

**M. Pearson
CLERK TO THE AUTHORITY**

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

**SERVICE HEADQUARTERS
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(see below)

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DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Budget Meeting)

Friday 20 February 2015

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

M. Pearson
Clerk to the Authority

AGENDA

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

1. **Apologies**
2. **Minutes** of the meeting held on 17 December 2014 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 Tuesday 17 February 2015.**

5. **Addresses by Representative Bodies**

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

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

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

7. **Minutes of Committees**

(a) Commercial Services Committee

The Chair, Councillor Healey, to **MOVE** the minutes of the meeting held on 15 January 2015, attached (page 11).

RECOMMENDATIONS

- (i) that the recommendation at Minute CSC/24 (Trading Company Contract between Authority and Red One Ltd.) be considered in conjunction with agenda item 16 below;
- (ii) that, subject to (i) above and in accordance with Standing Orders, the Minutes be adopted.

(b) Audit & Performance Review Committee

The Chair, Councillor Radford, to **MOVE** the minutes of the meeting held on 6 February 2015, attached (page 14).

RECOMMENDATIONS

- (i) that, in accordance with Standing Orders, the Minutes be adopted.

(c) Resources Committee (Budget Meeting)

The Chair, Councillor Dyke, to **MOVE** the minutes of the meeting held on 10 February 2015, attached (page 17).

RECOMMENDATIONS

- (i) that the recommendations at Minute RC/14 (Capital Programme 2015-16 to 2017-18) and Minute RC/15 (2015-16 Revenue Budget and Council Tax Levels) be considered in conjunction with items 8(b) and 8(a) respectively;
- (ii) that the recommendation at Minute RC/16 (Financial Performance 2014-15: Quarter 3), relating to budget virements, be approved;
- (iii) that, subject to (i) and (ii) above and in accordance with Standing Orders, the Minutes be adopted.

8. **Revenue and Capital Budgets**

(a) 2015-16 Revenue Budget and Council Tax Levels

Report of the Treasurer and Chief Fire Officer (DSFRA/15/1) attached (page 22).

(b) Capital Programme 2015-16 to 2017-18

Report of the Chief Fire Officer and Treasurer (DSFRA/15/2) attached (page 71).

(c) Treasury Management Strategy (Including Prudential and Treasury Indicators Report 2015-16 to 2017-18)

Report of the Treasurer (DSFRA/15/3) attached (page 83).

9. **Strategic Plan 2015 - 2020**

Report of the Chief Fire Officer (DSFRA/15/4) attached (page 102)

10. **Establishment of Local Pension Board for Firefighters' Pensions Schemes**

Report of the Clerk to the Authority (DSFRA/15/5) attached (page 139)

11. **Confirmation of Scheme of Members' Allowances 2015-16**

Report of the Clerk to the Authority (DSFRA/15/6) attached (page 159)

12. **Localism Act 2011 - Pay Policy Statement 2015-16**

Report of the Clerk to the Authority (DSFRA/15/7) attached (page 162)

13. **Chairman's Announcements**

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

15. **Exclusion of the Press and Public**

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

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

16. **Trading Company Contract between Authority and Red One Ltd.**

Report of the Clerk to the Authority (DSFRA/15/8) attached (page 174)

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey (Chair), Ball, Bown, Mrs. Bowyer, Brooksbank, Burrige-Clayton, Chugg, Colthorpe, Dyke, Eastman, Edmunds, Ellery, Greenslade, Horsfall, Knight, Leaves, Owen, Prior-Sankey, Radford, Randall Johnson, Singh, J Smith, Way, Woodman, Yeomans

NOTES	
1.	<p><u>Access to Information</u> Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the "Please ask for" section at the top of this agenda.</p>
2.	<p><u>Reporting of Meetings</u> Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chairman - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.</p>
3.	<p><u>Disclosable Pecuniary Interests (Authority Members only)</u> If you have any disclosable pecuniary interests (as defined by Regulations) in any item(s) to be considered at this meeting then, unless you have previously obtained a dispensation from the Authority's Monitoring Officer, you must:</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>
4.	<p><u>Part 2 Reports</u> Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.</p>
5.	<p><u>Substitute Members (Committee Meetings only)</u> Members are reminded that, in accordance with Standing Order 35, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.</p>

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

17 December 2014

Present:-

Councillors Healey (Chairman), Ball, Bown, Mrs. Bowyer, Brooksbank, Burrige-Clayton, Chugg, Colthorpe, Dyke, Eastman, Edmunds, Ellery, Greenslade, Horsfall, Knight, Leaves, Owen, Prior-Sankey, Radford, Randall Johnson, Singh, Smith and Woodman.

Apologies:-

Councillors Way and Yeomans

DSFRA/28. Minutes

RESOLVED that the Minutes of the meeting held on 5 November 2014 be signed as a correct record.

DSFRA/29. Address by the Fire Brigades Union

The Authority received an address from the Fire Brigades Union on its on-going dispute with central government over reforms to the firefighters pension scheme. The address featured, amongst other things:

- reference to the failed Early Day Motion, as discussed on Monday 15 December 2014;
- that the draft Regulations to amend the firefighters pensions scheme had been approved and were due to come into force from April 2015;
- that the FBU had three legal challenges outstanding and reserved the right to take further industrial action as considered appropriate;
- reference to the contributions made by firefighters to the scheme, in comparison with contribution rates under other pensions scheme and in relation to the employee/employer contribution ratio; and
- reference to the effects of the industrial action on individual fire and rescue services.

DSFRA/30. Minutes of Committees

(a) Commercial Services Committee

The Chair of the Committee, Councillor Healey, **MOVED** the Minutes of the meeting held on 6 November 2014 which had considered, amongst other things:

- an update report on the financial performance of commercial activities for the period April to September 2014;
- a report on the policy and procedures adopted when assessing involvement in commercial projects overseas and/or in potentially hostile working environments; and
- a report on commercial leads and opportunities currently being pursued.

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

(b) Resources Committee

The Chair of the Committee, Councillor Dyke, **MOVED** the Minutes of the meeting held on 20 November 2014 which had considered, amongst other things:

- a mid-year review report of Treasury Management Performance in the current (2014-15) financial year;
- a report on the financial performance of the Service for the first two quarters of the current financial year against the approved revenue and capital budget and other agreed financial targets for that year; and
- a proposed Authority response to the consultation by the Department for Communities and Local Government (CLG) on governance arrangements for the Firefighters Pension Scheme 2015.

RESOLVED

- (i) that the recommendation at Minute RC/9 (Treasury Management Performance 2014-15 – Mid-Year Review) be considered in conjunction with elsewhere on the agenda for the current meeting;
- (ii) that, subject to (i) above and in accordance with Standing Orders, the Minutes be adopted.

(SEE ALSO MINUTE DSFRA/31 BELOW)

(c) Audit & Performance Review Committee

The Chair of the Committee, Councillor Radford, **MOVED** the Minutes of the meeting held on 24 November 2014 which had considered, amongst other things:

- a progress report from Grant Thornton on external audit activities undertaken on behalf of the Authority to date;
- the Authority Annual Audit Letter for the year ended 31 March 2014;
- the proposed work programme and scale of fees for external audit in 2015-16; and
- performance by the Devon & Somerset Fire & Rescue Service during April to September 2014 against those measures contained within the approved Corporate Plan 2013-14 to 2014-15.

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

(d) Human Resources Management & Development Committee

The Chair of the Committee, Councillor Bown, **MOVED** the Minutes of the meeting held on 26 November 2014 which had considered, amongst other things:

- an urgent item on the 2014-15 pay settlement by the National Joint Council for Local Government Services and specifically on application of non-consolidated payments to Spinal Column Points 50 and above;
- a report on absence management and the health of the organisation;
- a request for full-time release of an employee for trade union duties; and
- a proposed Authority response to the Department for Communities and Local Government (CLG) consultation on proposed amendments to the Fire & Rescue National Framework in relation to firefighter fitness standards and assessment.

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

DSFRA/31. Treasury Management Performance 2014-15: Mid-Year Review

(Adam Burleton [CAPITA] – Treasury Management Adviser to the Authority – in attendance for this item).

The Authority considered a report of the Treasurer (RC/14/14) on treasury management activities for the first two quarters of the current (2014-15) financial year in accordance with the best practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management.

The report set the Authority's treasury management performance against the UK and global economic performance and outlook. Particularly in this respect, the report identified potential changes, linked to levels of sovereign support, to credit ratings operated by Fitch, Moody and Standard and Poor (the main credit rating agencies). It was proposed that the Authority may wish to amend its Treasury Management Strategy, to the effect that the credit element of the Authority's future methodology for determining credit worthy investment counterparties should focus solely on Short- and Long-term ratings, to account for these changes.

The report concluded that no prudential indicators had been breached and that a prudent approach had been adopted to investment decisions with priority given to liquidity and security over yield. While investment returns were still low due to the fall in interest rates, it was still anticipated that Authority investment returns would exceed the budgeted target.

The same report had been considered by the Resources Committee at its meeting on 20 November 2014 which had resolved, amongst other things (Minute RC/9 refers):

“That the Authority be recommended to approve an amendment to its approved Treasury Management Strategy to reflect changes to credit methodology to cease monitoring the Viability and Financial Strength standalone ratings and assessing Support ratings, with the future focus for determining creditworthy investment counterparties being the Short- and Long-term ratings of an institution, as detailed paragraphs 3.7 to 3.11 of report RC/14/14”.

RESOLVED

- (a) that the recommendation of the Resources Committee, at Minute RC/9 and as set out above on a proposed amendment to the Authority's Treasury Management Strategy, be approved;
- (b) that, subject to (a) above, that the performance in relation to the treasury management activities of the Authority for 2014-2015 (to September) be noted.

(SEE ALSO MINUTE DSFRA/30(b) ABOVE).

DSFRA/32. Appointment of In-house Lawyer

The Authority considered a report of the Clerk to the Authority (DSFRA/14/17) on a proposal to appoint an in-house lawyer. The report detailed the history of legal advice provision both to the former Devon Fire Authority and the Devon & Somerset Fire & Rescue Authority and summarised the content of a full business case supporting a blended approach to provision going forwards, to include the appointment of an in-house lawyer. A copy of the full business case was appended to the report.

A role description and person specification had also been prepared for the post, which had been evaluated in accordance with the Authority's approved process to determine the relevant salary grade.

RESOLVED

- (a) that a recruitment process, to include an Authority Member, be undertaken for appointment of an in-house lawyer, at the salary grade as indicated in report DSFRA/14/17 and on the basis of an initial, three-year fixed term contract;
- (b) that the Chief Fire Officer be delegated authority, following consultation with the Authority Chairman, to substantiate the post of in-house lawyer during the fixed term period subject to the business case benefits being realised.

DSFRA/33.

Department for Communities & Local Government (CLG) Consultation: Bellwin Scheme of Emergency Financial Assistance to Local Authorities

The Authority considered a report of the Treasurer (DSFRA/14/18) on a Department for Communities and Local Government (CLG) consultation on proposed amendments to the Bellwin Scheme for financial assistance towards costs incurred in responding to large-scale emergency incidents, such as the flooding experienced early in 2014. Responses were required by 1 January 2015 and a draft response on behalf of the Authority was appended to the report.

RESOLVED that, subject to amendment to indicate that the proposed shortening to one month, from the end of the emergency response period, for expenditure to be eligible for making claims under Bellwin was inadequate, with a longer period being more appropriate, the draft Authority response to the government consultation on proposed revisions to the Bellwin Scheme of Emergency Assistance, as appended to report DSFRA/14/18, be approved and the Treasurer authorised to submit it on behalf of the Authority.

DSFRA/34.

Precept Consultation for 2015-16 Budget

The Authority considered a report of the Treasurer (DSFRA/14/19) on options for consultation on the likely level of precept in 2015-16. The Authority was statutorily obliged to consult non-domestic ratepayers on expenditure proposals but in previous years had widened this to include the general public. The report outlined the following three options, with the costings and associated benefits/issues associated with each:

- business only, telephone survey consultation;
- business and public telephone survey consultation; and
- business telephone survey and public street survey consultation.

The results of the consultations would be reported to the February 2015 budget meetings.

RESOLVED that consultation on the 2015-16 likely precept and expenditure proposals be on the basis of a telephone survey of the business community and street survey public consultation.

DSFRA/35. Constitutional Issues

The Authority considered a report of the Clerk to the Authority (DSFRA/14/20) advising of a vacancy on the Audit & Performance Review Committee and proposing, in light of a change in circumstances, cancellation of the formal Authority meeting scheduled for 28 January 2015.

RESOLVED

- (a) that Councillor Randall Johnson be appointed to fill the vacancy on the Audit & Performance Review Committee, the term of office of the appointment to be until the Annual Authority meeting in May 2015;
- (b) that the formal Authority meeting scheduled for 10.00hours on Wednesday 28 January 2015 be cancelled, with the Forum meeting also scheduled for that day to commence at the earlier time of 10.00hours.

DSFRA/36. Regulation of Investigatory Powers Act (RIPA) 2000 - Revised Authority Policy

The Authority considered a report of the Clerk to the Authority (DSFRA/14/21) on an Authority policy governing the authorisation and undertaking of covert investigatory techniques, as required by the Regulation of Investigatory Powers Act (RIPA) 2000. The policy set out procedures to be adopted relating to any proposed covert investigation and had been developed in accordance with existing RIPA guidance and Codes of Practice.

Moving forwards, it was proposed that oversight of the policy and any consequential revisions should be delegated to the Authority's Audit & Performance Review Committee given that Committee's role in relation to other governance and assurance matters.

RESOLVED

- (a) That the Authority RIPA Policy, as appended to report DSFRA/14/21, be approved;
- (b) That the Terms of Reference of the Authority's Audit & Performance Review Committee be amended to include the following:
 - “To review, at least annually, the Authority's RIPA policy and to approve any consequential amendments to the Policy as may be necessary”.

DSFRA/37. Chairman's Announcements

The Authority received, for information, a schedule of events attended by the Chairman on its behalf since the last meeting.

Particular reference was made to the success of the first “Bluelight” carol service, held at Exeter Cathedral on 16 December and which had been attended by civic dignitaries, Fire and Rescue Authority Members and invited guests from each of the three emergency services. The Authority asked to have placed on record their appreciation of the efforts of all involved in organising such a prestigious and well-received event.

DSFRA/38. Chief Fire Officer's Announcements

The Chief Fire Officer reported, for information, on:

- the latest period of industrial action undertaken on 9 December 2014 as part of the long-running dispute between the Fire Brigades Union and central government over proposed pension reforms. Robust contingency arrangements had been maintained by the Service during the period of industrial action;
- funding of £170,000 had been raised by the Service during 2014 for the Firefighters Charity. In particular, the car wash event held recently at Hartland had raised £2,800 – the highest amount raised by any individual station in the country. Hartland would in due course receive a special presentation to mark this achievement; and
- the success of the recently-held Learn2Live presentation in Plymouth, which had been attended by Councillors Mrs. Bowyer and Singh amongst others. The event represented a very powerful and highly effective joint agency approach to delivering vital road safety messages to young people.

DSFRA/39. 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 involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of the Authority and other companies.

DSFRA/40. Asset Opportunity

(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 Authority considered a report of the Chief Fire Officer (DSFRA/14/22) on an opportunity for the Service to secure, as part of housing development, a new, relocated fire station. The new building itself would be at no cost to the Service, although limited costs might be incurred from oversight of the project by the Service Estates Department and relating to the re-siting of data communications by the ICT department. In any event, these limited costs would be met from existing resources.

RESOLVED that the developer be informed of the Authority's approval to the relocation and building of a new fire station as identified in report DSFRA/14/22, as part of a new residential development, subject to this being at no cost to the Authority other than those incidental and opportunity staff costs as identified in the report, in the event that these costs would not also be met by the developer.

The meeting started at 10.00hours and finished at 11.40hours.

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

15 January 2015

Present:-

Councillors Healey (Chair), Edmunds, Leaves, Randall Johnson and Woodman

Apologies:-

Councillors Ball and Dyke

***CSC/19. Minutes**

RESOLVED that the Minutes of the meeting held on 6 November 2014 be signed as a correct record.

***CSC/20. Red One Limited - Appointment of Directors**

The Committee considered a report of the Director of People and Commercial Services (CSC/15/1) on resignations from and appointments to the Board of Directors of Red One Ltd.

Members accepted that while resignations and new appointments were made in accordance with Articles of Association for Red One Ltd. (as prescribed by the Companies Act 2006), they would nonetheless wish to be informed of any such changes at the earliest opportunity.

RESOLVED

- (a) that any changes in the membership of the Board of Directors of Red One Ltd. be notified by e-mail to Members of the Commercial Services Committee as soon as reasonably practicable and reported formally to the earliest appropriate meeting of the Committee;
- (b) that, subject to (a) above, the report be noted.

***CSC/21. Exclusion of Press and Public**

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

***CSC/22. Commercial Update December 2014**

(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 Commercial Business Development Manager (CSC/15/2) on commercial leads and opportunities currently being progressed.

***CSC/23. Financial 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 Head of Finance reported, for information, on the financial performance of commercial activities for the period April to November 2014. Although turnover was below the budgetary target for the current financial year, gross profit was in excess of the target and expenses below the budgeted amount.

CSC/24. Trading Company Contract between Authority and Red One Ltd.

(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 Clerk to the Authority (CSC/15/3) on the outcome of a review primarily of the Trading Company Contract between the Authority and Red One Ltd.

The Contract defined the relationship between the Authority and Red One Ltd. in relation to commercial trading activities and governed issues such as agreed contracts, licences, intellectual property, insurance, liability, data protection, charges and termination etc. The Authority had approved entering into the contract for an initial three year period at its meeting on 20 February 2012 (Minute DSFRA/74(b) refers).

In undertaking the review, the opportunity had also been taken to propose minor modifications both to the Committee's terms of reference and to the Authority's approved Scheme of Delegations to align these with actual working practices and procedures for commercial trading activity.

RESOLVED

- (a) that the Authority be recommended to approve:
 - (i) the revised Trading Company Contract between the Authority and Red One Ltd, as appended to report CSC/15/3, subject to clause 3.4, Schedule 1 (dealing with the secondment of Authority staff) to the document being amended as indicated at the meeting,
 - (ii) the revisions to the Terms of Reference for this Committee and to the Authority's approved Scheme of Delegations as set out in paragraphs 3.7 and 4.2 of the report and detailed below:

Committee Terms of Reference

Amend to read: "To authorise the entering into of contracts for the provision by Red One Ltd. of goods and services to third parties as may be referred by the Chief Fire Officer from time to time"

Scheme of Delegations

Amend Section 4 (Matters Delegated to Chief Fire Officer) to insert new Section (f) (Commercial Activities) as follows:

- (a) Authority to enter into individual commercial trading contracts for the provision of services/goods by Red One Ltd. to third parties, subject to such contracts being within areas for which the Commercial Services Committee has specifically authorised a business case to trade commercially (the business case to duly reflect appropriate legislative requirements such as risk and opportunities presented etc.);
 - (b) to exercise, on behalf of the Authority, any other written approvals (other than the entering into of contracts for the provision of services/goods by Red One Ltd. to third parties) as required by the Trading Company Contract between the Authority and Red One Ltd.
- (b) that the revised Trading Company Contract be subject to further review as may be required to protect the interests of the Authority.

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

The meeting started at 10.00hours and finished at 12.00hours

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

6 February 2015

Present:-

Councillors Radford (Chair), Edmunds, Healey and Singh

Apologies:-

Received from Councillors Randall Johnson and Way.

***APRC/17. Minutes**

RESOLVED that the Minutes of the meeting held on 24 November 2014 be signed as a correct record.

***APRC/18. Regulation of Investigatory Powers Act (RIPA) 2000 - Revised Authority Policy**

The Committee considered a report of the Clerk to the Authority (APRC/15/01) that reflected the delegation of power to the Audit and Performance Review Committee to take future responsibility for the RIPA Policy and as a result, which sought approval to amend the existing RIPA Policy following the publication of new Codes of Practice and an evaluation of the Office of the Surveillance Commissioner's (OSC) most recent Annual Report (2014).

RESOLVED that the amended Authority RIPA Policy, as appended to report APCR/15/01, be approved.

***APRC/19. External Audit Update**

The Authority's external auditor, Grant Thornton, submitted for information a report setting out the progress made in delivering its audit responsibilities to the Devon and Somerset Fire and Rescue Authority up to 26 January 2015.

The report also covered emerging issues and developments nationally including:

- The report "Rising to the Challenge, the Evolution of Local Government" published in December 2014;
- The report "2020 Vision";
- A proposal made by the Department for Communities and Local Government (DCLG) to bring forward the audit deadline for 2017/18 to the end of July 2018.

***APRC/20. Audit and Review 2014-15 3rd Quarter Progress Report**

The Committee received for information a report of the Audit and Review Manager (APRC/15/02) that provided assurance statements for the audits completed to date in 2014/15 and which recorded progress against the approved Internal Audit Plan.

Reference was made in particular to the work that had been undertaken on request of the Committee in respect of the Expotel contract (now Capita). The Audit and Review Manager responded that the Service had received a payment at the year end from Expotel previously in recognition of the use of this service but that it was small in the context of the amount spent with them. He stated that there was a need for the Service to ensure it was getting value for money from all contracts including Expotel and, as a result, contract management would be included in the Audit Plan in the future.

The report also provided an overview of the key financial systems audit work undertaken and completed in 2014/15 by the Devon Audit Partnership and Anne Parsons was in attendance at the meeting to highlight the key findings to the Committee. She reported that the work undertaken on the Authority's key financial systems had revealed that there was a high standard in all of the areas tested which reflected very well on the Authority. She expressed her thanks to the staff involved for their co-operation and professionalism.

The Committee had requested at a previous meeting that a mechanism was instigated to monitor the progress made against all audit work for the Authority, including external audit, internal audit and operational safety assurance. The Audit and Review Manager highlighted that an audit tracker had been designed and embedded across the Service. It was noted that there were 298 recommendations within the tracker which were open currently, of which 59 were recorded as a high priority. These were set out within Appendix A of report APRC/15/2 for information.

***APRC/21. Devon and Somerset Fire and Rescue Service Performance Report: April to December 2014**

The Committee received for information a report of the Director of Operations (APRC/15/04) that detailed the Service's performance for the period April to December 2014 against the measures set out within the Corporate Plan for 2013/14 to 2014/15.

In terms of the performance to date this year, the Committee noted that:

- Measures 1 (deaths which occurred where people lived) – there had been 2 fire deaths to December 2014 as compared with 9 in the same period in 2013-14 which was a welcome decrease;
- Measure 2 (injuries which occurred where people lived) – there had been a significant reduction in dwelling fire injuries to 32 from 71 in the same period in 2013-14, 30 being accidental and only 2 deliberate. There was some Incident Recording System (IRS) forms outstanding to date, however, which may push the number of dwelling fire injuries up to 38 for this period;
- Measure 3 (incidents which occurred where people lived) – there were 712 dwelling fires between April and December 2014 as compared with 819 in 2013-14 which continued the overall downward trend that had occurred almost year on year since 2007 with the exception of 2013-14;
- Measure 4 (deaths which occurred where people worked and visited) – there had not been any fire deaths in the last 3 months, making 2 in total between April and December 2014 which was the same as in 2013/14,
- Measure 5 (injuries which occurred where people worked or visited) – there was a decrease of 13.9% in the number of injuries recorded in April to December 2014,

- Measure 6 (incidents which occurred where people worked and visited) – the number of incidents, including both deliberate and accidental fires, had decreased from 1095 to 1085 in April to December 2014 when compared with the same period in 2013/14;
- Measures 7 and 8 (emergency response standards) – Measure 7 had shown a slight decrease in performance to 68.37% for first attendance in 10 minutes from 68.65% in the same period in 2013/14. This had been impacted by the recent periods of industrial action. Excluding the periods of industrial action, performance had been at 70.15%. For Measure 8, there had also been a slight decrease on first attendance within 15 minutes to road traffic collisions to 74.95% from 75.94% to December 2014 but this had not been impacted upon by industrial action to the same degree as for measure 7. It was noted that each command was receiving a detailed breakdown on the emergency response performance so that the Area Commanders could address the issues.
- Sickness absence – the average number of days sickness lost per person per shift/day had increased to 6.89 days in April to December 2014 as compared with 5.02 days in the same period in 2013/14, caused partly by an increase in long term sickness. There had been some issues with the new sickness absence reporting system but this had been addressed with the issuing of guidance to staff in respect of recording return to work information. This matter was being closely monitored by the Human Resources Management and Development Committee.

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

The meeting started at 10.00hours and finished at 11.57hours.

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

10 February 2015

Present:-

Councillors Yeomans (vice Chair – in the Chair), Brooksbank, Chugg, Greenslade and Singh

Apologies:-

Councillor Dyke (Chair).

***RC/12. Minutes**

RESOLVED that the Minutes of the meeting held on 20 November 2014 be signed as a correct record.

***RC/13. Treasury Management Performance Report 2014-15: Quarter 3**

The Committee received for information a report of the Treasurer (RC/15/1) on Authority treasury management activities for the period April to December 2014 (quarter 3 of 2014-15) in accordance with the best practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management.

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

- that Capita Asset Services had undertaken a review of its interest rate forecasts in January 2015 based on current economic performance and indications were that a rise in the Bank base rate was not anticipated now until December 2015;
- The Authority's investment strategy had resulted in the outperformance of the 3 month LIBID benchmark by 0.02% (a return of 0.45%) with the average level of funds available for investment in quarter 3 being £33.911million (£37.119million in the previous quarter);
- While investment returns were still low due to the fall in interest rates, it was still anticipated that Authority investment returns would exceed the budgeted target;
- Current external borrowing remained stable at £26.089million and it was not anticipated that any debt rescheduling would take place due to the increased cost of repayment penalties.

Mr Burleton confirmed 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 2014-2015 (to December) be noted.

RC/14. Capital Programme 2015-16 to 2017-18

The Committee considered a report of the Chief Fire Officer and Treasurer (RC/15/2) that set out the proposals for a three year Capital Programme covering the years 2015-16 to 2017-18. The report also outlined the difficulties for the Authority in meeting its full capital expenditure requirement, given its geographical size and the associated number of fire stations and appliances that required ongoing maintenance or replacement each year.

Reference was made to the need to maintain a Capital Programme that was affordable and which ensured that the impact of borrowing was maintained below the 5% Prudential Indicator previously agreed by the Authority against the reality of a reducing revenue budget. As a result, this report proposed a further revenue contribution of £1.737million be made from the 2015-16 revenue budget towards capital spending. The Authority was due to set its 2015-16 Revenue Budget and Council Tax (**Minute RC/15 below refers**) and if Option B was approved, this would result in an additional revenue contribution to capital of £0.381million which would be utilised to reduce the Authority's borrowing requirement (as illustrated within Appendix A to report RC/15/3).

In view of the financial constraints, the Chief Fire Officer advised that the Service was undertaking a fundamental review of its entire Estate portfolio in 2015/16 with a view to reducing future borrowing costs and/or identifying options that might bring in income. The Authority was looking to the private sector to assist in this process which was being driven forward by its Capital Programme Working Party in conjunction with the Commercial Services Committee.

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

- (a) to approve a minimum revenue contribution of £1.737m from the 2015-16 revenue budget towards financing of the capital 2015-16 to 2017-18 capital programme;
- (b) to approve the draft Capital Programme 2015-16 to 2017-18 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/15/2; and
- (c) to note the forecast impact of the proposed Capital Programme (from 2018-19 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.

RC/15. 2014-15 Revenue Budget and Council Tax Levels

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/15/3) on options for the Authority's revenue budget and associated council tax level in 2015-16. It was a legislative requirement for the Authority to set a balanced budget and determine an associated council tax level prior to 1 March each year and this report set out the necessary financial background on which to consider the appropriate way forward for this Authority.

The Treasurer advised that the Department for Communities and Local Government (DCLG) had announced on 18 December 2014 that the council tax level which, if exceeded, would trigger the need for the Authority to hold a referendum, would be 2%. Given that the administrative costs associated with holding a local referendum were estimated to be in the region of £2.3million, this report did not include any proposal to go beyond the 2% limit.

The settlement for this Authority for 2015-16 was £29.422million, representing a reduction of 8.9% on 2014-15. This was broadly in line with the figures already included within the Authority's Medium Term Financial Plans and represented a decrease of £0.153million against the figure used to inform Corporate Planning from 2014 onwards. A reduction of £2.9million in 2015-16 meant that the Authority's grant funding had been reduced by a total of £8.7million since 2012-13, equivalent to 22.8% – the third worst settlement of all fire and rescue services over this period.

The Treasurer stated that the Government had again made available Council Tax Freeze Reward Grant to those local authorities that agreed to freeze council tax in 2015-16. This grant was equivalent to an increase in council tax of 1%, estimated to be £0.489million for this Authority. It had been confirmed that this funding would be included within the baseline funding for future years.

The report therefore set out two options for consideration by the Committee, namely:

- Option A – to freeze council tax at 2014-15 level (£76.89 for a Band D property);
- Option B – to increase council tax by 1.99% above 2014-15 (£78.42 for a Band D property).

Each of these options would result in a reduction in the amount of revenue funding for 2015-16 and the report also set out a summary of the reductions associated with each option including additional precept income. It was noted, however, that the figures may change as information was awaited from some billing authorities relating to the amount of estimated business rates income in 2015-16. The Treasurer proposed that any additional funds received from billing authorities be transferred to reserves to mitigate against future volatility in business rates income.

Reference was made in particular to the budget savings that had been included within the proposed net revenue budget requirements for 2015-16 which totalled £2.286million. This had been achieved by a combination of stringent budget management measures, an anticipated reduction in retained activity together with the Corporate Plan proposals (to reduce support staff, senior management and remove 149 operational posts). In response to a question, the Assistant Chief Fire Officer confirmed that of the 149 operational posts to be removed, there were 51 still to be achieved.

Following a debate in respect of the options presented, Councillor Greenslade **MOVED** and was seconded by Councillor Brooksbank:

“that it be recommended to the Devon and Somerset Fire and Rescue Authority that Option B as set out within report RC/15/3 be approved”.

The motion was then put to the vote and **CARRIED** (4 for, 1 against), whereupon it was:

RESOLVED that it be recommended to the Devon and Somerset Fire and Rescue Authority that the level of council tax in 2015-16 for a Band D property be set at £76.89, as outlined in Option B of report RC/14/7, representing a 1.99% increase over 2014-15.

NB. Minute RC/14 above also refers.

RC/16. Financial Performance 2014-15: Quarter 3

The Committee considered a report of the Treasurer to the Authority (RC/15/4) that set out details of the Authority's financial performance during the third quarter of the current year (2014/15) as compared with the approved financial targets. The report also provided a forecast of spending against the approved 2014/15 revenue budget.

The Treasurer highlighted that spending was forecast to be £74.664 million at the year-end which was £1.130million less than the approved revenue budget of £75.794million, equivalent to 1.49% 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 under-spend at the year end. It was noted that the forecast spending figure was net of the proposed budget virements set out within paragraph 11.1 of report RC/15/4.

In terms of the underspend, the Treasurer drew attention to the point that the report did not include any recommendation in terms of how this would be utilised. This matter would be considered by the Committee at the end of quarter 4.

Reference was made to the issue of pension's 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 £2.0 million for this liability, it was not clear at this stage as to whether or not this would be sufficient. The first stage of the options exercise had been completed and 750 "expressions of interest" had been received from both existing and already retired retained staff, which was significantly more than the numbers used in the initial modelling. All individuals who had expressed an interest had now been provided with estimates of pension benefits but it was unclear at this stage what the eventual take up would be and thus, whether the £2million would be sufficient to cover the eventual liability.

The Treasurer reported upon the in year virements totalling £2.466million (including transfers of £2.116 to earmarked reserves) as set out within Table 3 of paragraph 11.1 of report RC/15/4 which were commended to the Committee for approval.

RESOLVED

- (a) that the Authority be recommended to approved the budget virements outlined in Table 3 of paragraph 11.1 of report RC/15/4, as set out as Appendix A to these Minutes for ease of reference;
- (b) that subject to (a) above, the monitoring position in relation to projected spending against the 2014-2015 revenue and capital budgets be noted; and
- (c) that the performance against the other 2014-2015 financial targets be noted.

***RC/17. Urban Search and Rescue (USAR) Grant Reductions**

The Committee received for information a report of the Director of Operations (RC/15/5) that advised of the impact of a reduction in grant for the Urban Search and Rescue (USAR) capability from £102,500 to £815,630 with effect from April 2015.

It was noted that, whilst the Service may need to consider alternative options for crewing USAR in the light of the grant reduction, it was considered that current staffing levels could be maintained within the existing budgetary provision.

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

The meeting started at 10.00hours and finished at 11.30hours

**APPENDIX A TO THE MINUTES OF THE RESOURCES (BUDGET) COMMITTEE MEETING, 10
FEBRUARY 2015**

**MINUTE RC/16 (FINANCIAL PERFORMANCE 2014-15: QUARTER 3) – REQUEST FOR
BUDGET VIREMENTS**

Budget Line	From £m	To £m	Reason
<p>Wholtime Uniform Staffing Costs (Table 2 Line 1)</p> <p>Non-Uniformed Staffing Costs (Table 2 Line 4)</p> <p>Transfer to Earmarked Reserves (Table 2 Line 37)</p>	<p>(1.000)</p> <p>(0.500)</p>	<p>1.500</p>	<p>This virement reflects the decision made at the meeting of the Resources Committee on the 20 November 2014 (Minute RC/10) to transfer an amount of £1.5m from the current year underspend to Earmarked Reserves to provide direct revenue funding towards future capital spending. It is now proposed that the £1.5m be funded from budget virements from wholtime and non-uniformed staffing budget heads.</p>
<p>Equipment and Furniture (Table 2 Line 14)</p> <p>Revenue Contribution to Capital Spending (Table 2 Line 27)</p>	<p>(0.350)</p>	<p>0.350</p>	<p>This virement reflects the decision made at the meeting of the full Fire Authority (Minute DSFRA/27) on the 17th December 2014 to pursue an asset acquisition in Plymouth to be funded from the current year underspend. It is now proposed that the total cost of £0.350m (including associated fees) be funded from a budget virement from savings against Equipment and Furniture.</p>
<p>Uniforms (Table 2 Line 18)</p> <p>Communications (Table 2 Line 27)</p> <p>Transfer to Earmarked Reserves (Table 2 Line 35)</p>	<p>(0.546)</p> <p>(0.070)</p>	<p>0.616</p>	<p>The 2014-15 budget includes provision of £0.546m to fund a refresh of Personal Protective Equipment (PPE). It is now confirmed that due to specification and procurement timescales this will now be delayed into 2015-16. A budget virement for this amount is therefore proposed from the Uniforms budget head to Earmarked Reserves to enable the funding to be carried forward into 2015-16..</p> <p>Similarly provision of £0.070m had been made in 2014-15 for a required upgrade to the Service telephony system, however this will not now be delivered until 2015-16. A budget virement for this amount is therefore proposed from the Communications budget head to Earmarked Reserves.</p>
TOTALS	(2.466)	2.466	

REPORT REFERENCE NO.	DSFRA/15/1
MEETING	DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	20 FEBRUARY 2015
SUBJECT OF REPORT	2015-16 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 2015-16 for a Band D property be set at £76.89, as outlined in Option A in this report, representing no increase over 2014-15, and that accordingly a Net Revenue Budget Requirement for 2015-16 of £74,329,400 be approved;</i></p> <p style="text-align: center;">OR</p> <p>(ii) <i>that the level of council tax in 2015-16 for a Band D property be set at £78.42, as outlined in Option B in this report, representing a 1.99% increase over 2014-15, and that accordingly a Net Revenue Budget Requirement for 2015-16 of £74,710,300 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 £43,693,693 (Option A) OR £44,562,981 (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 £43,693,545 (Option A) OR £44,562,981 (Option B), as detailed on Page 2 of the respective budget booklet, be approved; and</i></p> <p>(iii) <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></p>
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. The Secretary of State has announced that the council tax threshold to be applied in 2015-16 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 2015-16.</p>

	<p>OPTION A – Freeze council tax at 2014-15 level (£76.89 for a Band D Property).</p> <p>OPTION B – Increase council tax by 1.99% above 2014-15 (increase of £1.53 to £78.42).</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)	The contents of this report are considered compatible with existing human rights and equalities legislation.
APPENDICES	<p>A. Core Net Revenue Budget Requirement 2015-16.</p> <p>B. Letter of Representation sent to the CLG regarding the Provisional Local Government Finance Settlement.</p> <p>C. BMG Report on Precept Consultation for 2015-16 Revenue Budget (page numbered separately).</p> <p>D. Public Council Tax precept consultation results (page numbered separately).</p> <p>E. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.</p>
LIST OF BACKGROUND PAPERS	Nil.

1. INTRODUCTION

- 1.1 It is a legislative requirement that the Devon & Somerset Fire & Rescue Authority (“the Authority”) sets a level of revenue budget and council tax for the forthcoming financial year, before 1 March, so 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 2015-16. 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 4 February 2015 the Department for Communities and Local Government (CLG) confirmed, as part of the final Local Government Settlement, that the council tax limit to be applied in 2015-16, which if exceeded would trigger the need to hold a referendum, is to be 2.0%.
- 1.4 Given that the administration costs associated with holding a local referendum for 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 2014-15 level (£76.89 for a Band D Property).
 - **OPTION B** – Increase council tax by 1.99% above 2014-15 (£78.42).
- 1.5 The meeting of Resources Committee held on the 10 February 2015 considered the implications of each of these options, and resolved to recommend Option B (increase in council tax of 1.99%) to the Authority for approval (Minute RC/15 refers).

2. FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2015-16

- 2.1 The final Local Government Finance Settlement, as announced on 4 February 2015, provided local authorities with individual settlement funding assessment figures for 2015-16. It should be noted that as a result of significant changes to the local government finance system introduced in 2013-14 which introduced 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 2015-16 of 8.9% over 2014-15:

TABLE 1 – SETTLEMENT FUNDING ASSESSMENT FOR DSFRA	£m	%
SFA 2014-15	32.283	
SFA 2015-16	29.422	
Reduction over 2014-15	-2.861	-8.9%

- 2.3 This figure is in line (anticipated 8.4% reduction) with the figure already included within the Authority’s medium term financial plans, and represents a decrease of £0.153m against the figure used to inform Corporate Planning from 2014 onwards.

- 2.4 A reduction of £2.9m in 2015-16 means that DSFRA grant funding has been reduced by a total of £8.7m since 2012-13, equivalent to 22.8% meaning that the Authority has suffered the third worst settlement of all FRAs over this period. This is very surprising given that in the previous two years from 2010 the Authority had received the third best settlement, and that the formula used to distribute fire formula funding from 2014-15 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 us.
- 2.5 A response to the provisional 2015-16 Local Government Finance Settlement announcement was sent to the CLG on behalf of the Authority expressing disappointment with the provisional settlement. A copy of this letter is attached as Appendix B. There was, however, no change between the provisional and final settlement figures.
- 2.6 The settlement announcement was for one year only due to the upcoming general election in May and therefore no illustrative SFA will be available for 2016-17 until publication of the settlement in December 2015.

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

- 3.1 As mentioned earlier, new rules introduced in 2013-14 require that a local referendum be held should an authority propose to increase its council tax beyond a government set limit (principles). A referendum would need to be held on behalf of this Authority 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. If, however, 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 fire and rescue authorities are relatively low, typically only 4% of the total council tax bill, this Authority has argued with the CLG that fire and rescue authorities should be exempt from this requirement as the costs associated with holding a referendum are disproportionate to the amount of additional precept gained from any increase. For this Authority the position is exacerbated by the fact that it has to liaise with fifteen billing authorities that would be required to hold referendums on its behalf, resulting in estimated referendum costs in the region of £2.3m. The Authority has asked CLG to consider an alternative set of principles for fire and rescue authorities which would apply a cash amount, e.g. £5, rather than applying a percentage increase. Disappointingly the provisional settlement confirms that a percentage increase threshold will continue to be applied in 2015-16.
- 3.4 On 4 February 2015 CLG confirmed the referendum threshold to be applied in 2015-16 is to 2.0%.

4. COUNCIL TAX AND BUDGET REQUIREMENT 2015-16

Council Tax

- 4.1 The government has again laid out its expectations that local authorities should freeze council tax in 2015-16 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 2015-16. This grant will be equivalent to an increase in council tax of 1.0%, estimated to be £0.489m (subject to confirmation of council tax base for 2015-16) for this Authority.
- 4.2 The government has indicated that the reward grant, as in 2014-15, will be included in the baseline funding for future years, although this is not guaranteed this is the best that can be expected given that it is very rare for a government to make commitments on behalf of future administrations.
- 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 three 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 and 2014-15 (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 CLG confirmed that the 2011-12 and 2013-14 reward grant would be included in baseline funding figures.
- 4.4 For 2015-16 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 £0.77p increase for a Band D property, and is equivalent to a £0.436m 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) it is not a viable option for this Authority to consider a council tax increase in excess of the 2% threshold. This report considers two options:
- **OPTION A** – Freeze council tax at 2014-15 level (£76.89 for a Band D Property).
 - **OPTION B** – Increase council tax by 1.99% above 2014-15 (£78.42).
- 4.5 Each of the options will result in a reduction in the amount of revenue funding for 2015-16. Table 2 overleaf provides a summary of the reduction associated with each option, including additional precept income.
- 4.6 At its meeting on 10 February 2015 the Resources Committee resolved to recommend that the Authority approve Option B i.e. to Increase council tax by 1.99%. It should be noted that, since submitting the draft budget report to the Resources Committee on 10 February, the figures in Table 2 (overleaf) have been revised to reflect updated Council Tax and Business Rates income from billing authorities, as verbally advised at that meeting. paragraphs 4.13 – 4.14 of this report provide further information.

TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – REDUCTION IN FUNDING 2015-16

	OPTION A	OPTION B
	Council Tax Freeze at £76.89	Council Tax Increase of 1.99% to £78.42
	£m	£m
TOTAL FUNDING 2014-15	75.794	75.794
Reduction in Formula Funding	-2.861	-2.861
Decrease in Retained Business Rates from Business Rate Retention System.	-0.124	-0.124
<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	0.731	0.731
- resulting from an increase in Band D Council Tax	-	0.869
- 2015-16 Council Tax Reward Grant	0.489	-
- Increase in Share of Billing Authorities Council Tax Collection Funds	0.301	0.301
Net Change in precept income	1.520	1.901
TOTAL FUNDING AVAILABLE 2015-16	74.329	74.710
NET REDUCTION IN FUNDING	-1.465	-1.084

4.7

The impact of each of the options over 2014-15 is summarised below:

Option A would result in the largest reduction in spending in 2015-16 of £1.465m, and the reward grant of £0.489m will be included in future baseline funding figures.

Option B would result in a smaller reduction in spending in 2015-16 of £1.084m and the amount available from the 1.99% increase in council tax of £0.869m will be built into future years funding levels. This means that an additional £0.381m of spending is available over option A.

Council Tax Base

- 4.8 Whilst the reduction in government funding of £2.861m is in line with previous expectations, the amount of precept income to be received in 2015-16 from billing authorities is surprisingly £1.0m more than had been forecast. This is largely as a result of an increase in the council tax base across the area of Devon and Somerset (£0.7m) which reflects increases in the number of properties e.g. Cranbrook in East Devon. In addition, following a review of council tax collection rates by districts, the amount of surplus available to this Authority has increased by £0.3m.

National Non Domestic Rates

- 4.9 In 2013-14 the government introduced significant changes to local authority funding with the introduction of the local business rates retention scheme. This now means that whereas previously 100% of business rates yield was held by central government and distributed as part of the local government finance settlement, 50% is now held centrally and the remaining 50% held locally of which 2% is distributed to the fire and rescue service.
- 4.10 This introduces a new financial risk to authorities in relation to significant fluctuations in income that may arise as a result of the appeals process, business rates growth/reduction and collection rates. Prior to 2013-14 this risk was borne by central government.
- 4.11 As part of the transitional arrangements of this new business rates retention scheme the government has put in place a safety net process to ensure that should any authority suffer a significant fluctuation from estimated income then the government will provide financial support. This safety net would only be triggered should an authority's actual business rate income drop below 92.5% of the safety net threshold figure included in the government baseline funding for the authority. This means that the local authority carries a financial risk in relation to the first 7.5%. For this Authority, this equates to £1m which will need to be managed through reserves.
- 4.12 At the time of presenting the budget report to the meeting of Resources Committee on 10 February 2015 it was verbally reported that some figures were still awaited from some billing authorities relating to the Authority share of council tax collection funds and estimated income from business rates.
- 4.13 This information has now been received which confirms that an amount £0.434m of funding will be received in addition to the figures previously reported. This amount can only be considered as one-off in nature as it relates to surplus/deficit on collection funds.
- 4.14 It is proposed that this amount be transferred into an Earmarked Reserve "Business Rates Safety Net" which will be used to smooth out year-on-year fluctuations in business rate income as outlined above. This Reserve will need to be reviewed annually as part of the budget process to assess its adequacy.
- 4.15 As £0.399m of this addition will be received by way of a Section 31 grant from CLG in year this proposal has impacted on the Net Budget Requirement figure previously reported by £35k.

Net Budget Requirement

- 4.16 Table 3 below provides a summary of the core budget requirement (*based upon Option A for illustrative purposes*) for 2015-16. A breakdown of the more detailed items included in this draft budget is included in Appendix A.

TABLE 3 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2015-16

	£m	%
Approved Net Revenue Budget Requirement 2014-15	75.794	
PLUS Provision for pay and price increases (Pay award assumed 1.0% in 2015 for Firefighters)	0.708	0.93%
MINUS Removal of one off provisions in 2014-15	(2.648)	-3.49%
PLUS Inescapable Commitments	0.806	1.06%
PLUS Invest-to-Save Items		
- Community Safety Pilot scheme	0.071	0.09%
- Business Rates Safety Net	0.148	0.20%
- Revenue Support to Capital Programme	1.737	2.29%
CORE SPENDING REQUIREMENT 2015-16	76.616	
INCREASE IN BUDGET OVER 2014-15 (£m)	0.822	1.08%

Invest-to-Save

- 4.17 A pilot is currently being run using dedicated community safety advocates and public campaigning in order to increase the number of Home Safety Checks that are carried out. There is a proven link between targeted prevention activity and a reduction to fire deaths and injuries. The intention of the new delivery model is to target more households who are at risk and therefore impart safety messages more effectively, improving public safety and reducing emergency call outs.
- 4.18 Elsewhere on the agenda is a separate report relating to the proposed capital programme 2015-16 to 2017-18. That report highlights the concerns of the Authority's reliance on increased borrowing to fund future capital investment requirements, particularly as a result of the lack of any government grant funding in 2015-16 since CLG are now issuing capital grant through transformational bid processes only. 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.
- 4.19 It is therefore proposed that the revenue budget for 2015-16 includes provision for a direct revenue contribution towards capital spending therefore enabling debt charges to be maintained below the 5% Prudential Code limit up to 2017-18. Table 3 (Option A) above includes a contribution of £1.7m. Should Members be minded to approve Option B then it is proposed that the additional £0.381m of spending available is used to increase this contribution to capital to £2.1m.

Members will recall that DSFRS were successful in a collaborative bid for DCLG funding of £0.374m for a National Procurement Framework. Funds will be made available in 2015-16 to fully offset any additional costs incurred by the Authority.

Budget Savings

- 4.20 As is indicated in Table 3, the Core Budget Requirement for 2015-16 (which includes provision for pay and inflation, inescapable commitments and new investment) has been assessed as £76.616m. This is more than the amount of funding available under Options A or B and therefore budget savings need to be identified in order that a balanced budget can be set. Table 4 below identifies the savings target required and summarises how those targets would be achieved.

TABLE 4 – BUDGET SAVINGS REQUIRED 2015-16

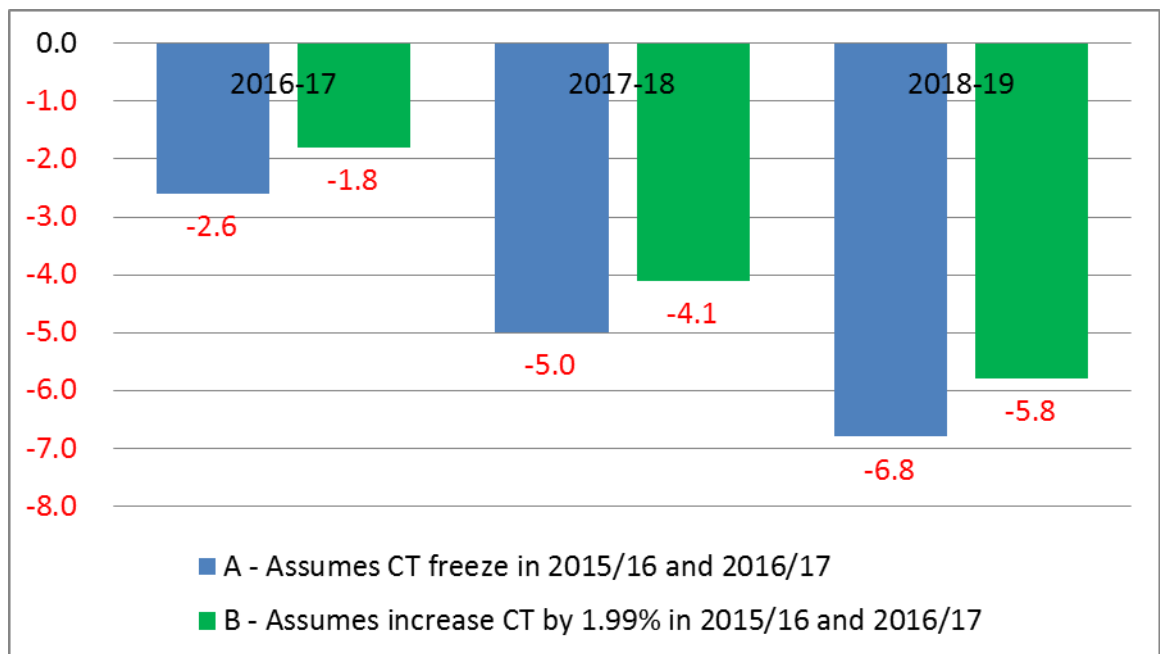
	OPTION A £m
Budget Management Savings – As in previous years the budget setting process has included the requirement for budget managers to scrutinise non-operational budget heads with a view to the identification of recurring savings. This process and challenge by managers has identified £0.547m of recurring savings which can be removed from base budget. In addition managers will be expected to contain their expenditure within existing prices, by removing the inflationary element of non pay expenditure, which will save £0.090m	(0.637)
Retained Pay – Activity anticipated to reduce as a result of changes to the way that community schemes are run on stations: utilising volunteers and advocates.	(0.148)
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 will take a number of years for this reduction to be fully achieved. An element of these staff numbers may be used in the transition of future staffing projects	(1.502)
TOTAL BUDGET SAVINGS (£m)	(2.287)

5. MEDIUM TERM FINANCIAL PLAN

- 5.1 As is stated earlier in this report, there is some uncertainty over the direction of travel following the May general election. Looking beyond 2015-16, the Chancellors' Autumn Statement in December 2014 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 the saving of £2.3m achieved in 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 our 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 2018-19 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 2016-17 to 2018-19. Chart 1 below provides an analysis of those forecast savings required in each year based on assumptions A to B.

CHART 1 – FORECAST BUDGET SAVINGS (CUMULATIVE) 2016 TO 2019 (BASE CASE) - £MILLIONS



5.4 Chart 1 illustrates that further savings will be required over the next three years (forecast to be cumulative savings of circa £6.8m by 2018-19). As is stated earlier in this report each 1% increase in council tax results in additional precept of just under £0.4m. Should it be agreed to increase by a further 1% in 2016-17 (not subject to a decision at this meeting) then the saving target by 2018-19 would reduce by £1.0m.

6. PLANS TO DELIVER SAVINGS 2015 TO 2019

Our Plan 2015 onwards

- 6.1 This budget report proposes a balanced budget for the next financial year 2015-16 including proposals as to how budget savings can be achieved.
- 6.2 The Corporate Plan to 2014 was approved by the Authority at its meeting held on the 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 this not all of this sum will be deliverable by 2015-16 as the speed at which it can be delivered will be dependent on the natural turnover of staff over the next two years. Savings of £1.5m are targeted to be achieved towards this total in 2015-16.
- 6.3 Officers are currently developing a range of proposals in order to achieve the required savings and meet our Integrated Risk Management Plan objectives. Consideration of proposals for further savings beyond 2015-16 will need to be subject to Authority consideration.

7. **PRECEPT CONSULTATION 2015-16**

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 in previous years also been consulted 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 17 December 2014 the Authority considered the issue of council tax precept consultation and resolved (Minute DSFRA/34 refers):

that consultation on the 2015-16 likely precept and expenditure proposals be on the basis of a telephone survey of the business community and street survey public consultation.

7.4 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 The business survey commenced in the week beginning Monday, 5 January 2015 and was undertaken by BMG Research.

7.6 Again in line with the Authority decision, a street level face-to-face survey was undertaken using our own staff. 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. During the planning phase of the street surveys poor weather was forecast which was identified as a risk to response rates. To mitigate this risk the same survey was also made available online and publicised through the Service's social media feeds.

7.7 Face-to-face surveys with members of the public were conducted by Devon & Somerset Fire & Rescue Service staff in Torquay, Plymouth, Taunton and Exeter on 13, 14, 15 and 16 January 2015 respectively. A total of 212 responses were obtained. The online survey was available between 12 and 23 January 2015 and 42 surveys were completed.

7.8 The results obtained from businesses and members of the public have been brought together in the charts below for ease of comparison. The full results of the business and public surveys can be found in Appendix C and D.

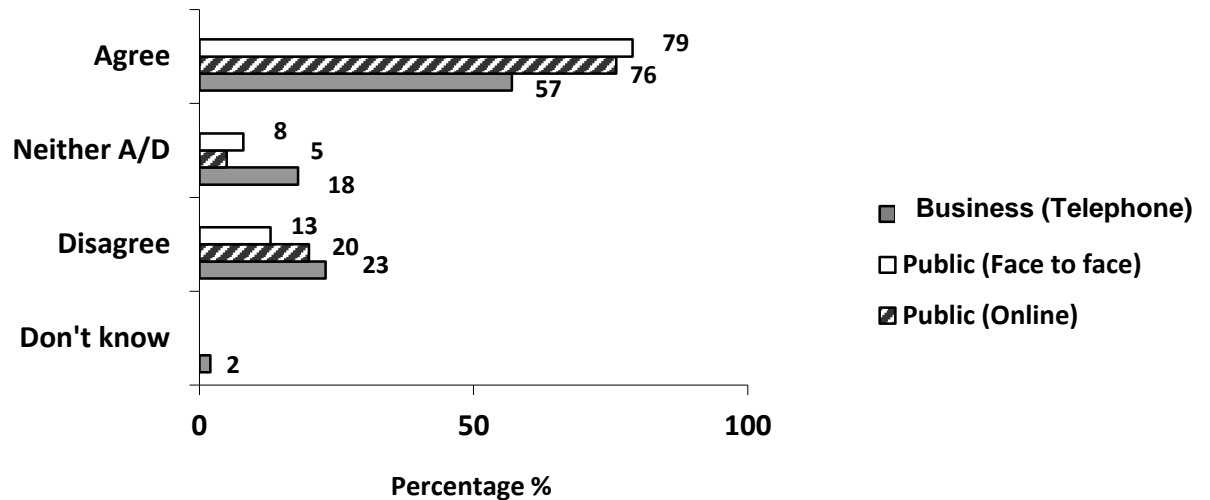
Consultation Results

7.9 Due to rounding the percentages in the graphs may equal 100% + or – 1%.

Question 1: How strongly do you agree or disagree that it is reasonable for the Authority to consider increasing its council tax charge for 2015/16 to lessen the impact of the funding cuts?

7.10 The results for Question one, shown in Chart 1, illustrate that the majority of business 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 2015/16. A similar distribution of agree and disagree responses was achieved from members of the public, though, overall, they were more in favour of the idea, and less neutral, than business respondents.

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



Count (unweighted) Business responses 400, Public responses street 211, Public responses online 41.

7.11 The 2015 results of the business survey show a slight increase in the level agreement for the Authority to consider an increase to the precept: up from 53% to 57%. The majority of this change reflects movement in opinion from 'disagree' to 'agree'. Results for the public street survey were broadly similar to the previous year, though, as with the business results, a 5% increase (74% to 79%) in agreement was seen over the 2014 results. The increases in agreement and also the 'Neither agree nor disagree' response mirrored similar decreases in 'Disagree' and 'Don't know' responses.

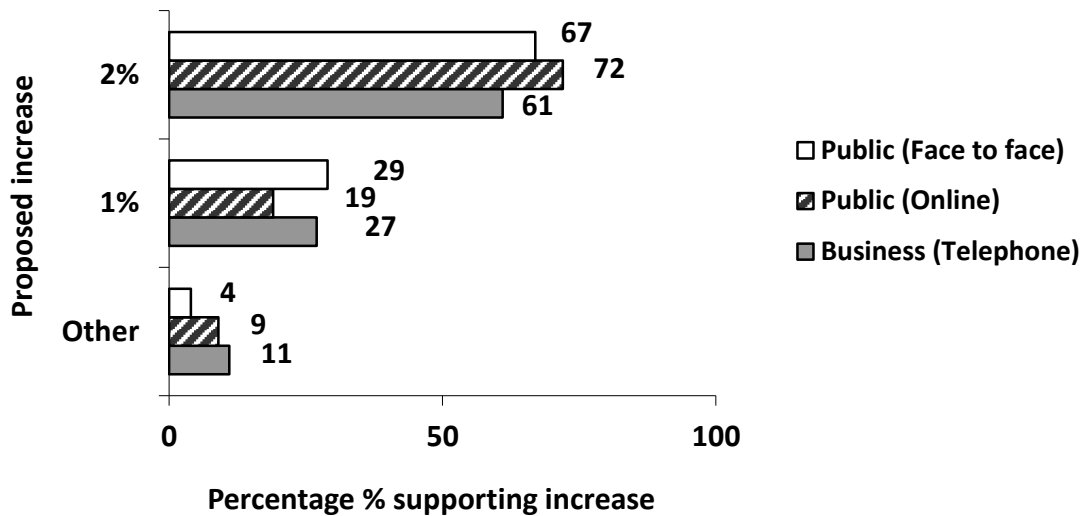
7.12 These results suggest support from businesses and members of the public for the Authority to consider increasing the precept to minimise the impact of cuts to the government grant.

7.13 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?

7.14 The majority of business respondents (61%) were in favour of a 2% increase to the precept as seen in Chart 2 overleaf. Similar results were returned from members of the public, and those responding online were also more in favour of a 2% increase than a 1% increase.

Chart 2: Question 2 results of options to increase the precept



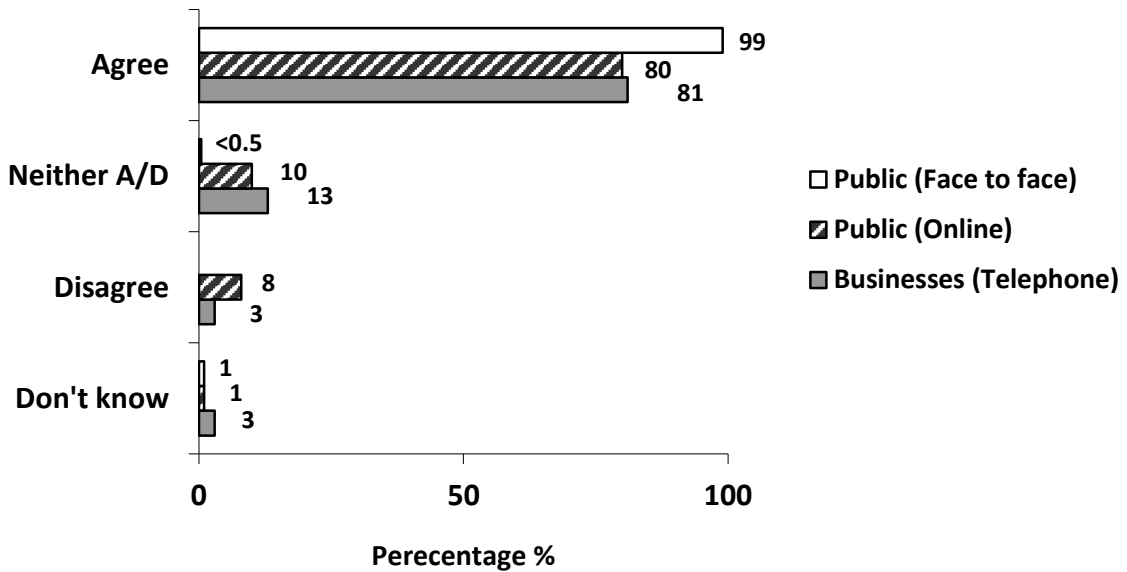
Count (unweighted) Business responses 232, Public responses street 175, Public responses online 32.

- 7.15 Of those business respondents who indicated an increase other than 2%, the majority suggested an increase greater than 2% (20) respondents, with figures ranging from 2.5% up to 10%. The most common suggestion was an increase of 5% (11 respondents).
- 7.16 No members of the public giving an 'Other' increase suggested less than 2%. Responses ranged from 3% (1 respondent) to 10% (1 respondent), though 5% was most common (6 respondents). One respondent suggested that the level should be increased 'As necessary'. For members of the public, the responses from the street survey show very little movement from the responses returned in 2014.

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

- 7.17 A high percentage of businesses agreed that the Service provides value for money (see Chart 3 overleaf). The results to this question showed no change in the level of agreement from the 2014 survey results. For members of the public, 208 of the 211 responding to a face to face survey agreed that the Service provides value for money: nobody responded 'Disagree'. The responses to the online survey were similar to the business survey results, though slightly more respondents answered 'Disagree' than 'Neither agree nor disagree'. In comparison with the 2014 results, the level of agreement from the public street survey results shows a slight increase (6%) in those responding 'Agree'.

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



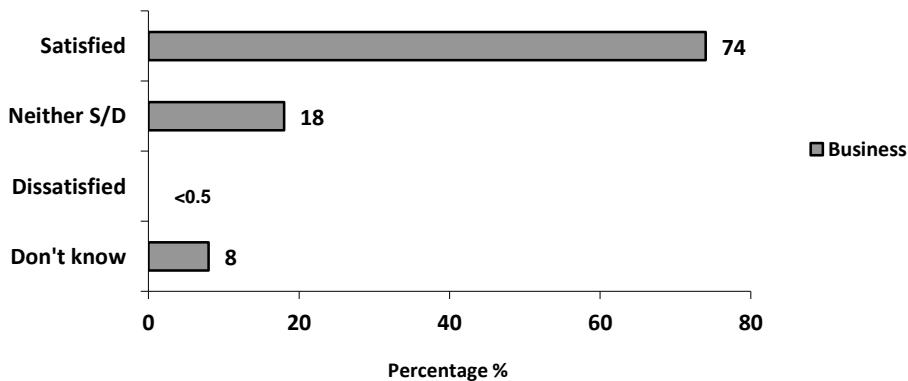
Count (unweighted) Business responses 400, Public responses street 211, Public responses online 40.

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

7.18

Chart 4 shows that the majority of respondents were satisfied with the service provided by the Service. A slight decrease in satisfaction is observed in the results when compared to the 2014 survey: 74% compared to 78% satisfaction. Only one respondent expressed dissatisfaction but provided no explanation as to the reason. This question was not put to members of the public who were instead asked about the principles underlying the priorities included in the Service’s draft plan for 2015 to 2020.

Chart 4: Question 4 results of satisfaction with Service.



Count (unweighted) Business responses 400.

Consultation Conclusion

7.19

The results of the consultation indicate that businesses and members of the public feel it would be reasonable for the Authority to consider increasing its precept for 2015/16. Those who agreed that it would be reasonable to consider an increase in the Council Tax precept were predominantly in favour of a 2% increase (61% of business respondents and 67% of public respondents from the street survey).

- 7.20 A large majority of business respondents to the telephone survey 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. Members of the public agreed that the Service provided value for money (99% face to face, 80% online).
- 7.21 There were small differences observed in opinion between the results of the face to face survey and the online survey in Questions 1 and 2; the difference was greater in the results to Question 3.

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 E to this report.

9. SUMMARY

- 9.1 The Authority is required to set its level of revenue budget and council tax for 2015-16 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 this Authority.
- 9.2 The Resources Committee, at its meeting held on the 10 February 2015, considered the implications of each of the two options contained within this report and subsequently resolved to recommend Option B (increase in council tax of 1.99%) for approval by the Authority.

KEVIN WOODWARD
Treasurer

LEE HOWELL
Chief Fire Officer

APPENDIX A TO REPORT DSFRA/15/1

DRAFT REVENUE BUDGET REQUIREMENT 2015-16 (BASED UPON OPTION A FOR ILLUSTRATIVE PURPOSES)

	2015/2016		
	£'000	£000	%
Approved Budget 2014-15		75,794	
<u>Provision for pay and prices increase</u>			
1 Uniformed Pay Award (assume 1.0% from July 2015)	440		
2 Non-uniformed Pay Award (2.2% from January 2015)	115		
3 Prices increases (assumed 1.2% CPI from April 2015)	126		
4 Pensions inflationary increase (1.2% from April 2015)	27		
		708	0.9%
<u>Removal One-off Provisions for 2014/15 only</u>			
5 Change and Improvement Programme	-274		
6 Revenue Contribution to Capital	-1,814		
7 PPE refresh programme	-560		
		-2,648	
<u>Inescapable Commitments</u>			
8 Pay increments and other pay changes	99		
9 Pension costs due to Ill Health and Injury on duty in 2015/16	649		
10 Other ongoing commitments	58		
		806	
<u>New Investment</u>			
11 Community Safety Pilot Scheme	71		
12 Revenue Support for Capital borrowing	1,737		
13 Business Rates Safety Net	148		
		1,956	
<u>Savings in 2015-16</u>			
14 Implementation of staffing reductions linked to changes agreed 2014	-1,502		
15 Reduction in Retained activity levels	-148		
16 Savings as a result of budget review	-547		
17 Savings due to removal of price rise allowance for 15/16	-90		
		-2,287	
CORE BUDGET PROPOSAL		74,329	

**APPENDIX B TO REPORT
DSFRA/15/1**

Lee Howell QFSM FIFireE
CHIEF FIRE OFFICER

Shafi Khan
Communities and Local Government
2 Marsham Street
LONDON SW1P 4DF

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

Cc: Minster for Fire & Resilience
Members of Parliament (DSFRA area)

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

Date : 15th January 2015
Please ask for : Mr Woodward
Email : kwoodward@dsfire.gov.uk

Telephone : 01392 872200
Fax : 01392 872300
Direct Telephone : 01392 872317

Dear Shafi,

CONSULTATION – PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2015-16

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

I provide responses to the specific questions included in the document but also take the opportunity to raise a number of general comments below, some of which I have raised on previous occasions but disappointingly not had any feedback at all from your department.

- The Authority is very concerned as 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. 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 the Authority's stations are already crewed by on call firefighters we have limited scope to make further significant savings in this area. Clearly if other fire authorities were to increase the use of 'on call' firefighters (some fire authorities do not have any 'on call' staff), the savings outlined by Sir Ken Knight would be generated. Applying a flat rate cut across the board, without considering the ability to make further cuts on an individual fire authority basis may be easier to administrate at a national level but its effects of this on the ground are disproportionate, dysfunctional and unfair. Rewarding and recognising the achievements of those who are making significant efficiencies (including replacing whole time crews in urban areas) is an area we would urge Government to consider further.
- The Authority 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 further reductions included in the 2015-16 settlement means total real terms reductions of 40% since 2010. This is not sustainable.

- The Authority is disappointed that the government continues to use headline figures relating to Spending Power, i.e. 1.8% reduction in 2015-16, which is very misleading as it includes a number of adjustments (e.g. Better Care Funding, council tax and ring fenced funding) and only serves to mask the true extent of cuts to be made to local authority budgets. Your own consultation document repeatedly refers to a 10% reduction in Local Government Department Expenditure Limit (DEL), and is the figure that local government is using to communicate with stakeholders.
- The Authority is also disappointed that whilst the findings of the newly commissioned report by LG Futures “Research into Drivers of Service Costs in Rural Areas” recognise that there is a positive relationship between sparsity and unit costs, it is not considered statistically significant to merit recognition in the formula settlement. Whilst we welcome the fact that additional funding has been allocated to the most rural local authorities, an allocation of just £81k for the Authority is very disappointing and does very little to redress the inequitable distribution in favour of the more urban areas. The Authority does not feel as though the rural arguments are being taken seriously enough.
- The Authority supports the All Party Parliamentary Group which is asking for the 50% gap in grant funding between urban and rural areas to be reduced in stages to 40% by the year 2020.
- The Authority 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 a fire authority, 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 that could possibly be achieved, meaning that no fire authority could possibly justify such an action. For the 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).

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 that local welfare provision funding of £129.6m should be identified within the settlement by creating a new element distributed in line with local welfare provision funding in 2014-15?

Response – Yes, whilst not an issue which impacts on fire and rescue authority settlement figures, there would appear be to a case to maintain transparency as to the level of government support in this area.

Question 2: Do you agree with the Government’s proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4 million in 2015-16?

Response – Again whilst not an issue that impacts on fire and rescue settlements we would have no objection to this technical change.

Question 3: Do you agree with the Government’s proposal to reduce the New Homes Bonus holdback from £1bn to £950m?

Response – Yes.

Question 4: Do you agree with the Government's proposal that the rural funding element should be increased from £11.5m as previously proposed, to £15.5m?

As a beneficiary of this funding (£81k) we obviously welcome the proposal for it to continue and be increased in 2015-16. However it has to be said that a national allocation of £15.5m 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 fire authorities and support the All Party Parliamentary Group which is seeking the 50% gap to be reduced in stages to 40% by the year 2020.

Question 5: Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority?

Response – No. This proposal would appear to be a short term fix to a cash flow issue rather than in the interests of the longer term funding of the firefighter pension schemes, and therefore differs from previous government policy on pension funding. If this proposal is to be applied then we would want assurance that in the reverse situation when employer rates increase that additional grant money will be put into the fire settlement.

Question 6: Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015-16, calculated on the same basis as in 2014-15?

Response – Whilst we welcome the fact that authorities are to be compensated for the loss of retained business income we do not agree with the continuation of payment through Section 31 grants which leads to adjustments to overall funding outside of the normal budget setting process. We would like to see an approach which incorporates retrospective adjustments into annual settlement figures so as authorities are able to consider these adjustments at the time of setting annual budgets. A similar approach is already in place relating to variations on council tax collection funds.

Question 7: 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 Q4 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 not 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 sincerely

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 2015-16 BUDGET

The net revenue budget requirement for 2015-16 has been assessed as £74.329m (Option A). In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Corporate Plan. It should be emphasised that these assessments are being made for a period up to the 31st March 2016, 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 2015-16 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO VOLATILE CHANGES

Budget Head	Budget Provision 2015-16 £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 2015-16, allowance has been made for a potential overspend on this budget.
		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 £2.1m has been set aside for the impact of the ruling from the Part Time Workers tribunal. However, until final negotiations are complete the full extent of the impact to the Service budget cannot be quantified. It is anticipated that further information on the full impact of this liability will become known throughout 2015-16 as members join the modified pension scheme.
Fire-fighter' s Pensions	2.9	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 2015-16 an allowance has been made for a potential overspend on this budget
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 2015-16 an allowance has been made for a potential overspend on this budget
Fuel Costs	0.8	Whilst the budget has made some allowance for further increases in fuel costs during 2015-16, due to current low fuel costs it is highly possible that inflationary increases could be in excess of the budget provided.	In establishing a General Reserve for 2015-16 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 2015-16 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	-1	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £1.0m of external income whilst reducing the reliance on the Service budget for Red One Income to £0.2m. Due to economic uncertainty this budget line may be at risk.	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	9.5	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.
Business Rates Reserve	0.4	There is a high degree of uncertainty over levels of Retained Business rates and the method of allocation between funding and revenue grants, the additional funds from Business rates in 2015/16 have been budgeted as a reserve item. For prudence, the increase has not included in projections for future years.	The reserve can be utilised to smooth fluctuations in Business Rates retentions in 2015-16 and future years.

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 2015-16 to 2018-19. 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.

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.

Total Reserve balances for the Authority as at April 2014 is £17.3m made up of Earmarked Reserves (committed) of £12.1, and General Reserve (uncommitted) of £5.2m. . This will increase by the end of the financial year as a result of projected underspend against the current year's budget. A General Reserve balance of £5.2m is equivalent to 6.9% of the total revenue budget, or 25 days of Authority spending.

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 6.9% 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 period of austerity.

CONCLUSION

It is considered that the budget proposed for 2015-16 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

REPORT REFERENCE NO.	DSFRA/15/2
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	20 FEBRUARY 2015
SUBJECT OF REPORT	CAPITAL PROGRAMME 2015-16 TO 2017-18
LEAD OFFICER	Chief Fire Officer and Treasurer
RECOMMENDATIONS	<p>(a) <i>that, in accordance with the recommendations made by the Resources Committee at its meeting on 10 February 2015 (Minute RC/14 refers):</i></p> <p>(i) <i>the draft Capital Programme 2015-16 to 2017-18 as detailed in the report and summarised at Appendix A to this report; and</i></p> <p>(ii) <i>the associated Prudential Indicators as summarised at Appendix B (council tax Option A) or Appendix C (council tax Option B) to this report, as appropriate, be approved;</i></p> <p>(ii) <i>a minimum revenue contribution of £1.737m be made from the 2015-16 revenue budget towards financing of the capital 2015-16 to 2017-18 capital programme;</i></p> <p>(b) <i>that, pending the decision of the 2015-16 revenue budget and associated council tax levels, a further revenue contribution of £0.381m be made from the 2015-16 revenue budget towards financing of the capital 2015-16 to 2017-18 capital programme (also as recommended by the Resources Committee by virtue of recommending Option B [1.99% council tax increase] in relation to the proposed 2015-16 revenue budget – Minute RC/15 refers);</i></p> <p>(c) <i>that the forecast impact of the proposed Capital Programme (from 2018-19 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 2015-16 to 2017-18 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.</p> <p>All aspects of the programme have been considered, and been constructed based on the principle that debt charges emanating from external borrowing is kept within the 5% Prudential Indicator limit (debt charges as a percentage of the Revenue Budget).</p>

	<p>The Committee has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator against a reducing revenue budget, and has supported the Treasurers recommendation that the Authority should seek alternative sources of funding other than external borrowing to support future capital investment.</p> <p>This report proposes – as recommended by the Resources Committee at its budget meeting on 10 February 2015 (Minute RC/14 refers) - that a minimum of £1.737m contribution be made from the 2015-16 revenue budget towards capital spending. The Resources Committee also recommended, by virtue of commending to the Authority Option B in relation to the proposed revenue budget and council tax levels for 2015-16 (1.99% council tax increase), a further revenue contribution in 2015-16 of £0.381m towards capital expenditure, thereby reducing the borrowing requirement (Minute RC/15 refers).</p> <p>To inform longer term planning the Prudential Indicator has been profiled for a further three years beyond 2017-18 based upon indicative capital programme levels for the years 2018-19 to 2020-21.</p>
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY IMPACT ASSESSMENT	The contents of this report are considered compatible with existing human rights and equalities legislation.
APPENDICES	<p>A. Summary of Proposed Capital Programme 2015-16 – 2017-18 (and indicative Capital Programme 2018-19 to 2020-21).</p> <p>B. Prudential Indicators 2015-16 – 2017-18 (and indicative Prudential Indicators 2018-19 to 2020-21). <i>(Based upon Council Tax Option A included in separate report “2015-16 Revenue Budget and Council Tax Levels” i.e. Revenue Contribution to Capital of £1.737m).</i></p> <p>C. Prudential Indicators 2015-16 – 2017-18 (and indicative Prudential Indicators 2018-19 to 2020-21). <i>(Based upon Council Tax Option B included in separate report “2015-16 Revenue Budget and Council Tax Levels” i.e. Revenue Contribution to Capital of £2.1m).</i></p>
LIST OF BACKGROUND PAPERS	None

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. In constructing the programme, 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. However, the capital investment demands of the Service coupled with the impact of a reducing revenue base on the Service's ability to borrow whilst maintaining debt charge below this ceiling has 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 for many years provided some direct grant funding to fire and rescue authorities for capital purposes. In 2013-14 and 2014-15 an amount of £70m had been made available in each year, part distributed on a pro-rata basis (population) and part subject to a bidding process. The Authority was allocated an amount of £1.4m in each year from the pro-rata distribution allocation. Unfortunately, the submission of a bid in 2013 by the Service in support of the introduction of the Light Rescue Pump (LRP) was unsuccessful.
- 1.3 For 2015-16, the DCLG had 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. Unfortunately the Authority bid for support of £3.9m towards the LRP project was again rejected. This means that for 2015-16 the Authority will receive no direct grant funding towards its capital investment needs.
- 1.4 Up until 2013-14, Devon and Somerset Fire and Rescue Authority (DSFRA) capital funds have predominantly been directed towards specific Estates projects culminating in the Training Academy build at Exeter Airport. This reduced the available budget for the vehicle replacement programme, thereby creating a significant backlog. However, from 2013-14 the Estates programme was significantly reduced to accommodate the reinstatement of the fleet programme and to fund the introduction of smaller type appliances into the Service as soon as possible.
- 1.5 Given the loss of government grant funding in 2015-16 (£1.4m in 2014-15) and to support the need to keep external borrowing within affordable limits, it is proposed that a revenue contribution be made from the 2015-16 revenue budget to support capital spending.
- 1.6 It should be recognised, however, that the proposed programme does come with some risk in terms of progression of the Programme from 2018-19 onwards. The Authority will inevitably require the identification of further funding streams other than reliance on further external borrowing, in order to maintain the Authority stance on the 5% Prudential Indicator.
- 1.7 This report is, in essence, the same as that considered by the Resources Committee at its budget meeting on 10 February 2015. The Committee resolved to commend to this Authority approval of the capital programme and associated prudential indicators as set out in this report and summarised at Appendices A to C of this report, a minimum contribution in 2015-16 from revenue to capital of £1.737m and (by virtue of the recommendation of a 1.99% council tax increase in relation to the revenue budget for 2015-16) a further revenue contribution of £0.381m (Minutes RC/14 and RC/15 refer).

2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

2.1 At its meeting on 8 December 2008, the Resources Committee considered report RC/08/10 - Affordable Capital Investment Plans for 2009-2010 to 2011-12 – which, amongst other things, established the principle that debt repayments associated with capital expenditure should remain below 5% of the total revenue budget in any given financial year (Minute *RC/15) refers). While this principle has stood the Authority in good stead since that time, it is worth commenting at the outset that it may be breached in future years as a result of:

- the need for additional capital investment; and
- reducing revenue funding stemming from the government's austerity measures - now anticipated to continue to at least 2018-19.

This two issues, along with the removal of government grant, have had a direct impact on the Capital Programme going forward.

2.2 Affordability is measured in accordance with the Chartered Institute of Public Financial Accountants (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, which include maximum borrowing limits and debt ratios, are set for a three-year period but reviewed annually.

2.3 The issue of affordable capital spending has been the subject of several reports to both the Resources Committee and the Authority in recent years. The most recent report was considered by the Authority at its budget meeting on 24 February 2014 which approved the existing capital programme (Minute DSFRA/45 refers).

2.4 The programme now proposed and as set out in this report increases the external borrowing requirement to £29.6m by 2017-18 (compared to current external borrowing requirement as at 31 March 2015, of £22.5m) and the debt ratio to 4.42% (council tax Option A) or 4.35% (council tax Option B) . Looking further ahead the external borrowing requirement is forecast to increase to £33.8m by 2020-21.

2.5 Whilst a debt of £33.8m is not considered excessive for this size Authority, given the large size of the asset portfolio, it is clear that the Authority will need to closely monitor its exposure to further debt levels as the Service moves forward. The Service needs to ensure that the debt levels are affordable in the context of a reducing budget and the ability to service debt repayments.

2.6 The focus of this Authority over many years has been to control spending within the 5% limit. To achieve this, the Service previously reduced spend on the appliance replacement programme to support Estates projects, utilising revenue funding wherever possible. This resulted, however, in the need to recommence the fleet programme in 2014/15. The extent to which this can be achieved over the next few years will be subject to affordability as measured by the Prudential Indicators.

2.7 With increasing scrutiny on capital, the revised programme has again been constructed on the basis of keeping the debt ratio within the 5% limit. To achieve this, no major projects are proposed for the Estates programme in 2015-16 and a reduction in the provision for minor improvements and structural maintenance over the next three years is proposed to meet obligations within the fleet replacement programme to be met.

- 2.8 Elsewhere on the agenda for this meeting is a separate report “2015-16 Revenue Budget and Council Tax Levels”. This contains, amongst other things, a proposed revenue contribution towards capital of £1.737m; potentially rising to £2.118m should the Authority be minded to approve Option B within that report (1.99% increase in Council Tax). As indicated earlier, both of these proposals were commended for approval by the Resources Committee (budget) meeting held on 10 February 2015 (Minutes RC/14 and RC/15 refer).
- 2.9 It should be noted that approval of this proposed programme does not address the Service’s entire capital investment backlog, 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. As a consequence the department was subject to a review in 2013 and has been re-structured, which is contributing towards improvements in ways of working and associated efficiencies.
- 3.2 The budget for Estates does continue, however, to remain insufficient for the Authority’s extensive property portfolio and associated maintenance requirements. After significant and extensive officer scrutiny, it is proposed that 2015/16 is a year of assessing future requirements and how these may best be met rather than undertaking major projects at this stage. It is, however, recognised that many of the Service’s sites are in need of significant investment and through this year it is intended to scope options and then consider how best to meet the operational requirement for the future. The scale of the financial pressures simply means that the Service needs to review fundamentally each and every one of our 90 sites and in order to do this thoroughly, the estates team will need time to consider and plan future arrangements as well as respond to immediate maintenance issues that will occur in year.
- 3.3 As such, in seeking to present the Authority with an affordable programme, for the third year, no new major projects are included to commence in a build phase in 2015/16 but planning and detailed proposals are likely to emerge and will be reported to the Capital Working Party and Resources Committee/ Full Authority as appropriate. The provision for minor improvements and structural maintenance has also been reduced beyond the planned level of £0.250m over 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. In recent years the budget had been reduced in support of the Estates programme, whilst evaluating new vehicles, creating a significant backlog in vehicle replacement. The programme was reinstated last year providing the necessary funding for the investment in the Light Rescue Pump (LRP) programme over the next few years. At the same time, 2015/16 will be a year where the Service pilots a range of new vehicles, engaging and involving staff and trade unions in the process and this work will directly inform future capital requirements for our fleet.

4.2 In matching 'resources to risk' a further pilot is being undertaken within 2015/16 for the Rapid Intervention Vehicle which is integral to the future fleet arrangements within Tier 1 of the Service's "Tiered Response" strategy for fleet replacement. Subject to the outcome it is proposed to introduce this vehicle within 2016/17, thereby reducing the future fleet costs further.

Light Rescue Pumps (LRPs)

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

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

4.4 The Service submitted a bid for £4.7m over a two year period to offset future borrowing costs. Unfortunately, this bid was not successful which has impacted on capital borrowing overall. The Service is exploring range of options linked to its Tiered Response strategy for fleet replacement, including a pilot for a new type of vehicle, the Rapid Intervention Vehicle (RIV). Subject to the outcome of this pilot, the LRP programme may be revised for future years. To assist with maintaining borrowing below 5%, it is proposed to make a minimum £1.7m contribution from revenue towards this programme.

4.5 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 and thereby improving service to local communities, and firefighter safety. The capital programme has been adjusted to support this programme and also recognises that further revisions may be required pending the outcome of the Rapid Intervention Vehicle pilots.

Breathing Apparatus (BA) Replacement Programme

4.6 There is an operational need to harmonise the breathing apparatus (BA) 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 of BA equipment in 2013-14.

4.7 Whilst financial provision has been made to purchase BA, a Respiratory Protection strategy is being developed to consider all aspects of respiratory protection, including telemetry, for operational staff. The figure for the purchase of BA has been revised to £0.884m in the light of the latest information on indicative costs.

5. REVISED CAPITAL PROGRAMME FOR 2015-16 – 2017-18

5.1 Appendix A provides an analysis of the proposed programme for the three years 2015-16 to 2017-18 as contained in this report. This programme represents a net increase in overall spending of £0.3m over the previously agreed programme as illustrated in Figure 1 overleaf

	Estates £m	Fleet & Equipment £m	Total £m
EXISTING PROGRAMME			
2014-15	2.4	4.7	7.1
2015-16	2.5	4.5	7.0
2016-17(provisional)	1.5	3.3	4.8
2017-18(provisional)	1.8	3.2	5.0
Total 2014-15 to 2017-18	8.2	15.7	23.9
PROPOSED PROGRAMME			
2014-15	1.8	2.7	4.4
2015-16	1.9	6.3	8.2
2016-17(provisional)	2.6	3.6	6.2
2017-18(provisional)	2.0	3.3	5.3
Total 2014-15 to 2017-18	8.4	15.8	24.2
PROPOSED CHANGE	0.2	0.1	0.3

Figure 1

- 5.2 The increase of £0.3m in overall spending relates to an Authority decision at its meeting on the 5 November 2014 to increase the 2014-15 programme to be funded from a revenue contribution (Minute DSFRA/22(a)(i) refers).
- 5.3 Appendix A also provides indicative capital requirements beyond 2017-18 up to 2020-21. The estimated debt charge emanating from this revised spending profile is illustrated in Figure 2. These figures, which already include the impact of the proposed revenue contribution of a minimum of £1.737m from the 2015-16 revenue budget, on the basis that the proposal is agreed, are reflected in the draft 2015-16 revenue budget and Medium Term Financial Plan (MTFP) forecasts.

Summary of Estimated Capital Financing Costs

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Base budget for Capital Financing costs	4.626	4.377	4.069	4.314	4.414	4.914	5.214	5.564
Debt charges and operating leasing rentals								
Change over previous year		-0.249	-0.308	0.245	0.100	0.500	0.300	0.350
Debt ratio	3.75%	3.70%	3.80%	4.32%	4.45%	5.02%	5.44%	5.77%

Figure 2

- 5.4 The forecast figures for external debt and debt charges beyond 2017-18 are based upon the indicative programmes as included in Appendix A for the years 2018-19 to 2020-21. 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. It is forecast that Capital Financing Requirement (the need to borrow to fund capital spending) will have increased from current levels of £22.5m to £33.8m (including impact of proposed revenue contribution of £1.737m) by 2021. Figure 3 below provides further analysis of forecast borrowing for each year.

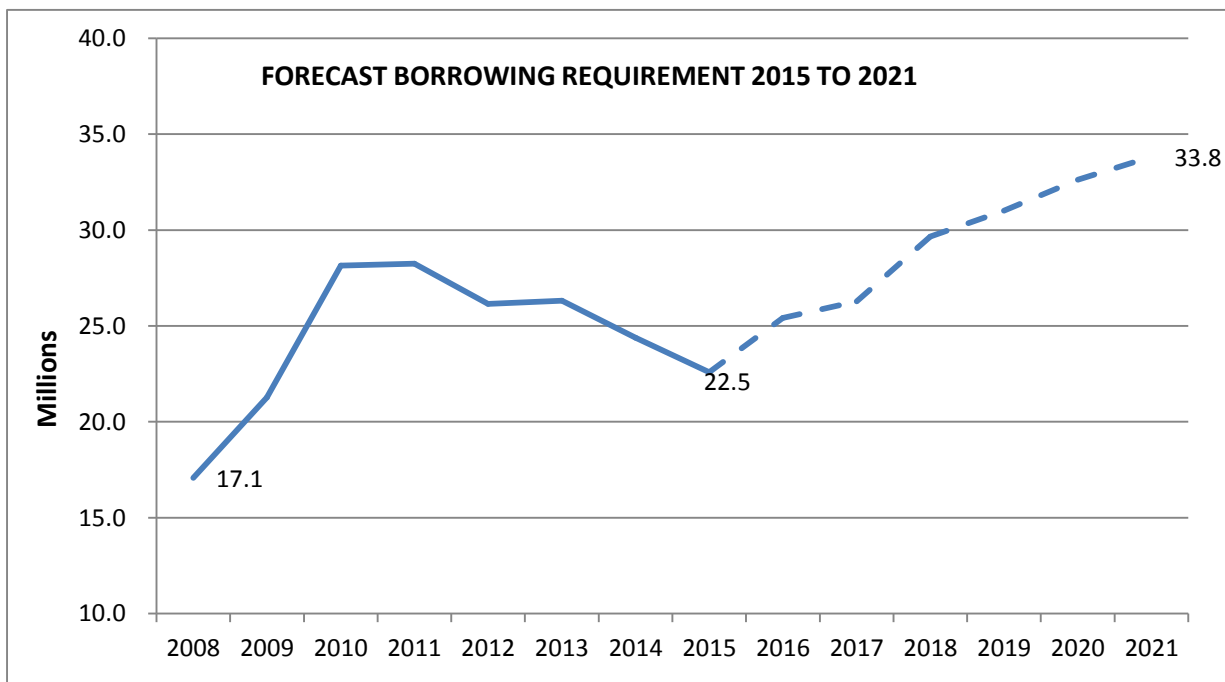


Figure 3

- 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 2017-18, it does come with a risk that this could be breached from 2018-19 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 £33.8m is not deemed to be excessive. However reducing the programme for the next three years and providing a further revenue contribution of a minimum of £1.737m keeps the consequences of borrowing below 5% and maintains the Service debt exposure to £29.6m up until 2017-18.

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 may be breached by 2018-19. However, the programme proposed in this report does not commit any spending beyond 2017-18. 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 2015-16 to 2017-18 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 DSFRA/15/2

Capital Programme 2015/16 to 2020/21									
2014/15 £000	2014/15 Revised Budget £000	Item	PROJECT	2015/16 Budget £000	2016/17 Budget £000	2017/18 Budget £000	2018/19 Indicative Budget £000	2019/20 Indicative Budget £000	2020/21 Indicative Budget £000
			Estate Development						
420	91	1	Major Projects	329	0	0	0	0	0
2,965	1,679	2	Minor improvements & structural maintenance	1,616	2,640	2,040	1,750	1,750	1,500
3,386	1,770		Estates Sub Total	1,945	2,640	2,040	1,750	1,750	1,500
			Fleet & Equipment						
3,640	1,984	3	Appliance replacement	4,089	2,837	2,557	1,438	2,119	2,119
36	100	4	Community Fire Safety	0	0	0	0	0	0
50	104	5	Specialist Operational Vehicles	480	400	400	0	0	0
1,619	481	6	Equipment	1,391	320	320	380	200	200
250	0	7	ICT Department	250	0	0	0	0	0
100	7	8	Water Rescue Boats	93	0	0	0	0	0
5,695	2,676		Fleet & Equipment Sub Total	6,302	3,557	3,277	1,818	2,319	2,319
9,081	4,446		Overall Capital Totals	8,247	6,197	5,317	3,568	4,069	3,819
			Programme funding - no council tax increase						
368	236	9	Earmarked Reserves	471	0	0	0	0	0
4,467	2,812	10	Revenue funds	3,175	3,362	0	0	0	0
2,848	0	11	Borrowing	4,601	2,835	5,317	3,568	4,069	3,819
1,398	1,398	12	Grants						
9,081	4,446		Total Funding	8,247	6,197	5,317	3,568	4,069	3,819
			Programme funding - council tax increase of 1.99%						
368	236	13	Earmarked Reserves	471	0	0	0	0	0
4,467	2,812	14	Revenue funds	3,175	3,362	0	0	0	0
0	0	15	Additional revenue funds	381	0	0	0	0	0
2,848	0	16	Borrowing	4,220	2,835	5,317	3,568	4,069	3,819
1,398	1,398	17	Grants						
9,081	4,446			8,247	6,197	5,317	3,568	4,069	3,819

APPENDIX B TO REPORT DSFRA/15/2

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS 2017/18 to 2019/20		
	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate	2019/20 £m estimate	2020/21 £m estimate
Capital Expenditure						
Non - HRA	8.247	6.197	5.317	3.568	4.069	3.819
HRA (applies only to housing authorities)						
Total	8.247	6.197	5.317	3.568	4.069	3.819
Ratio of financing costs to net revenue stream						
Non - HRA	3.80%	4.31%	4.42%	4.99%	5.40%	5.73%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March						
	£000	£000	£000	£000	£000	£000
Non - HRA	25,422	26,275	29,655	30,998	32,618	33,823
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,443	1,374	1,299	1,209	1,112	1,010
Total	26,865	27,649	30,954	32,207	33,730	34,833
Annual change in Capital Financing Requirement						
	£000	£000	£000	£000	£000	£000
Non - HRA	2,774	784	3,305	1,253	1,523	1,103
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	2,774	784	3,305	1,253	1,523	1,103
Incremental impact of capital investment decisions						
Increase/(decrease) in council tax (band D) per annum	£ p -£0.17	£ p -£0.13	£ p -£0.36	£ p N/A	£ p N/A	£ p N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	30,926	32,312	34,101	35,373	36,729	38,144
Other long term liabilities	1,371	1,278	1,177	1,070	963	842
Total	32,297	33,590	35,278	36,443	37,692	38,986
Operational Boundary for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	29,655	30,998	32,618	33,823	35,098	36,453
Other long term liabilities	1,299	1,209	1,112	1,010	907	791
Total	30,954	32,207	33,730	34,833	36,005	37,244
Maximum Principal Sums Invested over 364 Days						
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000	5,000

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 2015/16		
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/15/2

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS 2017/18 to 2019/20		
	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate	2019/20 £m estimate	2020/21 £m estimate
Capital Expenditure						
Non - HRA	8,247	6,197	5,317	3,568	4,069	3,819
HRA (applies only to housing authorities)						
Total	8,247	6,197	5,317	3,568	4,069	3,819
Ratio of financing costs to net revenue stream						
Non - HRA	3.79%	4.24%	4.35%	4.91%	5.33%	5.67%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March						
	£000	£000	£000	£000	£000	£000
Non - HRA	25,041	25,932	29,351	30,731	32,389	33,633
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,443	1,374	1,299	1,209	1,112	1,010
Total	26,484	27,306	30,650	31,940	33,501	34,643
Annual change in Capital Financing Requirement						
	£000	£000	£000	£000	£000	£000
Non - HRA	2,393	822	3,344	1,290	1,561	1,142
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	2,393	822	3,344	1,290	1,561	1,142
Incremental impact of capital investment decisions						
	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.19	-£0.23	-£0.20	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	30,603	32,028	33,857	35,170	36,564	38,021
Other long term liabilities	1,371	1,278	1,177	1,070	963	842
Total	31,974	33,306	35,034	36,240	37,527	38,863
Operational Boundary for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	29,351	30,731	32,389	33,633	34,945	36,339
Other long term liabilities	1,299	1,209	1,112	1,010	907	791
Total	30,650	31,940	33,501	34,643	35,852	37,130
Maximum Principal Sums Invested over 364 Days						
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000	5,000

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 2015/16		
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%

REPORT REFERENCE NO.	DSFRA/15/3
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	20 FEBRUARY 2015
SUBJECT OF REPORT	TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS REPORT 2015 - 16 TO 2017 - 18)
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p>(a) that the following be approved:</p> <p>(i) the Treasury Management Strategy and the Annual Investment Strategy; including a new provision to allow investments to be made with maturity beyond 364 days, as outlined in paragraphs 7.13 to 7.19 of this report;</p> <p>(ii) the Minimum Revenue Provision (MRP) statement for 2015/2016, as contained as Appendix B;</p> <p>(iii) that the Treasurer be delegated authority to effect movements between the separately agreed prudential limits for borrowing;</p> <p>(iv) a revision to the Authority Treasury Management Policy to reflect the amendment to the Treasury Management Strategy outlined in this report;</p> <p>(b) that the statement at paragraph 4.4 of this report that borrowing limits and the debt management strategy have been set to ensure that in the medium term the gross borrowing will return to below the capital financing requirement for 2015/2016 to 2017/2018, in line with the requirements of the CIPFA Prudential Code, be noted.</p>
EXECUTIVE SUMMARY	This report sets out a treasury management strategy and investment strategy for 2015/2016, including the Prudential Indicators associated with the capital programme for 2015/2016 to 2017/2018 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2015/2016 is also included for approval.
RESOURCE IMPLICATIONS	As indicated in this report
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing human rights and equality legislation.
APPENDICES	<p>A. Prudential and Treasury Management Indicators 2015/2016 to 2017/2018.</p> <p>B. Minimum Revenue Provision Statement 2015/2016</p>

LIST OF BACKGROUND PAPERS

Local Government Act 2003.

Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code.

1. **INTRODUCTION**

Background

1.1 Treasury management is defined as:

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

Statutory requirements

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

1.3 The Act therefore requires the Authority to set 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 (<i>as per this report</i>)
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 2015/16

1.8 The suggested strategy for 2015/16 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, Capita Asset Services (Capita).

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.

TREASURY LIMITS FOR 2015/16 TO 2017/18

- 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.

CURRENT POSITION

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

<u>TABLE 1</u> Capital programme	2014/15 Predicted outturn £m	2015/16 Budget £m	2016/17 Budget £m	2017/18 Budget £m
Land and buildings	1.770	1.945	2.640	2.040
Vehicles, Plant and Equipment	2.676	6.302	3.557	3.277
TOTAL CAPITAL EXPENDITURE	4.446	8.247	6.197	5.317

- 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	2014/15 Predicted outturn £m	2015/16 Budget £m	2016/17 Budget £m	2017/18 Budget £m
Programme per Table 1	4.446	8.247	6.197	5.317
Financed by:				
Borrowing	-	4.601	2.835	5.317
Revenue	3.048	3.646	3.362	
Grants	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 2015/16 to 2017/18, based on the spending plans are shown in Table 3.

TABLE 3 Capital Financing Requirements (CFR)	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2016/17 Estimate £m
Capital Financing Requirement as at 31 March – borrowing	22.582	25.041	25.932	29.351
Capital Financing Requirement as at 31 March – other long term liabilities	1.509	1.443	1.374	1.299
Total Capital Financing Requirement as at 31 March	24.091	26.484	27.306	30.650

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

TABLE 4 CFR projections	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Total CFR 1 April	25.914	24.091	26.484	27.306
Financing need for the year	-	4.220	2.836	5.317
Less MRP	(1.823)	(1.827)	(2.014)	(1.973)
Total Capital Financing Requirement as at 31 March	24.091	26.484	27.306	30.650
Movement in CFR	(1.823)	2.393	0.822	3.344

4. PRUDENTIAL AND TREASURY INDICATORS 2015/16 – 2017/18

- 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 C as included in the separate report on the agenda to this meeting “Capital Programme 2015-16 to 2017-18” i.e. based upon a revenue contribution of £2.1m 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 2014, 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	2014/15	2015/16	2016/17	2017/18
Gross debt	£m	£m	£m	£m
	Estimate	Estimate	Estimate	Estimate
External Debt (1 April)	26.214	25.944	25.817	25.723
New Borrowing	-	-	-	3.000
Replacement debt	-	-	-	-
Repaid debt	(0.270)	(0.127)	(0.094)	(0.094)
External debt (31 March)	25.944	25.817	25.723	28.629
Other long-term liabilities (OLTL) (1 April)	1.532	1.509	1.443	1.374
Expected in year changes to OLTL	(0.023)	(0.066)	(0.069)	(0.075)
OLTL (31 March)	1.509	1.443	1.374	1.299
Total Gross debt at 31 March	27.453	27.260	27.097	29.928

TABLE 6	2014/15	2015/16	2016/17	2017/18
Capital Financing Requirement	£m	£m	£m	£m
	Estimate	Estimate	Estimate	Estimate
Total Gross Debt from Table 5	27.453	27.260	27.097	29.928
Capital Financing Requirement 31 March from Table 4	24.091	26.484	27.306	30.650
Under / (over) borrowed 31 March	(3.362)	(0.776)	0.209	0.722

- 4.3 In November 2012, CIPFA revised one of the indicators effective from the 2013/14 financial year in that in order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross net external debt. 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, 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 2015/16 is revised as part of the 2015/16 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 2015-16 and the medium term; and
- the recommended Operational Boundaries for 2015-16 and the medium term.

TABLE 7 Authorised limits	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Authorised limit for External Debt				
- External Debt	31.120	30.603	32.028	33.857
- Other long term liabilities	1.449	1.371	1.278	1.177
TOTAL AUTHORISED LIMIT FOR EXTERNAL DEBT	32.569	31.974	33.306	35.034

TABLE 8 Operational boundary	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Operational Boundary for External Debt				
- External Debt	29.948	29.351	30.731	32.389
- Other long term liabilities	1.374	1.299	1.209	1.112
TOTAL OPERATIONAL BOUNDARY FOR EXTERNAL DEBT	31.322	30.650	31.940	33.501

4.7 It is estimated that the actual external debt at 31 March 2015 will be £25.944 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	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Ratio of Financing Costs to Net Revenue Stream	3.63	3.79	4.24	4.35

- 4.10 At its meeting on 10 February 2015, 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 2015/16 to 2017/18.

- 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 2014-15 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	2015/16 Estimate £ p	2016/17 Estimate £ p	2017/18 Estimate £ p
Element of Authority tax for New Capital Spending	(£0.19)	(£0.23)	(£0.20)

5. **BORROWING STRATEGY**

Borrowing rates

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

TABLE 11

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
5yr PWLB rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%

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 Capita 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
- 7.6 This revised Investment Strategy incorporates an amendment recommended by the Resources Committee at its meeting on 20 November 2014 and approved by the Authority at its last meeting on (Minute RC/9) to reflect changes to credit agencies ratings to cease monitoring the Viability and Strength standalone ratings as a consequence of the eventual removal of implied Government support to banks. As a result of these rating agency changes, it was agreed that the credit element of the Authority's future methodology will focus solely on the Short and Long Term ratings of an institution.
- 7.7 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.
- 7.8 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 Capita's weekly credit list of worldwide potential counterparties. These will be referred to as highly credit rated institutions.
- 7.9 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 Capita 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 Capita colour matrix and any additional information available locally on which to base investment decisions.

- 7.10 All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita 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.
- 7.11 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
- 7.12 Investments will only be made with those bodies identified by the authority for its use through the Annual Investment Strategy.

Non-specified Investments

- 7.13 Non specified investments are those which do not meet the Specified Investment Criteria and 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.
- 7.14 The Authority has not previously placed non-specified investments as a result of its prudent approach to place security and liquidity over yield. However in order to improve investment returns it is recommended that for 2015-16 the strategy be amended to include investments with maturity of longer than 364 days. The maximum duration limit on any non-specified deposit will be determined by the colour assigned to the Counterparty on the Capita Asset Services credit list on the date the investment is placed, but typically will be for no longer than 24 months. Where such investments are placed via the Secondary Market i.e. buying the remaining term of an existing instrument, then the term will be for 24 months.
- 7.15 It is also recommended that any potential increase in risk is mitigated by restricting the total value of investments in non-specified instruments to a maximum of £5m. This limit will be reviewed annually in light of revised cash flow forecasts over the medium term.
- 7.16 A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories outlined in Table 12 below.
- 7.17 The maturity limits recommended will not be exceeded. Under the delegated powers the Section 151 Officer can set limits that are based on the latest economic conditions and credit ratings.
- 7.18 Table 12 overleaf shows those bodies with which the Authority will invest.

TABLE 12	
Specified Investments	Non Specified Investments
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. <i>The total amount of non-specified investments will not be greater than £5m in value.</i>
Banks nationalised/part nationalised or supported by the UK government	Banks nationalised/part 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	

- 7.19 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

- 7.20 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.
- 7.21 Interest rate outlook: The Authority has appointed Capita Asset Services (Capita) as treasury advisor to the Authority and part of their service is to assist the Authority to formulate a view on interest rates. Capita's central view of changes in Bank Rate is shown below;

Capita Bank Rate forecast for financial year ends (March)

2015 0.50%

2016 0.75%

2017 1.25%

2018 2.00%

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.

- 7.22 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.

7.23 For 2015-16 the Authority has budgeted for an investment return of 0.40% on investments placed during the financial year.

End of year investment report

7.24 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

7.25 The Authority uses Capita 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.

7.26 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 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 2015-16 is attached as Appendix B for Authority approval. The financing of the approved 2015-16 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 2015-16 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 TO REPORT DSFRA/15/3

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS 2017/18 to 2019/20		
	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate	2019/20 £m estimate	2020/21 £m estimate
Capital Expenditure						
Non - HRA	8.247	6.197	5.317	3.568	4.069	3.819
HRA (applies only to housing authorities)						
Total	8.247	6.197	5.317	3.568	4.069	3.819
Ratio of financing costs to net revenue stream						
Non - HRA	3.79%	4.24%	4.35%	4.91%	5.33%	5.67%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March						
	£000	£000	£000	£000	£000	£000
Non - HRA	25,041	25,932	29,351	30,731	32,389	33,633
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,443	1,374	1,299	1,209	1,112	1,010
Total	26,484	27,306	30,650	31,940	33,501	34,643
Annual change in Capital Financing Requirement						
	£000	£000	£000	£000	£000	£000
Non - HRA	2,393	822	3,344	1,290	1,561	1,142
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	2,393	822	3,344	1,290	1,561	1,142
Incremental impact of capital investment decisions						
	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.19	-£0.23	-£0.20	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	30,603	32,028	33,857	35,170	36,564	38,021
Other long term liabilities	1,371	1,278	1,177	1,070	963	842
Total	31,974	33,306	35,034	36,240	37,527	38,863
Operational Boundary for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	29,351	30,731	32,389	33,633	34,945	36,339
Other long term liabilities	1,299	1,209	1,112	1,010	907	791
Total	30,650	31,940	33,501	34,643	35,852	37,130
Maximum Principal Sums Invested over 364 Days						
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000	5,000

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 2015/16		
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) 2015-16

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.

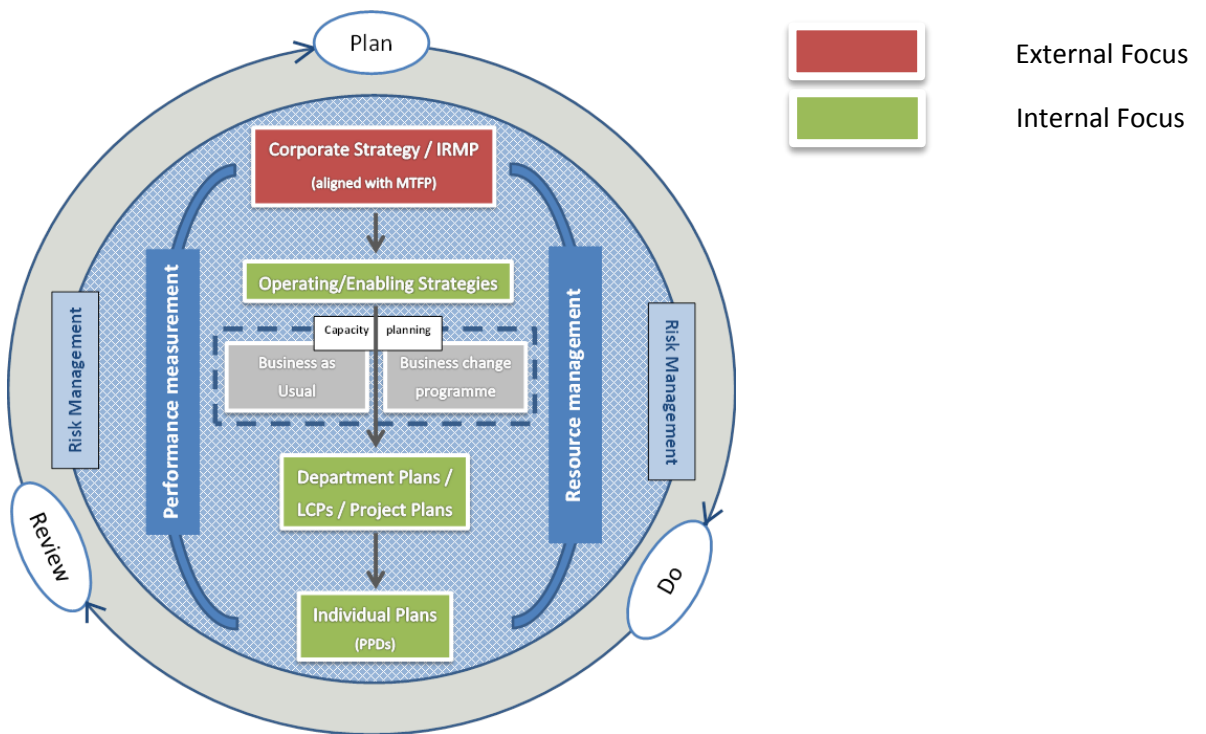
MRP will normally commence in the financial year following the one in which the expenditure was incurred. However, when borrowing to construct an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone the beginning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

REPORT REFERENCE NO.	DSFRA/15/4
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	20 FEBRUARY 2015
SUBJECT OF REPORT	STRATEGIC PLAN 2015 - 2020
LEAD OFFICER	CHIEF FIRE OFFICER
RECOMMENDATIONS	<i>That the Authority considers the outcome of the public consultation as set out in Section 5 and Appendix C of this report with a view to approving the Service Strategic Plan 2015-2020 ("Our Plan 2015 to 2020") attached as Appendix A.</i>
EXECUTIVE SUMMARY	<p>"Our Plan 2015 to 2020" presents the strategic direction for the Service and aligns with the medium term financial plan to address the anticipated funding requirements.</p> <p>The plan incorporates the requirements of Integrated Risk Management Planning and presents the Service's approach for delivering its prevention, protection and response services by aligning its resources to risk.</p> <p>A key concept embedded within the plan is that of continuous improvement. Whilst it is recognised that there are funding challenges this must not be at the expense of maintaining or improving service standards. To achieve the necessary savings the Service must change and improve the way it works so that it becomes both more effective and efficient.</p>
RESOURCE IMPLICATIONS	As met by the Medium Term Financial Plan
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with equalities and human rights legislation. See attached ERBA.
APPENDICES	<p>A. "Our Plan 2015 – 2020" (page numbered separately).</p> <p>B. Equality Risks and Benefits Analysis.</p> <p>C. "Our Plan 2015 – 2020" Consultation Results (page numbered separately)</p>
LIST OF BACKGROUND PAPERS	Nil

1. **BACKGROUND**

- 1.1 “Our Plan 2015 to 2020” has been prepared as the key strategic planning document for the Service. It details our corporate strategy, planning principles supporting integrated risk management and the aspiration for organisational excellence. This plan aligns with all other Service plans and the medium term financial plan.
- 1.2 The significance of the plan is illustrated in our new organisational planning model, see Diagram 1. The plan sets the direction which we strive to achieve through both implementing improvements through our change programmes and fulfilling our business as usual activities at the same time. This new model will ensure that we are best positioned to meet external challenges and opportunities as well as improve the organisation internally.

Diagram 1: Organisational governance model



- 1.3 The requirement to produce a publically available Integrated Risk Management Plan is contained within the Fire and Rescue National Framework England 2012. In summary these requirements are that each fire and rescue authority plan must:
 - Demonstrate how prevention, protection and response activities will be used to mitigate the impact of risk on communities
 - Set out its management strategy and risk based programme for enforcing the provisions of the Regulatory Reform (Fire Safety) Order 2005 in accordance with the principles of better regulation set out in the Statutory Code of Compliance for Regulators and the Enforcement Concordat.
 - Reflect the provision to respond to incidents such as fires, road traffic accidents and emergencies within their area and in other areas in line with their mutual aid agreements.

- Be easily and publically available.
- Cover at least a three year time span and be reviewed and revised as often as it is necessary to ensure that fire and rescue authorities are able to deliver the requirements of the National Framework.
- Reflect up to date risk analyses and the evaluation of service delivery outcomes.

2. PLANNING CONTEXT

- 2.1 It is anticipated that Central Government grant reductions will continue for the duration of the next Parliament.
- 2.2 At the same time, fires are reducing as a result of our prevention approaches, societal trends as well as changes in legislation. Our prevention activity includes increasing community resilience and working on various youth projects. The number of primary fires has reduced by 20% (596 calls) over the last five years,
- 2.3 Other areas of activity, however, require different skills, equipment and vehicles. For example, there has been a 98% increase (1702 calls) in co-responder calls where the Service provides life-saving assistance to members of the public, working on behalf of the Ambulance Service.
- 2.4 In 2013 the Authority approved, following extensive public consultation, a new service delivery model called the 'Integrated Approach'. This model forms the foundation of this plan, is based on the following principles:
- Improved availability
 - Improved flexibility
 - Resources matched to risk
 - Tiered response
- 2.5 Collaboration between the three emergency services is also an important context for the plan.

3. STRATEGY

- 3.1 The plan presents the service's strategy. The existing Vision and Mission statements continue, however three new strategic priorities are introduced to provide direction and purpose to the service. These new priorities are:
- Public safety
 - Staff safety
 - Effectiveness and efficiency
- 3.2 Each of these new priorities is supported by a list of expectations. Some of these expectations continue our current ways of working where this contributes to our three priorities whilst others set a change in direction.
- 3.3 The three new priorities form the structure against which all our activities are aligned. This enables us to check that our resources are positively contributing to activities that support the strategy at a time when our resource base is shrinking

4. STRATEGIC PLAN

- 4.1 “*Our Plan 2015 to 2020*” is set out at Appendix A (enclosed, page numbered separately, with the agenda for this meeting).
- 4.2 Whilst the draft plan contains no major proposals for implementation that will affect the service received by members of the public, it does include a series of fundamental reviews which will inform the shape of the organisation for the future. When these reviews are completed and if there are proposed changes for implementation which require public consultation, this will be undertaken at that time.
- 4.3 At the same time, there are changes being made to the way in which non-operational staff (support services) operate. These changes will result in increased efficiency and ensure that Service Delivery needs are met so that they can directly support improved public safety.
- 4.4 An Equalities Risks and Benefits Analysis (ERBA) has been completed on the plan and is included Appendix B.

5. CONSULTATION

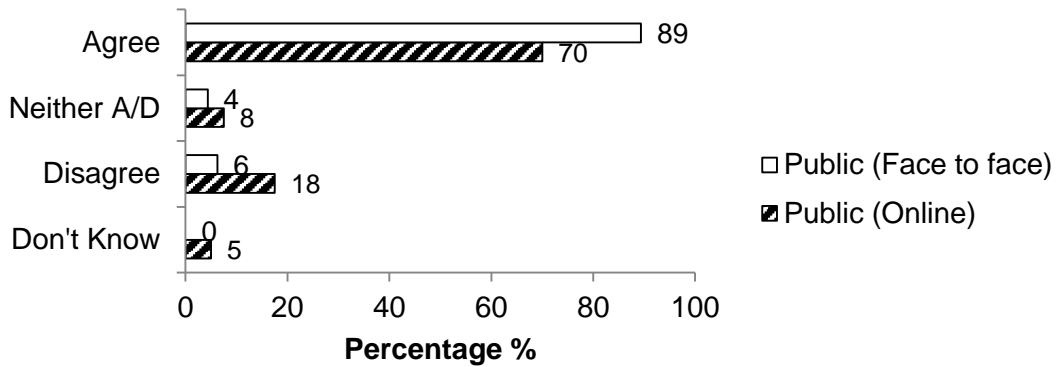
- 5.1 The foundation of the plan is the service delivery model that was extensively consulted upon in 2013. As there are no proposals presented for implementation at this stage that would impact on the service received by members of the public, a proportional consultation approach has been adopted.
- 5.3 At its meeting on 17 December 2014 the Authority, whilst considering the issue of council tax precept consultation, agreed that the opportunity also should be taken to ask Members of the public their view on the strategic document *Our Plan 2015 – 2020*.
- 5.4 In line with the decision, arrangements were made for questions to be incorporated with the public face to face street survey being conducted for the proposed levels of council tax.
- 5.5 Three questions were added to the precept survey that asked questions on the three new strategic priorities presented in *Our Plan*.
- 5.6 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. The survey was also made available online and publicised through the Service’s social media channels.
- 5.7 The face-to-face surveys with members of the public were conducted by Devon & Somerset Fire & Rescue Service staff in Torquay, Plymouth, Taunton and Exeter on 13, 14, 15 and 16 January 2015 respectively. A total of 212 responses were obtained. The online survey was available between 12 and 23 January 2015 and 42 surveys were completed.
- 5.8 A summary of the results is provided below and the full results can be found in Appendix C.
- 5.9 Due to rounding, the percentages in the graphs may equal 100% + or – 1%.

Public safety

How strongly do you agree or disagree that the Service, faced by reductions to its budget, should target its available resources according to risk and demand (meaning that vehicles, equipment and staff are distributed according to need)?

5.8 The results of the surveys, shown in Chart 1, indicate that the public agree that the Service should target its available resources according to risk and demand. More respondents from the face to face surveys agreed than those who completed the online survey and correspondingly more people disagreed who completed the online survey.

Chart 1: Levels of agreement that the Service should target its available resources according to risk and demand.



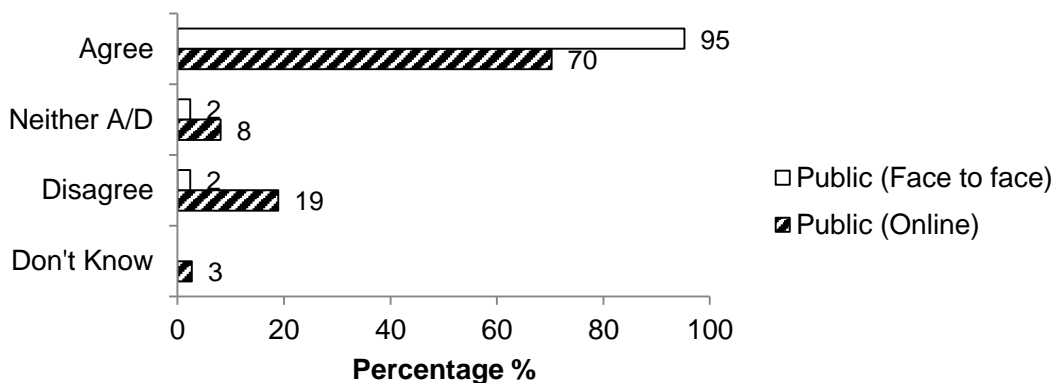
Count (unweighted): Public response street 207, public responses online 40.

Staff safety

How strongly do you agree or disagree that the Service should consider the use of new technology to improve safety?

5.9 The results to the question on the strategic priority of staff safety, shown in Chart 2, indicate that members of the public agree that the Service should consider the use of new technology to improve safety. Similarly to the first question, more respondents from the face to face surveys agreed than those who completed the online survey and correspondingly more people disagreed who completed the online survey.

Chart 2: Levels of agreement that the Service should consider the use of new technology to improve safety.



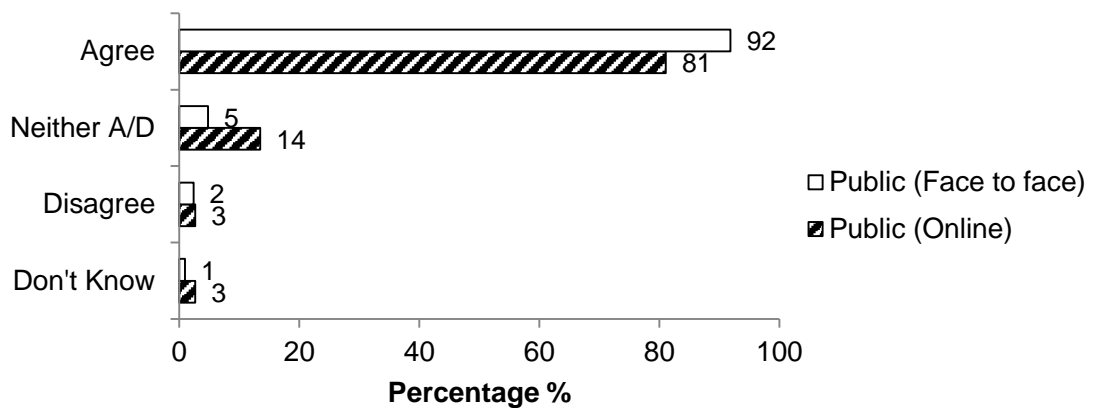
Count (unweighted): Public response street 208, public responses online 37.

Effectiveness and efficiency

How strongly do you agree or disagree that the Authority should actively engage with stakeholders to understand their needs before making decisions to change the Service?

5.10 For the strategic priority of Effectiveness and Efficiency a question was asked on stakeholder engagement. The results to this question, shown in Chart 3, indicate that the public agree that the Authority should actively engage with stakeholders to understand their needs before making decisions to change the Service. Whilst there remains a difference in the level of agreement between those who completed the face to face survey and those who completed the online survey it was less marked than in the first two questions.

Chart 3: Levels of agreement that the Service should actively engage with stakeholders to understand their needs before making decisions to change the service.



Count (unweighted): Public response street 208, public responses online 37.

6. ACCESSIBILITY

6.1 The plan will be electronically available on our website and as always comments on its content are invited and will be welcomed. Only a small number will be printed so as to keep costs down. A summary version of the plan will be produced as a 'plan on a page' which will be available as a printed document.

7. CONCLUSION

7.1 The plan is constructed around delivering improvement whilst remaining focused on achieving the savings required.

- 7.2 The results of the consultation indicate that the public respondents agree that:
- the Service should target its resources based on risk and demand
 - the Service should consider the use of new technology to improve safety; and
 - the Authority should actively engage with stakeholders to understand their needs before making decisions to change the Service.

- 7.3 A difference in the levels of agreement are observed between those who participated in the face to face survey and those who completed the online survey.
- 7.4 The Authority is now invited to consider the outcome of the consultation, as identified in Section 5 and Appendix C to this report, with a view to approving the Service Strategy 2015 – 2020 (*“Our Plan 2015 – 2020”*).

Lee Howell
CHIEF FIRE OFFICER



EQUALITY RISKS AND BENEFITS ANALYSIS FORM

ERBA 1

Community and Workplace Equalities (CWE)

This form should be completed with guidance ERBA 2. Only ERBAs approved by CWE should be saved on the SIP.

1. Name of activity:	Corporate Plan 2015 to 2020 'Our Plan – Creating Safer Communities'
2. Main purpose of activity:	To provide strategic direction to the Service
2a. Project manager/process owner	Steve Widnell
2b. Project/process linked to	Corporate Planning
3. List the information, data or evidence used in this analysis:	Our Plan 2015 to 2020 Creating Safer Communities

4. Assessment				
Characteristics	Neutral (x)	Negative* (enter score)	Positive (x)	Describe the particular characteristic you are assessing and explain: Negative: What are the risks? Positive: What are the benefits and/or opportunities?
A person of a particular age	x		<input type="checkbox"/>	See community considerations
A disabled person	x		<input type="checkbox"/>	See community considerations
A person of a particular sex, male or female, including issues around pregnancy and maternity	x		<input type="checkbox"/>	See community considerations
A person of a gay, lesbian or bisexual sexual orientation	x		<input type="checkbox"/>	See community considerations
A person of a particular race	x		<input type="checkbox"/>	See community considerations
A person of a particular religion or belief	x		<input type="checkbox"/>	See community considerations
Transgender	x		<input type="checkbox"/>	See community considerations
Community considerations (e.g. applying across communities or associated with socio-economic factors, criminal convictions, rural living or	<input type="checkbox"/>		x	The plan applies to all communities within Devon and Somerset. The plan focuses on improving public safety and considers risk across the whole community. Our services will be targeted on those identified as being most



EQUALITY RISKS AND BENEFITS ANALYSIS FORM

ERBA 1

Community and Workplace Equalities (CWE)

Human Rights)			<p>at risk. Risk can change over time and therefore the targeting of our services may be adjusted to reflect a new risk and consequently a different group of people.</p> <p>Our approach to analysing risk extends beyond the consideration of single characteristics and instead looks at the effect of the combination of multiple variables and how they may identify those most at risk e.g. age, gender, health, disability, living arrangements, home location.</p> <p>The plan highlights the planned key improvement actions. Currently the planned improvements are not developed in sufficient detail to be able to make an informed assessment on any protected characteristic. As these improvements are developed the appropriate assessments will be undertaken to identify if there are any impacts, positive or negative, on the protected characteristics. Consultation and mitigating actions will be identified and undertaken as necessary.</p>
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*see EA:RB2 guidance

5. Results			
	Yes	No	
Are there negative scores in Low?	<input type="checkbox"/>	x	If Yes, list any actions required to adjust the activity and any mitigation you will implement in the action plan below in section 6
Were positive impacts identified?	<input type="checkbox"/>	x	If No, Community and Workplace Equalities will contact you about this
Are some people benefiting more than others? If so explain who and why.	x	<input type="checkbox"/>	People identified as being most at risk will receive targeted community safety services.
Are one or more negative scores in Medium or High?	<input type="checkbox"/>	x	If Yes, consult Community and Workplace Equalities (CWE) on further consultation

6. Consultation, decisions and actions
If medium or high range results were identified who was consulted and what recommendations were given?
Describe the decision on this activity

**EQUALITY RISKS AND BENEFITS ANALYSIS FORM****ERBA 1****Community and Workplace Equalities (CWE)**

List all actions identified to address/mitigate negative risk or promote positively		
Action	Responsible person	Completion due date
Carry out an ERBA on each identified project within the plan	Project leads	
When, how and by whom will these actions be monitored?		
7. Signatures		
Assessor		
Name: Ralph Howle	Signature**	
Validated by (Line manager)		
Name: Steve Widnell	Signature**	
Forward to CWE		
Equalities team/monitoring group member name:		
Signature** Michelle Smitham	ERBA number: 1141	
Assessment date: 26/01/2015	Review date:	Further ERBAs to be developed for each project

** Please type your signature to allow forms to be sent electronically. Email ERBA and policy to .cweteam@dsfire.gov.uk

REPORT REFERENCE NO.	DSFRA/15/5
MEETING	DEVON & SOMERSEST FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	20 FEBRUARY 2015
SUBJECT OF REPORT	ESTABLISHMENT OF LOCAL PENSIONS BOARD FOR FIREFIGHTERS' PENSIONS SCHEMES
LEAD OFFICER	Clerk to the Authority
RECOMMENDATIONS	<p>(a) that, with effect from 1 April 2015 (and subject to the Regulations coming into force from that date), a local pension board ("the Firefighters Pensions Scheme Local Pension Board") – comprising a total of four members - be established as set out in Section 4 of this report to secure compliance with the requirements of the Firefighters' Pension Scheme (Amendment)(Governance) Regulations</p> <p>(b) that, specifically in relation to (a) above:</p> <ul style="list-style-type: none"> (i) the Clerk (and Monitoring Officer) and Treasurer (as proper financial officer) be appointed as the two employer representatives on the Board; (ii) the Director of People and Commercial Services be delegated authority to undertake an appropriate process to determine and subsequently appoint two employee (scheme member) representatives to the Board; (iii) that the Director of People and Commercial Services be delegated authority to arrange appropriate training for both employer and employee (scheme member) appointees to the Board to facilitate the effective and efficient discharge of the role of Board member; (iv) that the arrangements for Board meetings including application of relevant Authority Standing Orders, as identified in paragraphs 4.10 to 4.12 inclusive of this report, be approved; and <p>(c) that any arrangements for establishment of a local pension board in accordance with (a) and (b) above be subject to review and amendment as necessary following approval of the final Regulations and any associated guidance on local pension boards.</p>

	<p>(d) <i>that, with effect from 1 April 2015 and in accordance with Regulation 5 of the Firefighters Pension Scheme (England) Regulations 2015, responsibility for the day-to-day management and administration of firefighters pensions schemes functions be delegated to the Director of People and Commercial Services;</i></p> <p>(e) <i>that the Clerk be authorised to make consequential amendments to the Authority's approved Scheme of Delegations to reflect those matters delegated to the Director of People and Commercial Services as indicated in this report and identified in recommendations (b)(ii) and (ii) and (d) above.</i></p>
EXECUTIVE SUMMARY	This report advises on the governance changes to the Firefighters Pensions Scheme including the responsibilities of Local Pensions Boards. It proposes establishment of a Board for this Authority as required by Regulations scheduled to come into force on 1 April 2015.
RESOURCE IMPLICATIONS	Any resource implications associated with the proposals contained in this report (e.g. training requirements) will be contained from within existing resources.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing human rights and equality legislation.
APPENDICES	<p>A. The draft Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015</p> <p>B. The Public Pensions Regulator Quick Guide on Local Pensions Boards.</p> <p>C. The Public Pensions Regulator Quick Guide for Members of Local Pensions Boards.</p>
LIST OF BACKGROUND PAPERS	<p>A. Report RC/14/16 (Firefighters' Pension Scheme 2015: Consultation on Proposals for New Governance Arrangements) as submitted to the meeting of the Resources Committee on 20 November 2014.</p> <p>B. Minutes of the meeting of the Resources Committee held on 20 November 2014.</p> <p>C. The Public Services Pension Act 2013.</p> <p>D. The Firefighters' Pension Scheme (England) Regulations 2014.</p> <p>E. The draft Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015.</p>

1. BACKGROUND

- 1.1 The Public Services Pension Act 2013 (“the Act”) enshrines many of the reforms of public service pension schemes recommended following the independent review of public service pension schemes led by Lord Hutton.
- 1.2 In particular, the Act provides for the governance of public sector pension schemes whereby pension regulations must provide for the administration of each public service pension to become the responsibility of a Scheme Manager, a local Pension Board and a Scheme Advisory Board.
- 1.3 This report:
- identifies the government’s proposals (Regulations) in relation to these issues which, it is understood, will come into force on 1 April 2015;
 - sets out the implications for this Authority; and
 - recommends a course of action for the Authority to secure compliance with the new proposals.

2. THE FIREFIGHTERS’ PENSION SCHEME (ENGLAND) REGULATIONS 2014

- 2.1 These Regulations (“the Pension Regulations”) were made in accordance with the provisions of the Act, laid before Parliament on 28 October 2014 and will come into force on 1 April 2015. Amongst other things, the Pension Regulations will:
- introduce the latest firefighters’ pension scheme on 1 April 2015; and
 - make the Authority the Scheme Manager for the latest and, by virtue of Section 4(6) of the Act, previous firefighters’ pension schemes (Regulation 4).
- 2.2 As Scheme Manager, the Authority will be responsible for the management and administration of the firefighter’s pension schemes. Specifically, Scheme Managers will be responsible for the key areas of governance and administration including:
- managing risks and ensuring there are adequate internal controls
 - keeping records and ensuring the quality of member data
 - ensuring the correct contributions are paid to the scheme
 - managing conflicts of interest
 - publishing information about the board
 - communicating information to members
 - resolving disputes and reporting certain breaches of the law.
- 2.3 Regulation 5 of the Pension Regulations empowers the Scheme Manager to delegate functions under the Regulations to an individual. In practice, the routine day-to-day administration and management of the firefighters’ pension schemes functions are currently undertaken by the Service Human Resources section (part of the People and Commercial Services Directorate) with, in turn, detailed work being outsourced to Peninsula Pensions.

2.4 For clarification purposes and in light of Regulation 5 of the Pension Regulations, it is suggested that the Authority confirms that day-to-day administration and management of the firefighters' pension schemes functions is formally delegated to the Director of People and Commercial Services.

2.5 Additionally, the various firefighters' pension schemes provide for a number of discretionary matters (e.g. commutation of pension payable, in certain circumstances). It is proposed that a report be brought a future meeting of the Authority identifying these discretionary matters and recommending whether these should be exercised either by the full Authority, an appropriate Committee (e.g. Human Resources Management & Development Committee) or an individual.

3. THE [DRAFT] FIREFIGHTERS' PENSION SCHEME (AMENDMENT)(GOVERNANCE) REGULATIONS 2015

3.1 These Regulations (the draft Governance Regulations), which are also due to come into force on 1 April 2015, amend the Pension Regulations by inserting Regulations addressing the required governance arrangements for the various firefighters pension schemes. Specifically, the Governance Regulations insert the following additional provisions into the Pension Regulations:

Regulations 4E, 4F and 4H

3.2 Regulation 4E establishes a national scheme advisory board - the Firefighters' Pension Scheme Advisory Board ("the SAB") - with responsibility for providing:

- advice to the Secretary of State on the desirability of making changes to any of the firefighters' pensions schemes; and
- advice to scheme administrators and local pensions boards (see paragraphs below) on the effective and efficient administration of firefighters' pensions schemes.

3.3 Regulation 4F deals with membership of the Board (namely, persons to be appointed by the Secretary of State) while Regulation 4H provides for the SAB to provide an annual budget (for approval by the Secretary of State) with the Board expenses to be defrayed by authorities in such proportions as are determined by the Board and based on the approved budget and the number of members in the firefighters' pensions schemes for which each authority is responsible.

Regulations 4A to 4D

3.4 Regulations 4A to 4C deal with the establishment (4A) and membership (4B) of local pension boards, conflicts of interest (4C) and for the Secretary of State to issue guidance on local pension boards to which the Scheme Manager must "have regard" (4D).

3.5 The draft Governance Regulations are attached in Appendix A, for ease of reference.

3.6 The draft Governance Regulations were recently subject to consultation to which this Authority responded (Minute *RC/11 of the meeting of the Resources Committee held on 20 November 2014 refers). In essence, the local pension board is intended to provide a scrutiny function over operation of the firefighters pensions schemes. The consultation document on the draft Governance Regulations contains the following clarification in relation to the role and functions of the local pensions board:

".....the [draft] regulations require the local pension board to assist the scheme manager to comply with the regulations governing the Firefighters' Pension and Compensation Schemes and any requirements imposed by The Pensions

*Regulator. The [draft] regulations also require the local pension board to assist the scheme manager to ensure the effective and efficient governance and administration of the scheme. This is, potentially, a wide ranging role and allows, for instance, the board to look at the systems underpinning the administration of the scheme or how decisions are taken. **However, the local pension board is not a decision making body.***

3.7 For the purpose of the above Regulations, “conflict of interest” is defined in Section 5(5) of the Act as:

“... a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme”.

3.8 The Pensions Regulator has published two quick Guides - “Public Service Pension Boards” and “Public Service Pension Board Members” – both of which are appended to this report for information.

4. APPLICABILITY TO THIS AUTHORITY

4.1 While the Pension Regulations have been laid before Parliament, at the time of drafting this report it is not known what the position is in relation to the Governance Regulations other than the previously-announced government expectation that they will be in force from 1 April 2015. It also remains the case that guidance from the Secretary of State in relation to such boards, as provided for by the Governance Regulations, has yet to be issued in any form.

4.2 There is, as such, currently a lack of clarity as to the true extent of the role and impact of the local Pension Board required for this Authority albeit there is the expectation that a local Pension Board will need to have been established by 1 April 2015.

4.3 Given these circumstances, it is suggested that the Authority should – pending any further, detailed guidance – establish a small local pension board (“the Firefighters Pensions Schemes Local Pensions Board”) as set out below.

Membership of Board

4.4 The consultation document on the draft Governance Regulations contains the following commentary on membership of the local pension board:

“It will be for the scheme manager to determine its membership, and how the members are appointed and removed from the board. However, the board must have an equal number of member and employer representatives and must consist of at least four members. Member representatives are appointed for the purpose of representing members of the Firefighters’ Pension Scheme. These may be, but are not limited to, trade union representatives. However, the member must be in scheme employment and therefore must be a firefighter who is currently employed by a fire and rescue authority. This means that former firefighters (which could include pensioner members if they are no longer employed as a firefighter) cannot be a member representative.

Employer representatives are appointed for the purpose of representing employers. These may be, but are not limited to, councillors or officers of the authority. However, an officer or member of the authority which is responsible for making decisions on the pension scheme is not permitted to be a member of the board as the board may be scrutinising the decisions of that officer or member”.

- 4.5 In light of this and given that the draft Governance Regulations require a local pension board comprising a minimum of four in total, apportioned equally between employers and scheme members (employees) representatives, it is proposed that, initially, the Authority may wish to appoint the Monitoring Officer and Treasurer (as proper financial officer) as the required two employer representatives of the Board.
- 4.6 For the two member (employee) representatives, it is proposed that this should be delegated to the Director of People and Commercial Services following internal advertisement and an appropriate process to determine that the persons so appointed have the appropriate qualities and requisites to undertake the role. This appointment process should take place in sufficient time to enable the Board to be constituted by 1 April 2015.
- 4.7 In relation to the term of office of the appointments, it is suggested that – initially – these are not time limited but that this (and indeed all other matters relating to establishment and operation of the Board) be revisited in light of any guidance that may be forthcoming either from the Secretary of State or the Scheme Advisory Board, as the case may be.

Terms of Reference

- 4.8 It is suggested that the Terms of Reference for the local pension board be as per Regulation 4A(1)(a) and (b), reproduced in appendix A.

Board Meetings

- 4.9 The Pensions Regulator quick guide on local pension boards stipulates:

“Pension board meetings will be formal, minuted occasions, where the status of the scheme and associated issues are reviewed and recommendations will be made concerning the standards of scheme governance and administration.

There may be standard items on the agenda at every meeting, with extra items added as needed. There should be adequate time to deal with each issue on the agenda. If a board member feels that any particular subject is not being given enough time they should highlight this as a concern”.

- 4.10 In accordance with this guidance, it is intended that Board meetings will have a formal agenda, circulated in advance, with appropriate minutes drafted and retained for each meeting. Any relevant recommendations that may arise from Board meetings will be reported to the full Authority (as Scheme Manager) for consideration.
- 4.11 It is proposed that the quorum for Board meetings should be 50% and that the Authority’s Standing Orders on voting (Standing Order 24) and election of Chairs for Committees (Standing Order 32) should apply to Board meetings.
- 4.12 Given the knowledge and training requirements for Board members (see below), it is proposed that substitutes are not allowed.

Training

- 4.13 All members of the Board must have the capacity and understanding to respectively represent the employer or employees (pension members). They must be conversant with the rules of the schemes and documented administration policies. They must also have knowledge of the law relating to pensions. The intention is that Pension Board members must have the breadth and understanding to enable them to understand fully and challenge any information or advice they are given.
- 4.14 This task should not be underestimated. Pension law is complex and regularly changes. Training and development of Pension Board members will be essential and compulsory.

- 4.15 In its quick guide for local pension board members, the Pensions Regulator indicates that it will provide a free online learning programme on public service pensions that will provide information and education on key legal requirements for public service pension schemes and the Pension Regulators code of practice.
- 4.16 It is proposed that the Director of People and Commercial Services be delegated authority to arrange appropriate training for all Board members (once appointed), with any associated costs to be contained from within existing resources.

5. CONCLUSION

- 5.1 Regulations establishing the new firefighters pension scheme will come into force on 1 April 2015. Linked to this, there is a government expectation that – at the same time - measures relating to governance of all firefighters pensions schemes (as required by the Public Services Pension Act 2003) will also come into force.
- 5.2 This report sets out proposals that, if approved, should ensure that the Authority is statutorily compliant from 1 April 2015. It is recognised, however, that the final governance Regulations have still to be made and that, in accordance with the Regulations, guidance may well be forthcoming on the operation of local pension boards. Consequently, it is also proposed that the measures set out in this report should be subject to review and revision as necessary in light of the final regulations and any associated guidance that may be forthcoming.

MIKE PEARSON
Clerk to the Authority

REPORT REFERENCE NO.	DSFRA/15/6
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	20 FEBRUARY 2015
SUBJECT OF REPORT	CONFIRMATION OF SCHEME OF MEMBERS ALLOWANCES 2015-16
LEAD OFFICER	Clerk to the Authority
RECOMMENDATIONS	<p>(a) that, as required by the relevant Regulations, the Authority:</p> <p>(i) considers the content of this report with a view to confirming the Scheme of Allowances (as set out in paragraphs 2.3 and 2.4) to operate for the 2015-16 financial year ;</p> <p>(ii) authorises the Clerk to publicise details of the Scheme so confirmed in one or more local newspapers circulating in the area served by the Authority;</p> <p>(b) that the Authority authorises the Clerk to arrange for an independent, major review of the Authority’s allowances scheme, the review to report in sufficient time to inform the 2016-17 budget setting process.</p>
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>This report details allowances currently payable and invites the Authority to confirm the Scheme to operate for the 2015-16 financial year.</p>
RESOURCE IMPLICATIONS	Provision has been made within the draft Revenue Budget 2015-16 for the payment of allowances at the rates as indicated in this report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The content this report is 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 two financial years, 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% with effect from April 2013, (2013-14 financial year) and 2.20% with effect from 1 January 2015 (2014-15 financial year). It should be noted that the most recent (2.20%) increase is linked to a two-year settlement, until 31 March 2016. Consequently, there will be no automatic uprating for the forthcoming (2015-16) financial year.
- 2.3 Applying the automatic upratings for the last two financial years, the rates currently payable for Basic and Special Allowances are shown in the table overleaf.

Rates Payable for Basic and Special Responsibility Allowances

Type of Allowance	Amount per annum £
Basic	2,581
Special Responsibility	
• Chairman of Authority (5 x basic)	12,903
• Vice Chairman of Authority (2.5 x basic)	6,451
• Committee Chairs (1.5 x basic)	3,871
• Members of the Commercial Services Committee (1.5 x basic) ¹	3,871

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.

- 2.4 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.

- 2.5 There was no increase in the travel or subsistence rates either for 2013-14 or 2014-15 so they remain unchanged.

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 next scheduled major review should be undertaken in sufficient time to inform the 2016 budget setting process and the Authority is asked to authorise the Clerk to make the necessary arrangements for this to happen.

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

- (a). confirm the Scheme to operate for the 2015-16 financial year; and
- (b). authorise the Clerk to publish the rates so confirmed in one or more local newspapers circulating in the area served by the Authority.

MIKE PEARSON
Clerk to the Authority

REPORT REFERENCE NO.	DSFRA/15/7
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	20 FEBRUARY 2015
SUBJECT OF REPORT	THE LOCALISM ACT 2011 – PAY POLICY STATEMENT 2015-16
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 draft Pay Policy Statement for the forthcoming (2015-16) financial year.</p>
RESOURCE IMPLICATIONS	There are no resource implications associated with production of the Pay Policy Statement. Funding for staffing costs etc. are contained within the approved Authority revenue budget.
EQUALITY RISK & BENEFITS ANALYSIS (ERBA)	The Pay Policy Statement 2015-16 essentially contains the same information as for 2014-15 and does not require any further equality risk and benefit analysis.
APPENDICES	A. Draft Pay Policy Statement 2015-16
LIST OF BACKGROUND PAPERS	<ol style="list-style-type: none"> 1. Localism Act 2011 Sections 38 to 43. 2. "Pay Policy and Practice in Local Authorities: A Guide for Councillors" produced by the Local Government Association, published January 2013. 3. Code of Recommended Practice for Local Authorities on Data Transparency.

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 and access to information on 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 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 pay-point of the organisation's whole workforce as a way of illustrating that relationship. Guidance produced by the Department for Communities and Local Government (CLG) 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".

3.2 Section 5 of the proposed Pay Policy Statement shows two pay multiples, 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 has previously been used as a benchmark in the media following suggestions by the Government that a ratio of 20:1 should be regarded as a level above which public sector organisation should not exceed.

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

- 4.1 This document was published by the Local Government Association (LGA) in 2013. Unlike other guidance published by CLG, 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”

- 4.2 The covering letter to this LGA guidance suggests that this paragraph should be widened to incorporate retirements in addition to redundancies and these modifications were incorporated into the 2014-15 Pay Policy Statement and remain unchanged.

5. THE TRANSPARENCY CODE

- 5.1 The introduction of the The Local Government (Transparency Requirements) (England) Regulations 2014 has also resulted in further additional requirements in terms of publishing data relating to the Service. The requirements are set out in a Local Government Transparency Code. The LGA has produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code 2014 and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information.
- 5.2 There is some overlap within the Transparency Code with certain staffing information published part of the annual Statement of Accounts and the Pay Policy Statement but there are also some additions including further details of Senior Manager organisational structures, grading and responsibilities where salary levels are in excess of £50,000 and also Trade Union Facility time.

5. PAY POLICY STATEMENT 2015-16

- 5.1 This is now the fourth iteration of the Pay Policy Statement having previously published the statement for 3 consecutive years.
- 5.2 Paragraph 3.3 above refers to CLG guidance that, while authorities 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. In 2012, when Pay Policy Statements were introduced, the pay multiple operating for the authority was 5:1 when comparing the salary of the Chief Fire Officer to the median basic pay.
- 5.3 Section 5 of the proposed Pay Policy Statement for 2015-16, as appended to this report, identifies that national pay settlements over the last four years have had the effect of slightly reducing these ratios, albeit that they have remained fairly constant since the introduction of the first Pay Policy Statement in 2012.

- 5.4 The appended draft Pay Policy Statement identifies the current pay multiple and, in terms of the pay multiple between the Chief Fire Officer and other staff across the organisation, confirms that the Authority's Pay Policy is that this will remain at the current level when compared with the median basic pay across the organisation, subject to the national pay settlements and any review by Devon & Somerset Fire & Rescue Authority. The Pay Policy Statement for future years will continue to be determined by the full Authority.
- 5.5 This, together with amending quoted salary levels to reflect national pay settlements during the current (2014-15) financial year and insertion of a section addressing the transparency code and associated guidance, are the only changes of note to the Pay Policy Statement previously approved by the Authority.
- 5.6 As indicated previously, the provisions in the Localism Act allow for Pay Policy Statements to be, in effect, "dynamic" documents with the ability to be amended in year. In line with this, the Statement will be kept under review and any proposed amendments submitted to a future meeting. In the meantime, however, the Authority is invited to consider with a view to approving – in accordance with the Localism Act requirements – the appended Pay Policy Statement 2015-16 and to authorise publication of any Statement so approved.

MIKE PEARSON
Clerk to the Authority

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

THE LOCALISM ACT – PAY POLICY STATEMENT 2015-16

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 the Authority's senior staff. The Authority will also publish the statement on its 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 fourth 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.
- 1.3 It should be noted that Regulation 4 of the Accounts and Audit (Amendment number 2) Regulations 2009 also provides a legal requirement to increase transparency and accountability within local authorities. 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 Authority's internet. In addition, the rates of pay for all other categories of staff can be found at [Rates of Pay](#).
- 1.4 The introduction of the Local Government (Transparency Requirements) (England) Regulations 2014 has also resulted in additional requirements in terms of publishing data relating to the Authority. The requirements are set out in a Local Government Transparency Code. The Local Government Association has produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code 2014 and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information and this open data is accessible via the following link:
- [DSFRS Transparency Data](#)
- 1.5 There is some overlap within the Transparency Code with certain staffing information that is already required as part of the annual Statement of Accounts and the Pay Policy Statement but there are also some additions including further details of organisational structures relating to Senior Managers, including grading and responsibilities, where salary levels are in excess of £50,000 and also Trade Union Facility time.

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 £117,310 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 £137,392, the last being in January 2014 as a result of a National Joint Council (NJC) pay settlement.

- 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 to the Chief Fire Officer other than those agreed at a national level.
- 3.5 Any locally determined changes in the Chief Fire Officer's remuneration are subject to approval by the full Authority. 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 Commercial Services
- 3.7 The Assistant Chief Fire Officer salary has previously been set locally at 75% of the Chief Fire Officer salary which reflected the previous minimum salary level set by the National Joint Council. However, the 2014 national pay settlement imposed a £1,000 cap on increases for those with a salary greater than £100,000 and the effect of this has been to alter this percentage to 75.18%. 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 have also been slightly altered by virtue of the 2014 national pay settlement, illustrated as follows:

Grade	Pre 2014 Pay Settlement	Post 2014 Pay Settlement
4	75.00%	75.20%
3	68.75%	68.93%
2	62.50%	62.67%
1	56.40%	56.40%

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 £13,715 to £15,207 for a 37 hour week. For contextual purposes the salary level for a full-time firefighter is £29,054 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 previously 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 is £29,054 and
- the lowest pay point is £13,715.

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

	<u>2014-15</u>
median basic pay	5:1
lowest pay point	10:1

5.2 Although national pay settlements over the last four years have had the effect of slightly reducing these ratios, they have remained fairly constant since the introduction of the first Pay Policy Statement in 2012. 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, subject to the national pay settlements and any review by Devon & Somerset Fire & Rescue Authority. The Pay Policy Statement for future years will continue to 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 £1,742 for 2012-13. This has reduced to £1,325 for 2013-14. The figure for 2014-15 will not be available until after 31 March 2015.

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 EMPLOYEES

- 8.1 The Authority will not normally re-employ or contract with employees 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 For each of the above scenarios:

- the approval of the Human Resources Management and Development Committee will be required for the re-employment, following redundancy, of any former employee up to Executive Board posts; or
- the approval of the full Authority will be required for the re-employment, following redundancy, of any Executive Board post-holder; and

For both of the above two approval processes, the Authority may require the repayment of one 24th part of any redundancy payment made by the Authority for every month less than 24 months between the date of redundancy and the date of re-employment.

- 8.3 The Authority will, in principle, allow the re-employment of employees 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). The re-employment of any employee who has retired will, however, be subject to:
- the approval of the Human Resources Management and Development Committee for all employees up to Executive Board posts; or
 - the approval of the full Authority for any Executive Board post-holder.

- 8.4 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. The authorisation of any such flexible retirement arrangements will be subject to the approval mechanism detailed above.
- 8.5 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 Commercial Services) 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.