval. In accordance with the conditions within the Gold Book, the Authority is required to conduct an annual review of the remuneration afforded to members of the Executive Board. This review will be conducted by way of a report to a full Authority meeting which will contain such relevant data as to enable the Authority to reach a determination on levels of appropriate remuneration. As a minimum, comparative benchmark data will be provided on chief executive salary levels in other fire and rescue authorities, constituent authorities, neighbouring police authorities and other relevant public bodies as may be determined. The review will also consider the level of pay awards made for other groups of employees and the relationship between the remuneration of the Chief Fire Officer and the remuneration of other employees.

3.6 The other positions within the Executive Board are as follows and further details of their responsibilities can be found at [Devon and Somerset Fire and Rescue Service - Organisational Structure](#):

Assistant Chief Fire Officer – Director of Operations

Director of Corporate Services

Director of People and Organisational Development

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

3.8 The remaining two "non-uniformed" Executive Board positions are on Grade 3 within a four point grading structure which was determined by Job Evaluation. The salary levels for these grades are linked as a percentage to the Chief Fire Officer's salary (less a notional 20% to reflect that there is no requirement to provide "stand-by" hours outside of the normal working day within a Brigade Manager rota). The percentage levels for these grades are:

Grade 1	56.25%
Grade 2	62.50%
Grade 3	68.75%
Grade 4	75.00%

4. REMUNERATION OF THE LOWEST PAID EMPLOYEES

4.1 The lowest grade in the Service is within the Support Staff category which has a grading structure from Grade 1 to 11. The lowest paid worker is at Grade 1. Each grade has five levels referred to as spinal column points and a new joiner will progress through these with increasing service. Since the lowest paid employees are part-time the actual salary levels are pro-rata. The salary range at Grade 1 is currently £12,915 to £14,880 for a 37 hour week. For contextual purposes the salary level for a full-time firefighter is £28,766 per annum.

5. THE RELATIONSHIP BETWEEN THE REMUNERATION OF CHIEF OFFICERS AND THE REMUNERATION OF THOSE EMPLOYEES WHO ARE NOT CHIEF OFFICERS.

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

- the median basic pay of the Authority's whole workforce (£28,766) and
- the lowest pay point (£12,915).

The current pay multiple ratios (rounded to the nearest whole number) are:

	<u>2013-14</u>
median basic pay	5:1
lowest pay point	11:1

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

6. ADDITIONAL ELEMENTS OF THE REMUNERATION FOR THE CHIEF OFFICER

6.1 These additional elements relate to the following elements:

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

6.2 The Chief Fire Officer does not receive any additional bonuses, performance related pay, charges, fees or allowances. As a Brigade Manager, the Chief Fire Officer has an operational requirement for a lease vehicle and this is in accordance with the Service Contract Car Hire Scheme. The benefit-in-kind attributable to the private usage of this Service car was £2,244 for 2011-12. This has reduced to £1,742 for 2012-13. The figure for 2013-14 will not be available until after 31 March 2014.

- 6.3 In relation to the pension entitlement, the Chief Fire Officer is eligible to be a member of the Firefighters' Pension Scheme. All members of this pension scheme (which is closed to new members) can retire on reaching age 50 provided they have at least 25 years' service. The maximum pension entitlement that a member of the pension scheme can accrue is 30 years' service. Chief Fire Officers appointed before 2006 are required to seek approval to retire at age 50 whilst those appointed after 2006 do not. All other members of the pension scheme are not required to obtain such approval. This requirement for Chief Fire Officers to have to seek approval has been recognised nationally as being potentially discriminatory on the grounds of age but can be overcome by agreement with the Authority to permit retirement from age 50. The Authority has previously given approval for the Chief Fire Officer to retire at age 50 and there are no additional financial implications to the Authority associated with this decision.
- 6.4 Should the Chief Fire Officer cease to hold his post then the notice period from either the employee or employer is three months. There are no additional elements relating to the Chief Fire Officer ceasing to hold this post other than those covered under any other enactments.

7. REMUNERATION OF CHIEF OFFICERS ON RECRUITMENT

- 7.1 Within the Localism Act there is a requirement to state the remuneration of Chief Officers on recruitment. The pay level for the Chief Fire Officer was determined by the Authority in 2006, based on 2005 data, in preparation for the new combined Devon & Somerset Fire & Rescue Service commencing on 1 April 2007. The appointment of the Chief Fire Officer is subject to approval by the full Authority. The current rate of remuneration would apply to any Chief Fire Officer on recruitment, subject to any review that may take place in accordance with the arrangements set out within this Pay Policy Statement.

8. RE-EMPLOYMENT OF SENIOR MANAGERS

- 8.1 The Authority will not normally re-employ or contract with senior managers who have been made redundant by the Authority unless:
- there are exceptional circumstances where their specialist knowledge and expertise is required for a defined period of time **and** there has been a break in service of at least one month; or
 - a defined period of 12 months has elapsed since the redundancy and circumstances have changed; or
 - the re-employment is in a different role **and** there has been a break in service of at least six months; or
 - the re-employment is in the same role but at a lower cost and is within the context of an approved business case at the time of the redundancy **and** there has been a break in service of at least one month.

8.2 The Authority will allow the re-employment of senior managers who have retired, subject to a break in service of at least one month, because it is recognised that this often represents an effective way of retaining specialist knowledge and skills without any increase in cost to the Authority (and noting that costs to the Pension Scheme are no more than would be the case for normal retirement). Furthermore, where retired uniformed staff are re-employed then the Fire-Fighters' Pension shall be abated such that the income from the gross annual rate of pay whilst re-employed together with the gross annual pension (after commutation) will not exceed the gross annual rate of pay immediately prior to retirement. For staff within the Local Government Pension Scheme, where an individual is re-employed on the same terms and conditions [salary] as previously, the same abatement rules as apply to those within the Fire Fighters Pension Scheme will be applied. However, the Authority's policy on Pension Discretions refers to flexible retirement and states that this "may be subject to abatement during such time as the individual remains employed by the Service". This allows the Authority to use flexible retirement opportunities where key employees may wish to continue working as they get older but step down in grade or reduce their working hours. This can be beneficial to the Authority in retaining key skills, knowledge and experience whilst also reducing costs.

8.3 The appointment, or re-employment, of any members of the Executive Board (the Chief Fire Officer, Assistant Chief Fire Officer, Director of Corporate Services and Director of People and Organisational Development) will always be subject to approval of the full Authority and any re-employment following redundancy or retirement will be subject to consideration of a robust business case and fully scrutinised against the above criteria.

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

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

10. REVIEW OF THE PAY POLICY STATEMENT

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