M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Resources Committee (see below)

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RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

Wednesday 4 February 2009

A meeting of the Resources Committee will be held on the above date, **commencing at 10:00 hours in Conference Room A in Somerset House, Service Headquarters** to consider the following matters.

M. Pearson
Clerk to the Authority

PLEASE NOTE THAT A LARGE PRINT VERSION OF THIS AGENDA IS AVAILABLE ON REQUEST

A G E N D A

1. **Apologies**

2. **Minutes** of the meeting of the Committee held on 8 December 2008 attached (Page 1).

3. **Items Requiring Urgent Attention**

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

4. **Declarations of Interest**

Members are asked to consider whether they have any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and declare any such interests at this time. *Please refer to the Note 2 at the end of this agenda for guidance on interests.*

National Training Awards

PART 1 – OPEN COMMITTEE

5. 2009/2010 Revenue Budget and Council Tax Level

Joint Report of the Treasurer and the Chief Fire Officer (RC/09/1) attached (Page 4)

6. Capital Programme 2009/10 To 2011/12 and Associated Prudential Indicators

Joint Report of the Head of Physical Assets and the Treasurer (RC/09/2) attached (Page 31)

7. Revenue Budget Monitoring Report 2008/09

Report of the Treasurer (RC/09/3) attached (Page 41)

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

Nil

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Gordon (Chair), Yeomans (Vice Chair), Fry, Healey, B. Hughes, Lewis and Way

Substitute Members

Members are reminded that, in accordance with Standing Order 30, the Clerk (or his representative) MUST be advised of any substitution prior to the start of the meeting.

NOTES

1. ACCESS TO INFORMATION

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Steve Yates on the telephone number shown at the top of this agenda.

2. DECLARATIONS OF INTERESTS BY MEMBERS

What Interests do I need to declare in a meeting?
As a first step you need to declare any personal interests you have in a matter. You will then need to decide if you have a prejudicial interest in a matter.

What is a personal interest?
You have a personal interest in a matter if it relates to any interests which you must register, as defined in Paragraph 8(1) of the Code.

You also have a personal interest in any matter likely to affect the well-being or financial position of:-

(a) you, members of your family, or people with whom you have a close association;
(b) any person/body who employs/has employed the persons referred to in (a) above, or any firm in which they are a partner or company of which they are a director;
(c) any person/body in whom the persons referred to in (a) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
(d) any body of which you are a Member or in a position of general control or management and which:-
  - you have been appointed or nominated to by the Authority; or
  - exercises functions of a public nature (e.g. a constituent authority; a Police Authority); or
  - is directed to charitable purposes; or
  - one of the principal purposes includes the influence of public opinion or policy (including any political party or trade union)

more than it would affect **the majority** of other people in the Authority's area.

Anything that could affect the quality of your life (or that of those persons/bodies listed in (b) to (d) above) either positively or negatively, is likely to affect your/their "well being". If you (or any of those persons/bodies listed in (b) to (d) above) have the potential to gain or lose from a matter under consideration – to a **greater extent** than **the majority** of other people in the Authority's area - you should declare a personal interest.

What do I need to do if I have a personal interest in a matter?
Where you are aware of, **or ought reasonably to be aware of**, a personal interest in a matter you must declare it when you get to the item headed "Declarations of Interest" on the agenda, or otherwise as soon as the personal interest becomes apparent to you, UNLESS the matter relates to or is likely to affect:-

(a) any other body to which you were appointed or nominated by the Authority; or
(b) any other body exercising functions of a public nature (e.g. membership of a constituent authority; other Authority such as a Police Authority);

of which you are a Member or in a position of general control or management. In such cases, provided you do not have a prejudicial interest, you need only declare your personal interest if and when you speak on the matter.

Can I stay in a meeting if I have a personal interest?
You can still take part in the meeting and vote on the matter unless your personal interest is also a prejudicial interest.

What is a prejudicial interest?
Your personal interest will also be a **prejudicial** interest if **all** of the following conditions are met:-

(a) the matter is not covered by one of the following exemptions to prejudicial interests in relation to the following functions of the Authority:-
  - statutory sick pay (if you are receiving or entitled to this);
  - an allowance, payment or indemnity for members;
  - any ceremonial honour given to members;

- setting council tax or a precept; **AND**

(b) the matter affects your financial position (or that of any of the persons/bodies as described in Paragraph 8 of the Code) or concerns a regulatory/licensing matter relating to you or any of the persons/bodies as described in Paragraph 8 of the Code); **AND**

(c) a member of the public who knows the relevant facts would reasonably think your personal interest is so significant that it is likely to prejudice your judgement of the public interest.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest in a matter being discussed at a meeting, you must declare that you have a prejudicial interest (and the nature of that interest) as soon as it becomes apparent to you. You should then leave the room unless members of the public are allowed to make representations, give evidence or answer questions about the matter by statutory right or otherwise. If that is the case, you can also attend the meeting for that purpose.

You must, however, leave the room **immediately after you have finished speaking (or sooner if the meeting so decides)** and you cannot remain in the public gallery to observe the vote on the matter. Additionally, you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

What do I do if I require further guidance or clarification on declarations of interest?

If you feel you may have an interest in a matter that will need to be declared but require further guidance on this, please contact the Clerk to the Authority – preferably before the date of the meeting at which you may need to declare the interest. Similarly, please contact the Clerk if you require guidance/advice on any other aspect of the Code of Conduct.

RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

8 December 2008

Present:-

Councillors Gordon (Chairman), Fry, Healey, Lewis, Way and Yeomans

Apologies:-

Councillor B. Hughes

***RC/12. Minutes**

RESOLVED that the Minutes of the meeting held on 3 October 2008 be signed as a correct record.

***RC/13. Declarations of Interest**

Members of the Committee were invited to declare any personal/personal and prejudicial interests they may have in any item(s) to be considered at the current meeting in accordance with the Authority's approved Code of Conduct.

No interests were declared.

***RC/14. Revenue Budget Monitoring Report 2008/2009**

The Committee considered a report of the Treasurer and Head of Financial Management (RC/08/9) that set out projections of income and expenditure for the first seven months of the financial year against the approved Revenue Budget for 2008/09 and which detailed any significant variations against individual budget lines.

At this stage, it was projected that spending would be £0.887m less than the approved revenue Budget, equivalent to 1.26%. The main reasons for this position were as a consequence of a higher number of vacancies than had been anticipated resulting in a saving on pay costs, coupled with a reduction in incident activity levels which had impacted on retained pay lines. Additionally, income had increased as a result of a Memorandum of Understanding with the South West Ambulance Trust (SWAT) in respect of co-responder activity.

The Head of Physical Assets referred to one off areas of spending which it was felt prudent that the Authority could fund from the underspend in 2008/09, so reducing the pressure on the budget in 2009/10. These areas were as follows:

- the virement of £0.211m from wholetime pay costs to fund in the current financial year the one-off purchase of replacement alerter transmitters, and;
- the establishment of an earmarked reserve of £0.175m to fund the de-commissioning costs in 2009/10 associated with the existing radio systems,

RESOLVED

(a) That, given the indicative underspend against the Revenue Budget for 2008/09, the Devon and Somerset Fire and Rescue Authority be recommended to approve the following:

(i) in accordance with Financial Regulations, the virement of £0.211m from wholetime pay costs to fund in the current financial year the one-off purchase of replacement alerter transmitters, as outlined in paragraph 8.8 of report RC/08/9, and;

(ii) the establishment of an earmarked reserve of £0.175m to fund the de-commissioning costs associated with the existing radio systems, as outlined in paragraph 8.9 of report RC/08/9;

(b) That, subject to (a) above, the revenue budget monitoring position as outlined in this report be noted.

*RC/15. Affordable Capital Investment Plans for 2009/2010 to 2011/2012

The Committee considered a joint report of the Treasurer and Head of Financial Management and Head of Physical Assets (RC/08/10) that highlighted the significant capital investment needs of a large rural fire and rescue authority such as Devon and Somerset and its inability to fund its requirements as a consequence of financial constraints. The Treasurer asked the Committee to endorse the affordable capital spending limits for the next three years as set out in Table 7 in paragraph 7.6 of the report, following which a more detailed report would be submitted to the next meeting in February 2009.

RESOLVED

That, subject to further consideration as part of the budget setting process for 2009/2010, the provisional capital investment limits for 2009/2010 to 2011/2012, as set out in paragraph 7.6 of report RC/08/10, be endorsed.

*RC/16. Provisional Grant Settlement 2009/10

The Treasurer and Head of Financial Management advised the Committee upon the position in respect of the provisional revenue grant settlement for 2009/2010. This was the second year of a three-year grant covering the period 2008/2009 to 2010/2011 and the Minister confirmed recently that, for 2009/2010, the grant figures for local authorities would be as announced in the original three-year grant announcement, made in January 2008. For Devon and Somerset Fire and Rescue Authority (DSFRA) this announcement confirmed the grant figures for 2009/2010 and 2010/2011 as below.

- 2009/2010 £30.529m (2.1% increase over 2008/2009)
- 2010/2011 £31.245m (2.3% increase over 2009/2010)

These have already been accounted for in the Authority's Medium Term Financial Plan (MTFP) and therefore the provisional settlement announcement has no immediate impact in terms of financial planning.

The Treasurer and Head of Financial Management added that this announcement was provisional at this stage subject to a formal consultation period which would end on 7 January 2009. He indicated that it would be appropriate to respond to the consultation exercise to express disappointment with the methodology used to distribute Fire Formula Grant, in particular, the inequitable distribution of Supported Capital Expenditure (SCE R) - based upon population and not asset base - and also the fact that grant distribution did not take account of sparsity factors.

Councillor Gordon **MOVED** (and was seconded by Councillor Yeomans):

“That the Treasurer and Head of Financial Management be authorised to respond to the consultation exercise on the provisional revenue grant settlement on behalf of the Committee as appropriate”.

Upon a vote, the motion was carried unanimously.

RESOLVED that the Treasurer and Head of Financial Management be authorised to respond to the consultation exercise on the provisional revenue grant settlement on behalf of the Committee as appropriate”.

***DENOTES DELEGATED POWER WITH AUTHORITY TO ACT**

The meeting started at 14.00hours and finished at 15.25hours**.**

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/09/1**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**4 FEBRUARY 2009**
SUBJECT OF REPORT	**2009/2010 REVENUE BUDGET AND COUNCIL TAX LEVEL**
LEAD OFFICER	**Treasurer and Chief Fire Officer**
RECOMMENDATIONS	***That the Committee considers each of the four options of revenue budget and council tax levels for 2009/2010, included in this report as Options A to D, with a view to making an appropriate recommendation to the Budget meeting of the full Fire and Rescue Authority on the 16 February 2009 on the revenue budget and associated Council Tax level to be approved for 2009/10***
EXECUTIVE SUMMARY	It is a legislative requirement that the Authority sets a level of revenue budget and council tax by the 1 March each year. These levels will be set at the budget meeting of the Authority on 16 February 2009. This report provides the Committee with four options for consideration, along with the necessary financial background. The Committee is invited to make a recommendation to the full Authority budget meeting on 16 February 2009 on the preferred option.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	A. Letter sent to CLG in response to the provisional Local Government Finance Settlement 2009/2010. B. The profile of the Devon & Somerset Fire & Rescue Service compared to other English fire and rescue services. C. Draft Revenue Commitment Budget 2009/2010. D. Report on Precept Consultation for 2009/10 Budget
LIST OF BACKGROUND PAPERS	Nil.

1. INTRODUCTION

1.1 It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year, before 1 March, in order that it can inform each of the 15 council tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2009/2010. The purpose of this report is to provide Members with the necessary financial background, in order that consideration can be given as to what would be appropriate levels for this authority. The report includes four options of potential levels and invites the Committee to recommend to the budget meeting of the full Authority on the 16 February 2009 which of these levels is the preferred option.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1 The provisional Local Government Finance Settlement for 2009/2010 was announced on the 26 November 2008. This announcement only served to confirm that the indicative figure for 2009/2010, announced in December 2007 as part of the three-year grant settlement covering the years 2008/2009 to 2010/2011, would not be changed. It was also stated that there were no current proposals for the indicative figures for year three i.e. 2010/2011 to be changed.

2.2 This announcement was only provisional as it was subject to the normal consultation period which ended on 7 January 2009. During the consultation period every local authority had an opportunity to challenge individual grant allocations. The Devon and Somerset Fire and Rescue Authority (DSFRA) response submitted to the Department of Communities and Local Government (CLG) is attached as Appendix A. This response, amongst other things, challenged the methodology used to distribute Fire Formula Grant which the Service believes does not reflect the disproportionate costs of providing a fire and rescue service in a sparse rural area such as Devon and Somerset. Appendix B provides graphical illustrations of how the sparsity issue impacts on this Authority more than most other fire and rescue authorities and the consequent impact on resources required.

2.3 The final grant settlement figures were announced on 21 January 2009. These final figures, disappointingly, made no changes to the provisional figures. The Minister was not sufficiently convinced by any of the arguments and made no changes on the basis that no exceptional circumstances had been identified from the consultation process. The grant allocations included in that announcement relating to Devon and Somerset FRA are shown in Table 1 below

TABLE 1 – FINAL GRANT SETTLEMENT FIGURES	**£m**	**%**
Formula Grant 2009/2010	30.529	
Increase over 2008/2009 Grant	**615**	**2.1%**
Formula Grant 2010/2011	31.245	
Increase over 2009/2010 Grant	**716**	**2.3%**

2.4 A grant allocation of £30.529m for 2009/2010 represents an increase of 2.1% over the 2008/2009 figure. This compares with an average increase for all fire and rescue authorities of 1.85%, ranging from 0.5% to 4.86%.

Comprehensive Spending Review 2007 (CSR 2007)

2.5 Prior to the grant settlement announcement the government had published its latest Spending Review (CSR 2007). This included the following headline figures for public spending for the next three years:

- that provision has been made for increases in spending at an average of 1% per year in real terms over the next three years;
- that these increases are underpinned by an ambitious value for money programme that will see local government deliver cash releasing savings of 3% per year; and
- that the settlement will enable local authorities to keep council tax rises low with the Government expecting the overall increase to be well under 5% in each of the next three years.

Capping

2.6 As has been the case in previous years, the government has not announced the criteria to be used in determining whether budget and council tax increases for 2009/10 are excessive. The provisional grant settlement has re-emphasised the statement made in CSR 2007, that:-

> *"For 2009/2010 Government expects the overall increase to be significantly below 5%"*

2.7 It has also been re-emphasised that it should not be assumed that the principles applied in 2008/2009 will be repeated in 2009/2010. In 2008/2009 no local authorities or fire and rescue authorities were capped although three police authorities were, having breached both of the capping principles applied namely:

- that the increase in revenue budget should not exceed 5%; and
- that the increase in council tax should also not exceed 5%.

The Devon and Somerset Fire and Rescue Authority did not breach either of these tests and was not therefore considered for capping.

3. DRAFT COMMITMENT REVENUE BUDGET 2008/2009

3.1 A draft revenue budget commitment requirement for 2009/2010 has been assessed as £73.039m (a 3.9% increase on the approved 2008/09 budget). A summary of the make up of this budget requirement is provided in Table 2 overleaf. The detailed items included in this draft budget are included in Appendix C.

3.2 It should be noted that this figure is a revision to an original assessment of £73.511m as a consequence of the following reductions.

- The removal of two inescapable spending pressures (totalling £0.386m) relating to the replacement of alerter transmitter systems on fire stations (£0.206m) and the decommissioning costs associated with existing radio systems following the implementation of the national radio system Firelink (£0.175m). This Committee at its meeting on 8 December 2008 resolved hat these two spending items would be funded from the current year underspend (Minute *RC/14 refers).

- A reduction in the provision for pay awards during 2009 of £0.086m by reducing pay award assumptions from 2.5% to 2.3%. This reduction does provide some risk to the budget should the pay award be settled at a higher level which, as a national agreement, this Authority would be bound to honour. Financial provision will be made within the General Reserve to mitigate against this risk.

TABLE 2 – SUMMARY OF REVISED DRAFT REVENUE COMMITMENT BUDGET 2009/2010	**£m**	**%**
Approved Net Revenue Budget Requirement 2008/2009	70.302	
PLUS Provision for pay and price increases (items 1 to 4 included in Appendix C to this report)	1.833	2.6%
PLUS Inescapable Commitments (items 5 to 21 included in Appendix C to this report)	0.992	1.4%
MINUS Efficiency Savings (items 22 to 28 included in Appendix C to this report)	(0.673)	(0.9)%
PLUS Essential Spending Needs (items 29 to 37 included in Appendix C to this report)	0.585	0.8%
DRAFT REVENUE COMMITMENT BUDGET 2009/2010	73.039	3.9%
INCREASE IN COUNCIL TAX OVER 2008/09		**4.9%**

3.3 The Committee is particularly asked to note that, in formulating the commitment budget as set out in the table above, account has already been taken of £0.673m of identified efficiency savings to be delivered during 2009/10. These efficiency savings feature reductions in support areas. Details of each of the efficiency savings are set out in Appendix C to this report.

3.4 Based on the issues included in the 2009/2010 draft revenue commitment an assessment has been made with regard to indicative core budget proposals for the following two years, 2010/2011 and 2011/2012. This will enable the Medium Term Financial Plan (MTFP) for the Authority to include projections of budgets and council tax levels for a three-year time span. The indicative budget figures for 2010/2011 and 2011/2012 have been assessed as £75.5m and £77.5m respectively. It should be emphasised, however, that these assessments are based upon known commitments only. The assessments do not include the impact of other spending pressures known to be on the horizon and which are difficult to quantify at this stage e.g. increases in pension costs and costs associated with the implementation of the Regional Control Centre and Firelink. These issues are further explored in Section 7 of this report when considering the impact in future years of each of the budget options.

4. MEDIUM TERM FINANCIAL PLAN (MTFP) 2009/2010 TO 2011/2012

4.1 A summary of the implications to the MTFP of funding the draft revenue commitment budget proposal is shown in Table 3 overleaf.

TABLE 3 – EXTRACT FROM MEDIUM TERM FINANCIAL PLAN						
	2009/10		**2010/11**		**2011/12**	
	£m	**%**	**£m**	**%**	**£m**	**%**
Previous year Revenue Budget	70.302		73.039		75.471	
Draft Revenue Commitment Budget	73.039		75.471		77.497	
Increase over previous year	**2.737**	**3.9%**	**2.432**	**3.3%**	**2,026**	**2.7%**
Previous year Band 'D' Council Tax	£66.58		£69.81		£72.51	
Band 'D' Council Tax based upon commitment budget	£69.81		£72.51		£75.14	
Increase in Band 'D' Council Tax over previous year	**£3.23**	**4.9%**	**£2.70**	**3.9%**	**£2.63**	**3.6%**

4.2 The figures in Table 3 illustrate that to set a revenue budget for 2009/2010 at £73.039m (a 3.9% increase on the 2008/09 approved budget) would require the Council Tax for a Band 'D' property for 2009/2010 to be set at £69.81 (an increase of 4.9% over the 2008/2009 level).

4.3 The percentage increase in revenue budget differs from the percentage increase in council tax level because of the gearing effect. This means that, as the level of government grant is fixed (see Section 2, Table 1 above), any increase in overall revenue budget over and above the grant increase can only be met by a proportionately higher increase in council tax level.

5. PRECEPT CONSULTATION 2009-10

5.1 Section 65 of the Local Government Finance Act 1992 requires precepting authorities to consult non-domestic ratepayers on its proposals for expenditure. The Act requires consultation in each financial year to be completed before the first precept is issued by the authority for that financial year. For the non-domestic ratepayer consultation on the expenditure proposals for 2009/2010 it was decided to adopt the telephone survey approach previously used in 2007/08 and 2008/09.

5.2 The main findings from the survey, undertaken between 7 and 16 January 2009, revealed that the majority - 68% (239) - of respondents felt that an increase to £69.81 for a Band 'D' property represented value for money whilst 32% (114) did not consider it value for money. This represents a decline in the number of people who considered the proposed level of council tax to be value for money in comparison to the survey undertaken in previous years - see Table 4 overleaf.

Table 4: Question 1 Do you consider '£69.81' to be value for money? - Comparison between results in 2007/08, 2008/09 and 2009/10

Response	2007/08 Proposed Council Tax £63.45	2008/09 Proposed Council Tax £66.58	2009/10 Proposed Council Tax £69.81
Yes	79%	75%	68%
No	21%	25%	32%
Total	**100%**	**100%**	**100%**

5.3 Of the 68% (239) of respondents who agreed £69.81 was value for money, 93% indicated that they would be prepared to pay £1 more a year to enable the Devon Fire and Rescue Service (DSFRS) to improve community safety. This equates to 52% of all respondents who were surveyed. Of the 32% (114) who disagreed that £69.81 was value for money:

- 64% (73) indicated that they would not find any increase on last years figure of £66.58 to be reasonable; and
- 36% (41) indicated that an increase of between 2.5% and 4.5% would be reasonable.

5.4 Appendix D to this report is a briefing note providing details of the methodology and sample sizes used for the consultation together with a summary of the results.

6. RESERVES AND BALANCES

6.1 In setting the revenue budget and council tax for 2009/2010, the Authority will also need to consider an appropriate level of financial reserves to be held to provide a financial contingency against any unforeseen expenditure that may arise during the course of 2009/2010. In making this assessment the Treasurer, as the Proper Officer for the purposes of Section 112 of the Local Government Finance Act 1988 (the equivalent provision, for combined fire and rescue authorities, of Section 151 of the Local Government Act 1972), has a duty to advise the Authority on his view as to the robustness of the budget and level of reserves recommended. This report will need to be considered at the budget meeting alongside decisions on the levels of budget and council tax.

6.2 At this time, the level of General Reserve is £4.291m, equivalent to 6.1% of the revenue budget. Elsewhere on the agenda for this meeting is a report monitoring the current year's revenue budget (RC/09/3). This indicates a projected underspend of £0.665m. If this underspend were to transferred to the General Reserve then this would result in a balance, as at 1 April 2009, in the region of £5m (equivalent to 6.9% of the revenue budget).

6.3 In terms of a strategy for Reserve balances, the Authority at its budget meeting last year resolved to adopt 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 (Minute DSFRA/80 refers). 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.

6.4 It is, of course, pleasing that the Authority has not experienced the need to call on reserve balances in the last two years to fund emergency spending. This has enabled the balance, through budget underspends, to be increased to a level in excess of 5%. Given the current economic climate and the increased risk to the Service budget from the impact of the economic downturn, it is my view that the Authority should seek to protect reserve balances, as much as possible, to provide added financial stability through the downturn period. The deterioration of the banking system and the potential loss of local authority investments from the Icelandic banks provide a stark reminder of why reserve balances are needed. While this Authority is 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.

6.5 It should also be emphasised that – even with a reserve balance equivalent to 6.9% - this Authority would still be placed in the lower quartile when compared to all fire and rescue authorities. The average reserve balance is 13.5% of revenue budget, with the Upper Quartile being 15.0% and Lower Quartile 8.0%. Consequently, even at 6.9% this Authority's reserve level would still be the fourth lowest of all combined fire and rescue authorities in the country, positioning this Authority at 29 out of 33.

7. OPTIONS FOR SETTING THE 2009/2010 REVENUE BUDGET

7.1 As is reported in paragraph 4.2 of this report, to set a revenue budget at £73.039m (a 3.9% increase on the approved 2008/09 budget) would require the level of council tax for a Band D property to be set at £69.81 (a £3.23 – 4.9% - increase over 2008/2009 level). While at this level it is considered unlikely that the Authority would be subject to capping it is likely to represent the highest percentage increase of all fire and rescue authorities in the country. As such it is recommended that the Authority should not consider any increase in council tax in excess of 4.5%.

7.2 To set a revenue budget of £72.899m (an increase of £2.597m – 3.7% - over the approved 2008/09 budget) would require the level of council tax for a Band D property to be set at £69.58 (a £3.00 - 4.5% - increase over 2008/2009 level). To achieve this, however, would require the draft revenue commitment budget to be reduced by an amount of £0.140m.

7.3 While it is considered that setting at this level would not subject the Authority to capping principles, the Authority should still seek to balance the extent to which it can afford to set the council tax at a lower level while still providing sufficient funding for the Service to maintain, and improve upon, its delivery of emergency services to the community it serves. Table 5 overleaf provides a summary of the financial implications of setting a level of council tax level at three other levels below 4.5%, i.e. 3.9%, 3.5% and 3.0%.

7.4 In terms of comparisons with other local authorities and in particular other fire and rescue authorities, whilst no levels of council tax for 2009/2010 have actually been set at this time, a recent survey carried out by the Local Government Association suggests that the average increase to council tax bills will be 3.5%. It should be remembered that this is an average figure which - by definition - means that there will be a range of increases some of which will be less, and some more, then 3.5%. In terms of fire and rescue authorities current indications are that the average increase will be higher than this figure at 3.85%.

7.5 It is typical for fire and rescue authorities to be more than the average of all local authorities, primarily as the element of the total council tax bill that relates to a fire and rescue authority is relatively small and therefore the impact to the 'bottom line' council tax bill is far less. For example, the 2008/2009 council tax figure for this Authority of £66.58 represented, on average, 4.8% of the total council tax bill. An increase in 2009/10, therefore, to £69.58 (Option A) would only increase the bottom line council tax figure by £3.00 - equivalent to an increase to the total council tax figure for each of the 15 billing authorities within the two counties of approximately 0.2%. In fact, the difference in council tax between options A and D included in this report is only 99 pence per annum, i.e. £3.00 for Option A reducing to £2.01 for Option D. For the Service, however, this 99pence reduction equates to a permanent budget reduction of £0.600m.

TABLE 5 – SUMMARY OF COUNCIL TAX OPTIONS

Option	**Council Tax increase** **%**	**Council Tax for a Band D Property** **£ p**	**Increase over 2008/2009** **£ p**	**Reduction required in 2009/2010 draft Revenue Budget** **£m**
A	4.5%	£69.58	£3.00	(0.140)
B	3.9%	£69.18	£2.60	(0.380)
C	3.5%	£68.92	£2.34	(0.540)
D	3.0%	£68.59	£2.01	(0.740)

7.6 The implications of setting the council tax at each of these four levels are outlined in the following paragraphs which also feature:

- proposals for budget reductions for each option;
- a risk assessment for each of those reductions, and
- a forecast of the impact to budget setting for the following two financial years; 2010/2011 and 2011/2012.

OPTION A - REVENUE BUDGET INCREASE OF 3.7% (COUNCIL TAX INCREASE OF 4.5%)

		Increase over 2008/2009	%
Revenue Budget Requirement	£72.899m	£2.597m	3.7%
Council Tax – Band D	£69.58	£3.00	4.5%

7.7 To fund these levels would require a reduction to the draft commitment budget of £0.140m. If this is the chosen option then it is proposed that this level of reduction would be achieved by:

	£m
Reduction in the provision for price increases by revising the assumed increase in the RPI from 3.0% to 1.0%.	(0.140)
TOTAL REDUCTIONS	**(0.140)**

Risk Assessment

7.8 A reduction to the provision for price increases will provide some risk to the Service budget should price increases during 2009/2010 exceed provision e.g. if fuel increases rise again to the extent that they did during 2008. Should this prove to be the case then the additional costs would need to be absorbed from within the overall budget and provision made within the level of General Reserve for variations in prices increases above budget provision.

Impact to 2010/2011 and beyond

7.9 Based on Option A the MTFP assesses that the revenue budget requirement for 2010/2011 and 2011/2012 would be £75.3m and £77.3m respectively. To fund these levels of budget, it is estimated that council tax would need to be increased by 3.9% for 2010/2011, and 3.6% for 2011/2012.

<u>OPTION B – INCREASE IN REVENUE BUDGET OF 3.4% (COUNCIL TAX INCREASE OF 3.9%)</u>

		Increase over 2008/2009	%
Revenue Budget Requirement	£72.659m	£2.357m	3.4%
Council Tax – Band D	£69.18	£2.60	3.9%

7.10 To fund these levels would require a reduction to the draft commitment budget of £0.380m. If this is the chosen option then it is proposed that this level of reduction would be achieved by:

	£m
Reduction in the provision for price increases by revising the assumed increase in the RPI from 3.0% to 1.0%.	(0.140)
Revision to list Essential Spending Pressures	
• Removal of provision for a new post of Policy Support Officer.	(0.052)
• Removal of provision for additional community fire safety hours for retained staff to support Group Plans.	(0.165)
• Reduce the provision for the implementation of an electronic Documents Management system by deferring implementation so as spending is over two years.	(0.023)
TOTAL REDUCTIONS	**(0.380)**

Risk Assessment

7.11 The reduction in the provision for price increases by £0.140m is identified in paragraph 7.7. In relation to the revision to the list of Essential Spending Pressures, the Service will seek to fund the investment in group plans for additional community fire safety (CFS) activities from targeted savings against retained pay costs from driving down activity levels. The extent to which this can be achieved will be compromised, however, should the Service experience an upturn in activity levels during 2009/2010 (for example, as a result of spate weather conditions; the impact of the economic downturn; or increases in incidents of arson and other anti-social behaviour).

7.12 The post of Policy Support Officer is currently filled on a temporary basis funded from vacancy savings across the wholetime pay budget. It should be noted that in setting the draft budget for 2009/2010, an amount of £0.250m has already been included as a vacancy margin saving. To defer the implementation of the electronic documents management system will result in a delay in the delivery of efficiency savings from this initiative.

Impact to 2010/2011 and beyond

7.13 Based on Option B the MTFP assesses that the revenue budget requirement for 2010/2011 and 2011/2012 would be £75.1m and £77.1m respectively. To fund these levels of budget, it is estimated that council tax would need to be increased by 3.9% for 2010/2011, and 3.6% for 2011/2012.

OPTION C – REVENUE BUDGET INCREASE OF 3.1% (COUNCIL TAX INCREASE OF 3.5%

		Increase over 2008/2009	%
Revenue Budget Requirement	£72.499m	£2.197m	3.1%
Council Tax – Band D	£68.92	£2.34	3.5%

7.14 To fund these levels would require a reduction to the draft commitment budget of £0.540m. If this is the chosen option then it is proposed that this level of reduction would be achieved by:

	£m
Reduction in the provision for price increases by revising the assumed increase in the RPI from 3.0% to 1.0%.	(0.140)
Revision to list Essential Spending Pressures	
• Removal of provision for a new post of Policy Support Officer.	(0.052)
• Removal of provision for additional community fire safety hours for retained staff to support Group Plans.	(0.165)
• Reduce the provision for the implementation of an electronic Documents Management system by deferring implementation by spreading expenditure over two years.	(0.023)
Utilisation of Reserves	(0.160)
TOTAL REDUCTIONS	**(0.540)**

Risk Assessment

7.15 In addition to the reductions in price increases and essential spending pressures, this option proposes that the balance of £0.160m is funded from a contribution from the General Reserve. In making this proposal however, it should be emphasised that any contribution from the General Reserve can only be used once and does not provide a sustainable means of funding future budget reductions. In addition, the Authority should be mindful of the fact that indications are that the next two years will present very challenging times for the Service in terms of funding additional budget pressures, and expectations for the delivery of efficiency savings, and therefore the extent to which the base budget is reduced by the utilisation of Reserve balances in 2009/2010, will only serve to exacerbate the difficulties to be faced in setting budgets for 2010/2011 and 2011/2012. Examples of the issues likely to impact on budget setting for 2010/2011 and 2011/2012 are:

- the full impact of the economic downturn;
- potential reductions to future government grant levels, CSR 2007 and CSR 2009;
- expectation for further efficiency savings;
- additional employer pension contributions following the actuarial assessment of pension funds due during 2009. In relation to the firefighters pension scheme, early indications are to expect an increase in contributions of around 20% to fund future liabilities, which would incur additional on-going costs of approximately £1m for this Authority;
- financial implications of the outcome of the ruling from the Part-Time Workers (less than favourable working conditions) tribunal which in 2008 ruled in favour of retained firefighters in so much as they should enjoy similar pension and sickness benefits as wholetime firefighters. Guidance on the impact from this ruling is due in the coming months and has the potential to have significant financial implications to the authority budget given the large number of retained firefighters in the workforce;
- the need to invest in the Service, e.g. further capital investment, CFS initiatives, replacement of obsolete equipment and invest-to-save initiatives.

- The potential costs at Authority level associated with the implementation of the Regional Control Centre and Firelink.

Impact to 2010/2011 and beyond

7.16 Based on Option C the MTFP assesses that the revenue budget requirement for 2010/2011 and 2011/2012 would be £75.1m and £77.1m respectively. To fund these levels of budget, it is estimated that council tax would need to be increased by 4.3% for 2010/2011, and 3.7% for 2011/2012. The forecast increase of 4.3% in 2010/2011 is higher than the increase of 3.5% for 2009/2010 as a direct consequence of the one-off use of the General Reserve in 2009/2010. To set a council tax strategy which would aspire to set an increase in 2010/2011 of no more than 2009/2010 levels (i.e. increase of 3.5%) would require consideration of how on-going efficiency savings of £0.330m can be delivered from 2010/2011 and beyond.

OPTION D – REVENUE BUDGET INCREASE OF 2.8% (COUNCIL TAX INCREASE OF 3.0%)

		Increase over 2008/2009	%
Revenue Budget Requirement	£72.299m	£1.997m	2.8%
Council Tax – Band D	£68.59	£2.01	3.0%

7.17 To fund these levels would require a reduction to the draft commitment budget of £0.740m. If this is the chosen option then it is proposed that this level of reduction would be achieved by:

	£m
Reduction in the provision for price increases by revising the assumed increase in the RPI from 3.0% to 1.0%.	(0.140)
Revision to list Essential Spending Pressures	
• Removal of provision for a new post of Policy Support Officer.	(0.052)
• Removal of provision for additional community fire safety hours for retained staff to support Group Plans.	(0.165)
• Reduce the provision for the implementation of an electronic Documents Management system by deferring implementation so as spending is over two years.	(0.023)
Utilisation of Reserves	(0.360)
TOTAL REDUCTIONS	**(0.740)**

Risk Assessment

7.18 To fund these levels would require a reduction to the draft commitment budget of £0.740m. In addition to the reductions in price increases and essential spending pressures, this option proposes that the further reduction of £0.360m is funded from a contribution from the General Reserve. As is highlighted with Option C, it should be emphasised that any contribution from the General Reserve is only a short–term measure that provides funding for one year only. It does not provide a sustainable solution to fund budget shortfalls and will exacerbate anticipated difficulties in setting budgets for 2010/2011 and 2011/2012.

Impact to 2010/2011 and beyond

7.19 Based on Option D the MTFP assesses that the revenue budget requirement for 2010/2011 and 2011/2012 would be £75.1m and £77.1m respectively. To fund these levels of budget, it is estimated that council tax would need to be increased by 4.8% for 2010/2011, and 3.7% for 2011/2012. The forecast increase of 4.8% in 2010/2011 is higher than the increase of 3.0% for 2009/2010, as a direct consequence of the one-off use of the General Reserve in 2009/2010. To set a council tax strategy which would aspire to set an increase in 2010/2011 of no more than 2009/2010 levels (i.e. increase of 3.0%) would require consideration of how on-going efficiency savings of £0.750m can be delivered from 2010/2011 and beyond. To deliver on-going savings of this magnitude will inevitably require consideration of existing operational cover arrangements and what changes could be made in time to deliver the required level of savings by April 2010.

8. SUMMARY

8.1 The Authority is required to set its level of revenue budget and council tax for 2009/2010 by 1 March so that it can meet its statutory obligation to advise each of the 15 billing authorities in Devon and Somerset of the required level of precept for 2009/2010. This report provides the necessary financial background, as it impacts on this Authority, in order to inform the Committee in considering what levels would be appropriate for 2009/2010. The Committee is asked to consider each of the four options included in this report and to make a recommendation to the budget meeting of the full Authority on 16 February 2009 as to which of these is the preferred option.

KEVIN WOODWARD
Treasurer

LEE HOWELL
Chief Fire Officer

Neil Gibbins
ACTING CHIEF FIRE OFFICER

Mr Andrew Lock
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Dear Mr Lock,

<u>RESPONSE FROM DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY IN RELATION TO THE REVENUE SUPPORT GRANT SETTLEMENT 2009/2010 TO 2010/2011</u>

In relation to the provisional Local Authority Finance Settlement announcement on the 26th November 2008 for 2009/2010 to 2010/2011, I am writing to make representations in response to the settlement as it affects Devon and Somerset Fire and Rescue Authority.

As your department will be aware, this Authority has on a number of occasions, challenged the methodology used to distribute Fire Formula grant, which in its view, does not fairly reflect the disproportionate cost issues faced by a rural authority providing fire and rescue cover in a large sparsely populated geographical area, such as Devon and Somerset. The most recent challenges were outlined in my letter dated 8th January 2008, in response to the 2008/2009 grant settlement, and my letter of the 4th October 2007, in response to proposed changes to grant distribution formulae.

It is disappointing that the eventual changes made to the Fire Formula grant, as included into the current three-year grant settlement figures covering the years 2008/2009 to 2010/2011, were nothing more than a ‘fine tuning’ exercise, rather than an attempt to address some of the failings of the current distribution methodology, which means that there was no attempt to eradicate those elements of the formula which resulted in an inequitable distribution of grant. There are three specific issues that this authority has raised previously, and which it again, as part of this consultation exercise, requests are addressed in the final 2009/2010, and future, settlements. These issues are:-

- The inequity of the Formula Grant system to recognise the additional costs of running a rural fire and rescue authority i.e. sparsity.
- The inequity of the Formula Grant system in the way that support to capital spending is distributed.

The additional financial burden from changes in legislation which now provides access to a pension scheme for retained fire-fighters. It is estimated that this change alone has placed an additional financial burden on the Authority in 2008/2009 of £0.480 million.

The paragraphs below expand further on each of these issues.

SPARSITY

The current formula distribution mechanism for Fire does not include a sparsity factor, and therefore does not reflect the additional resource implications of providing a Fire Service in a rural area. This is the case despite the fact that in the other Formula Grant calculations, such as Education, Social Services and Police, sparsity is recognised as a factor.

The issue is amply demonstrated by looking at grant per head of population for urban and rural authorities:

2009/2010 Average grant per head = £24.64

Urban Authorities	
Cleveland	£39.84
London	£33.82
Merseyside	£34.05
Rural Authorities	
Hereford and Worcester	£14.27
Wiltshire	£14.54
Dorset	£15.34
Devon and Somerset	£18.16

The impact of recent large scale flooding incidents is a good example of the sort of issues that are not adequately recognised in formula grant, and which impact on rural areas in particular. This position can only be exacerbated from the impact of climate change. Sparsity is also an important influence on costs because of: -

- Distance of travel, which is compounded when topographical features such as moors, rivers, estuaries, etc are also prevalent in area;
- The need to provide fire cover, at a disproportionate cost to its utilisation;
- Diseconomies of scale;
- Management effort in terms of running a large retained fire service with generally high turnover rates of staff.
- Significant transport costs.

In terms of area covered, sparse Fire and Rescue Authorities are in a different league from urban authorities. For example, area covered on average per rural station compared with that of urban stations is shown below:

Sparse		Urban	
	Hectares		Hectares
Cumbria	18,000	London	1,400
Lincolnshire	16,000	Merseyside	2,400
North Yorks	22,000	Manchester	3,100
Devon and Somerset	12,400	West Yorks	4,000

Because of the huge areas they have to cover rural authorities have to maintain many more fire stations than their urban counterparts, as shown in the table below. This compares the population served on average by each station in urban and rural areas.

Sparse		Urban	
	Population per station		Population per station
Cumbria	13,000	London	67,500
Lincolnshire	18,000	Merseyside	52,000
Devon and Somerset	19,900	West Midlands	63,000

Clearly, it is important that the grant distribution formula is changed to include an allowance to recognise the additional costs of sparsity by taking into account the area of each authority and the number of fire stations an authority has to maintain to meet fire cover requirements.

What Devon and Somerset FRA is seeking: an equitable grant distribution formula which fully reflects the additional costs of maintaining service provision in a large rural area, both through an allowance for the area served and an allowance for the number of fire stations necessary to maintain minimum standards of fire cover across the area.

ALLOCATION OF CAPITAL RESOURCES

The Formula grant includes support for capital spending through a formula to calculate notional debt charges emanating from capital spending levels. Prior to the introduction of the Prudential Code this calculation was based upon the amount of Basic Credit Approval allocated to each Authority. Whilst the Prudential Code now permits authorities to set its own levels of capital spending, as long the spending is prudent and affordable, the Formula Grant calculation still includes a contribution towards the debt charges, which is based upon the Supported Capital Expenditure (Revenue) figure, which is a figure allocated to each Authority by government to enable the calculation of notional debt charges to be made.
Under current arrangements the total amount of supported capital expenditure is split between Metropolitan Fire Authorities 50.9% and non-Metropolitan Fire Authorities 49.1%, with the non-Metropolitan share being distributed based upon population, and the Metropolitan share being distributed based on a formula which takes account of the number of fire stations, appliances and staff that each authority has. This distribution would clearly seem to favour Metropolitan Authorities as is illustrated from Table 1 below;

TABLE 1 – ANALYSIS OF SUPPORTED CAPITAL EXPENDITURE (PER HEAD OF POPULATION)

	Population (m)	Supported Capital Expenditure (SCE) 2009/2010 (£m)	Number of Stations	SCE per station (£)
Combined Fire Authorities				
Devon and Somerset	1.681	1.757	82	£21,426
Hampshire	1.711	1.811	52	£34,826
Kent	1.673	1.750	65	£26,923
Essex	1.700	1.788	51	£35,058
Metropolitan Fire Authorities				
Merseyside	1.353	3.160	26	£121,538
South Yorkshire	1.296	2.748	25	£109,920
Greater Manchester	2.580	4.396	41	£107,219
Tyne and Wear	1.075	2.129	17	£125,235

As can be illustrated from the above the current mechanism for the distribution of SCE amongst fire authorities is 'unfair' and clearly does not recognise the needs of a more rural Fire Service, which will inevitably have greater capital spending issues as a result of the need to build and maintain more fire stations, and to replace more fire appliances and equipment For instance, under the current distribution methodology Tyne and Wear (£2.129m), receives a larger allocation than Devon and Somerset (£1.757m), even though it has significantly less fire stations, i.e. 17 compared to 82. Similarly, when compared to other combined fire authorities, Devon and Somerset receives a similar SCE figure to that of Hampshire, Kent and Essex, as all have similar populations, and yet Devon and Somerset has by far the greater number of stations.

What Devon and Somerset FRA is seeking: An equitable formula for the allocation of SCE (R) which is consistent right across England, and which reflects the factors which give rise to the need for Capital Spending.

ADDITIONAL COSTS RELATING TO RETAINED STAFF JOINING THE NEW PENSION SCHEME

The new fire-fighters pension scheme has for the first time given access to a scheme for retained staff. This has incurred a new cost to fire authorities in relation to an employer's contribution for each member that joins the scheme. Whilst this has placed additional financial burdens on most FRA's, it will be in rural authorities such as Devon and Somerset where the biggest cost impact will be felt. To put this into context, Devon and Somerset FRA currently employs **1,185 retained staff,** of which 512 (43%) have opted to join the pension scheme, at an additional cost of £480,000 for 2008/2009. This figure can only grow in future years, as new entrants are automatically entered into the scheme. For a Metropolitan Authority such as Greater Manchester **(36 retained staff)** or South Yorkshire **(53 retained staff**) the impact of this change has been relatively insignificant. There is no recognition in the new formula of this additional burden.

<u>What Devon and Somerset FRA is seeking:</u> A formula, which is changed to reflect the additional burdens faced by rural authorities in relation to employer's contributions to the Pensions Account for retained staff. If this issue is not to be reflected in Formula grant distribution, then this Authority would request that funding be allocated through 'New Burdens' grant.

SUMMARY

It is the view of this Authority that the most recent changes to the Fire Formula Grant, as introduced into the current three-year settlement, does not go far enough to eradicate some of the flaws contained in the current methodology, and requests that the CLG give serious consideration to the changes suggested in this response.

Yours faithfully

Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority

DEVON & SOMERSET FIRE & RESCUE SERVICE

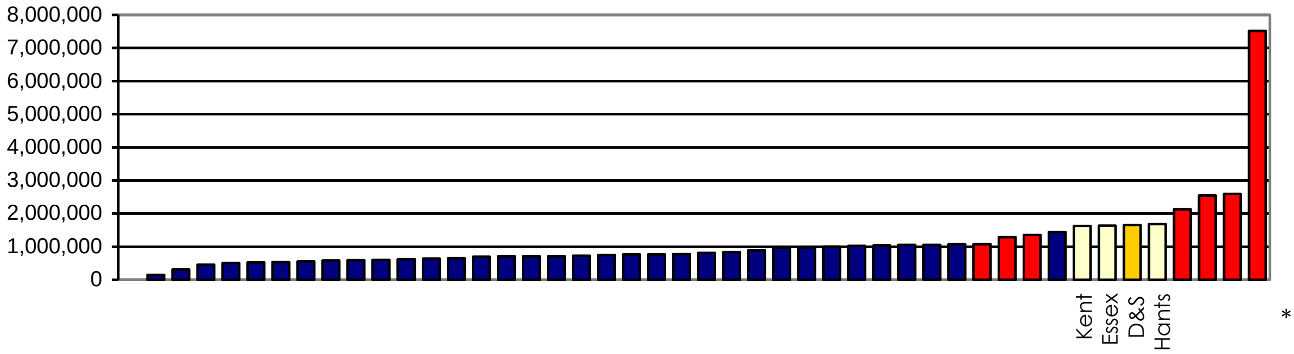
ACTING TO PROTECT & SAVE

The profile of Devon & Somerset Fire & Rescue Service compared to other English fire & rescue services.

Population

Within Devon and Somerset there is a residential population of 1.66 million. A very similar number when compared to Kent (1.62 million), Essex (1.64 million) and Hampshire (1.69 million).

Population as at June 2007*:

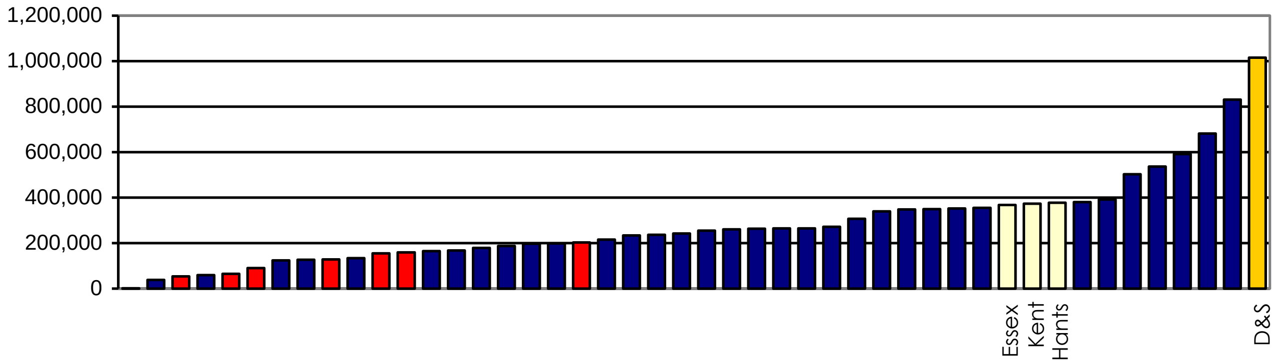


The metropolitan Services are shown as red.

Area

However, the population in Devon and Somerset is spread over the largest geographical area compared to all other services within England and an area approximately 3 times the size of Essex, Kent and Hampshire.

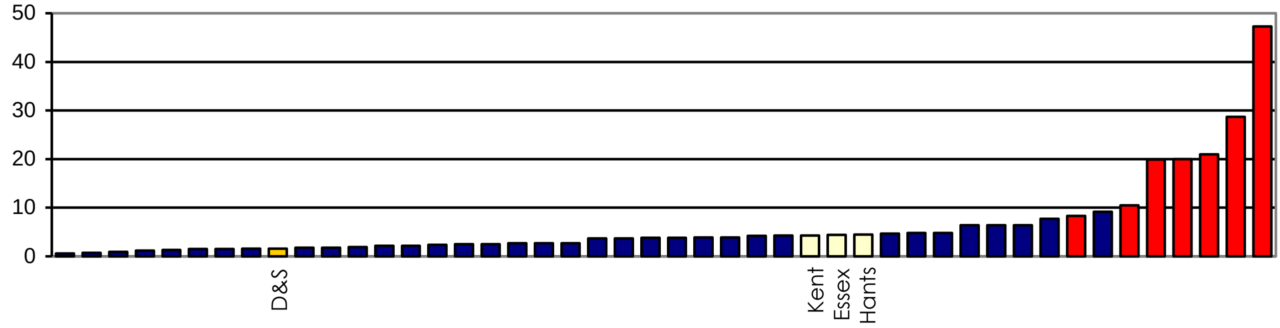
Area in hectares:



Population Density

Not surprisingly, the Service has one of the most sparsely populated areas.

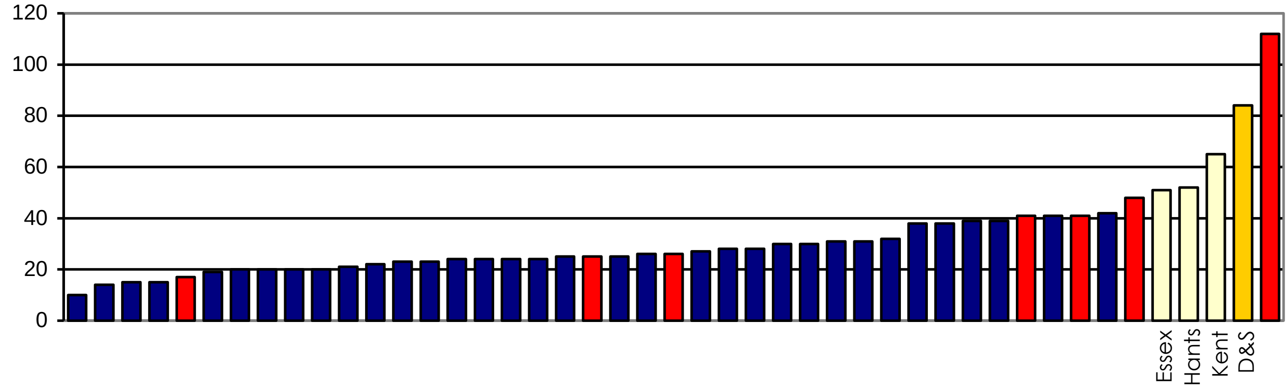
Population per hectare:



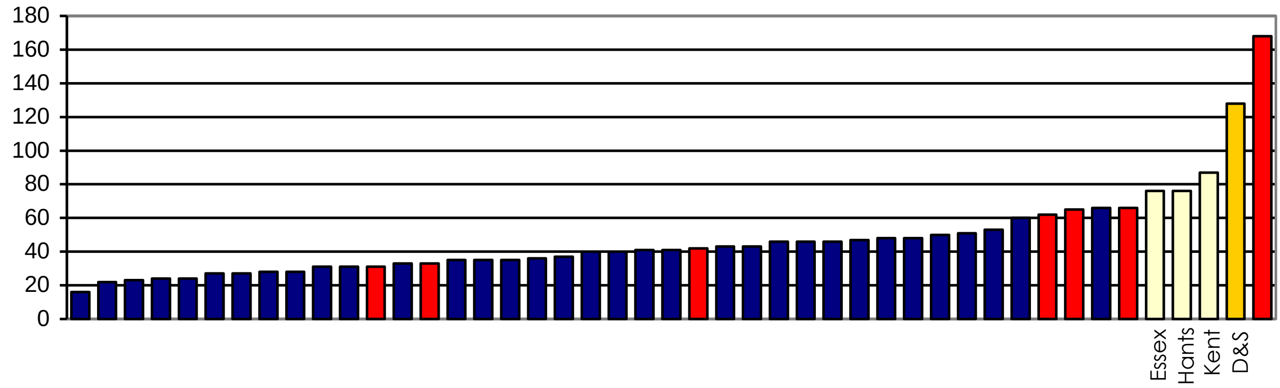
Resources

To provide services to the community, there are the following number of stations, appliances and people employed.

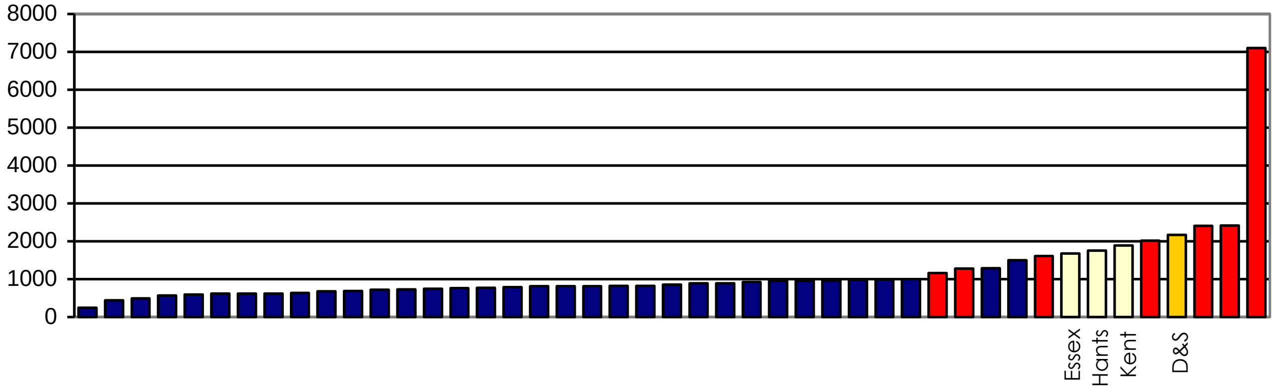
Estimated number of Fire Stations as at 31 March 2008:



Estimated number of pumping appliances as at 31 March 2008:



Estimated number of people employed (FTE) as at 31 March 2008:

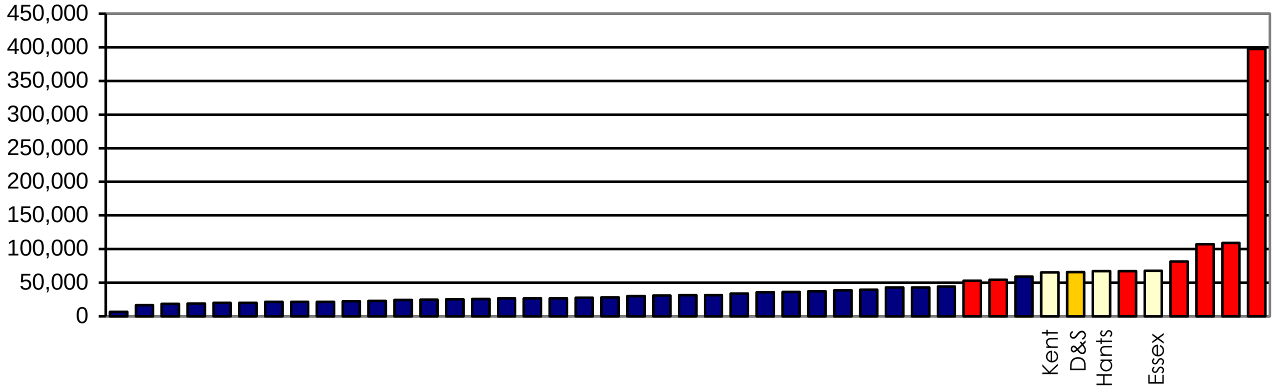


The three factors above have the biggest impact upon the levels of spending required to support the service.

Funding

Therefore, Devon and Somerset have to support more staff, stations and appliances than most other FRSs in order to deliver its services to the community. However, levels of net expenditure are still in line with others services who serve the same population, but have fewer resources to support.

Estimated net expenditure (excluding capital charges) for 2007/08: (£,000s)



Source of all data: CIPFA Fire and Rescue Service Statistics 2007

DRAFT REVENUE COMMITMENT BUDGET 2009/2010

		£m		%
	Revenue Budget 2008/2009		**70.302**	
	Provision for Pay and Prices Increases			
1	Uniformed Pay Award	1.116		
2	Non-uniformed pay award	0.201		
3	Provision for increase in prices	0.426		
4	Provision for inflationary increase in pensions	0.090		
			1.833	2.6%
	Inescapable Commitments			
5	One-off utilisation of Reserves in 2008/2009	0.153		
6	Additional debt charges arising from revised capital programme	0.131		
7	Leasing costs for replacement light vehicle programme	0.144		
8	Reduction in investment income following reductions in interest rate.	0.232		
9	Increase in insurance premiums	0.019		
10	Reduction in retained pay costs	(0.158)		
11	Provision for Pay Increments and other pay changes	0.128		
12	Additional pension costs from ill-health retirements	0.068		
13	Implementation of Integrated Clothing Project	0.064		
14	Provision for increase in utilities and rates costs	0.028		
15	Costs of fitting Firelink into light vehicles	0,055		
16	Reduction in income levels	0.033		
17	Smoke alarm replacements previously funded from capital grants.	0.057		
18	Inadequate budget for transport costs	0.055		
19	Reduction in training costs from economies of scale from combination	(0.095)		
20	Roll out of Incident Reporting System	0.040		
21	Other changes (net)	0.038	0.992	1.4%
	Efficiency Savings			
22	Phase 2 of the dual crewing of Aerial appliances	(0.293)		
23	Full year impact of reduction in Area Manager posts from 12 to 9.	(0.078)		
24	Changes in the delivery of Road Traffic Collision training	(0.038)		
25	Introduction of E-learning into training programmes	(0.058)		
26	Re-structure of the Operational Assets Department	(0.045)		
27	Introduction of mobile working practices	(0.035)		
28	Procurement and other savings	(0.126)	(0.673)	(0.9)%

DRAFT REVENUE COMMITMENT BUDGET 2009/2010 (CONTINUED)

		£m		%
	Essential Spending Pressures			
29	Enhance the delivery of Group Community Fire Safety activities	0.165		
30	Introduction of community targeting systems	0.012		
31	Property Maintenance e.g. thermal insulation programme	0.100		
32	Introduction of E-Market place systems	0.030		
33	New post to support policy development	0.052		
34	Introduction of systems to monitor retained staff availability	0.026		
35	Introduction of electronic document management systems	0.150		
36	Provision for a Member development programme	0.020		
37	Continuation of review of operational shift patterns	0.030	0.585	0.8%
	TOTAL CHANGES (LINES 1 TO 37)		**2.737**	**3.9%**
	DRAFT REVENUE COMMITMENT BUDGET 2009/2010		**73.039**	

REPORT ON PRECEPT CONSULTATION FOR 2009-10 BUDGET

1. BACKGROUND

1.1 Section 65 of the Local Government Finance Act 1992 requires precepting authorities to consult non-domestic rate payers on its proposals for expenditure. The Act requires the consultation for each financial year to be completed before the first precept is issued by the authority for that financial year.

1.2 In January 2007 Devon and Somerset Fire and Rescue Service undertook its first precept survey by commissioning a telephone survey to question businesses on the proposed level of precept. This same method was used in 2008 and again in 2009.

2. SURVEY METHODOLOGY

2.1 Whilst there are many different options that could be used for public consultation, the time restriction for completing the survey renders the options of postal survey and focus groups impractical. Therefore, as in previous years a telephone survey was commissioned with an external agency. The survey was conducted between Wednesday 7 January and Friday 16 January 2008.

2.2 The key specifications of the survey were:

- To ask 4 questions
- To collect both closed and open question answers
- To provide a representative sample by constituent area (i.e. Devon County Council, Plymouth City Council, Somerset County Council and Torbay Council)

2.3 The survey sample size is important for quantitative consultation if statistical analysis is to be applied to the results. The sample size is determined by the population, confidence and confidence interval. It is important to set the confidence interval for the survey appropriately with regard to the importance attached to the results. It is important to remove the possibility of chance from the outcomes and to understand the accuracy of the results. A confidence interval of +/- 5% at 95% confidence level be set. At the estimated business population a sample of 400 is required, see Table 1.

Table 1: Population and sample size

Constituent authority	Actual number of businesses	%	Proportionate sample	Adjustment	Proposed sample		Actual response	
					Count	%	Count	%
Devon	34960	52.2%	209	-27	182	46	177	44
Somerset	22875	34.1%	136	-18	118	29	119	29
Plymouth	5115	7.6%	30	+ 20	50	12.5	59	15
Torbay	4060	6.1%	25	+ 25	50	12.5	50	12
Total	**67010**	**100%**	**400**	**0**	**400**	**100%**	**405**	**100%**

(The data on the actual number of businesses contained in Table 1 are produced from a snapshot of the Inter Departmental Business Register (IDBR) taken on 21 March 2008.)

3. RESULTS

3.1 1192 businesses were contacted to participate in the survey from which:

- 405 (34%) businesses completed the survey
- 141 (12%) businesses declined to participate
- 646 (54%) numbers unobtainable/incorrect/no answer

Question 1 asked: 'For 2009/10 Devon and Somerset Fire and Rescue Authority is estimating a Council Tax increase of no more than 4.9% to maintain current standards of service. This would set a Council Tax figure of £69.81 per year per band 'D' property, an increase of 27p per month (£3.23 per year). Do you consider £69.81 to be value for money?'

3.2 68% of respondents agreed that the proposed charge did represent value for money and 32% felt it wasn't. Table 2 illustrates that fewer respondents from Plymouth considered the proposed level of Council Tax to be value for money when compared with respondents from the other constituent authority areas.

Table 2: Responses to Question 1 by Local Authority Area.

Response	Plymouth		Devon		Somerset		Torbay	
	Count	%	Count	%	Count	%	Count	%
Yes	29	60%	94	66%	80	68%	36	78%
No	19	40%	48	34%	37	32%	10	22%
Total	**48**	**100%**	**142**	**100%**	**117**	**100%**	**46**	**100%**

3.3 When compared against the results from the 2007/08 survey it is observed that fewer respondents considered the proposed level of Council Tax to be value for money, see Table 3

Table 3: Question 1 Do you consider '£x' to be value for money? - Comparison between results in 2007/08, 2008/09 and 2009/10

Response	2007/08 Proposed Council Tax £63.45	2008/09 Proposed Council Tax £66.58	2009/10 Proposed Council Tax £69.81
Yes	79%	75%	68%
No	21%	25%	32%
Total	**100%**	**100%**	**100%**

3.4 There were 49 general comments received from respondents on this question. The themes of the comments were:

- A difficult question, who wouldn't pay extra for an emergency service
- Not appropriate in current economy
- Should be funded by government money
- Pay too much already
- DSFRS should have enough money already

Question 2 asked: 'What percentage increase, based on last year's figure of £66.58, would you consider reasonable?'

3.5 This question was asked if respondents answered ‘No’ to Question 1. Respondents were given the opportunity of answering with options between 2.5% and 4.5%. Of the 103 respondents who answered this question 64% would not find any increase on last years figure of £66.58 to be reasonable with 36% feeling an increase between 2.5% and 4.5% would be reasonable.

Table 4: Question 2 ‘What percentage increase, based on last year’s figure of £66.58, would you consider reasonable?’

Proposed % increase	Number of responses	Response %
4.5%	4	4%
4%	1	1%
3.5%	3	3%
3%	12	12%
2.5%	17	16%
None	66	64%
Total	**103**	**100%**

3.6 There were 68 general comments received from respondents on this question. The themes of the comments were:

- Something in line with inflation
- Don’t know what figure would be reasonable
- Hadn’t thought about it
- An increase is not appropriate in the current economy
- There should be no council tax
- Pay too much already
- DSFRS should have enough money already
- Nothing can do about the increase

Question 3 asked: ‘Would you be prepared to pay £1 more per year per household, in addition to the proposed charge of £66.58 per year, to enable Devon and Somerset Fire and Rescue Service to improve community safety?’

3.7 All respondents who answered ‘Yes’ to Question 1 were asked if they would be prepared to pay £1 more to improve community safety. 93% (211) of participants responded that they would, which equates to 52% of all the respondents who were surveyed.

3.8 There were 45 general comments received from respondents on this question. The themes of the comments were

- Want to see where money is going and how it is spent
- Will pay the money as long as it is well spent and there is improvement
- Money should be better allocated/organised
- An increase is not appropriate in the current economy
- There should be no increase
- Pay too much money already
- DSFRS should have enough money already
- Don’t have a choice have to pay

Question 4 asked: ‘If you were not prepared pay an extra £1 per year per household, how much would you be prepared to pay?’

3.9 All respondents who answered ‘No’, ‘don’t know’ or ‘other comment’ to Question 3 were asked how much extra they would be prepared to pay to improve community safety. Only two respondents answered this, the options they were given were £0.75, £0.50, £0.25 one selected £0.50 and the other £0.25. Three respondents provided additional comments, the comments were:

- ‘I really don’t have a choice do I’
- ‘I do not agree with the combination of Devon and Somerset I think that this is why the increase is a full pound.’
- ‘I am not looking forward to having anything increased this year’

4. CONCLUSION

4.1 The results of the telephone survey indicate that there is support for the proposed level of Council Tax and a high proportion of the respondents would be prepared to pay an additional £1 to improve community safety. Over the last three years there appears to be a decreasing opinion that the proposed level of Council Tax provides value for money. Underlying messages are that less people consider the proposed level of Council Tax to be value for money and the additional comments indicate that there is concern about increasing Council Tax in the current economic situation.

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/09/2**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**4 FEBRUARY 2009**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2009/10 TO 2011/12 AND ASSOCIATED PRUDENTIAL INDICATORS**
LEAD OFFICER	**Head of Physical Assets and Treasurer**
RECOMMENDATIONS	***That the Authority at its budget meeting on 16 February 2009 be recommended to approve the revised Capital Programme 2009/12 to 2011/12 and the associated Prudential Indicators as set out in this report***
EXECUTIVE SUMMARY	This report details the proposed capital programme for the Authority for the period 2009/10 to 2011/12. Appendix B illustrates the existing approved 2008/09 to 2010/11 capital programme. Appendix A illustrates the proposed 2009/10 to 2011/12 capital programme, which includes elements of the aforementioned programme already approved, but additionally includes further proposals to meet ongoing fleet and equipment replacement programme needs and ongoing estates development and maintenance needs. A prudent approach has been taken to the proposals as fully explained within the report.
RESOURCE IMPLICATIONS	A full financial appraisal is contained within the report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	A. Proposed 2009/10 to 20011/12 Capital Programme. B. Existing approved 2008/09 to 2010/11 Capital Programme. C. Prudential Indicators to proposed Capital Programme
LIST OF BACKGROUND PAPERS	Report RC/09/10 – "Affordable Capital Investment Plans for 2009/10 to 2011/12" – submitted to the meeting of the Resources Committee on 8 December 2008:

1. INTRODUCTION

1.1 Each year, as part of the annual budget setting process, the capital programme for the next three years needs to be reviewed and updated to include projects and schemes which are deemed essential for either the normal replacement cycle of assets or for major business development in line with structured asset management planning.

1.2 Since programmes are set down on a three year rolling programme basis, the remaining two years from the previously approved programme are still extant. These two years are updated to include any new proposals and a new third year introduced. This gives rise to a situation where part of the capital programme has been previously approved. Appendix B illustrates the previous capital programme 2008/09 to 2010/11, originally approved by the Authority at its budget meeting on 15 February 2008, for which the latest revised edition was approved by this Committee at its meeting on 3 October 2008 (Minute *RC/11 refers).

1.3 Appendix A represents the proposed capital programme 2009/10 to 2011/12, which includes the elements already approved in the Appendix B table plus the newly introduced elements. The newly introduced elements are fully explained below.

1.4 The debt charges and prudential indicators are necessarily revised as a consequence of the proposals and these are fully illustrated within the report.

1.5 The report 'Affordable Capital Investment Plans 2009/10 to 2011/12' was endorsed by this Committee at its meeting on 8 December 2008 (Minute *RC/15 refers). This report illustrated the significant capital investment needs of a large rural fire and rescue authority such as the Devon & Somerset Fire & Rescue Authority (DSFRA) and the inability of the Authority to fund those requirements due to financial constraints. The report illustrated the inequity in the calculation of revenue grant support for capital expenditure (SCE(R)) from the Authority's viewpoint on sparsity grounds and its representations to CLG on the matter. The report also detailed the Authority's capital investment pressures and how it would require an additional £37m over the next three years to meet the ongoing full replacement programme needs.

1.6 For reasons of affordability, however, the report was only able to recommend a minimum spend in support of capital requirements. Fortunately, the Department for Communities and Local Government (CLG) has approved an additional injection of £2m debt free capital support for the next two years, principally to address equality and diversity issues on stations. This Committee endorsed a proposal for an additional £7m over the next three years. These two elements, together with the previously approved capital programme, give rise to overall proposed programme in Appendix A. It may be observed, therefore, that this falls considerably short of the full requirement illustrated above, but necessarily addresses the immediate affordability issues facing the Authority. For the first time in several years there are no new major builds being planned within the programme. This will, however, allow a full review of station requirements and disposition in terms of local risk, whilst being mindful of recommendations within the recent Audit Report 'Rising to the Challenge'.

2. BACKGROUND

2.1 Capital finance costs principally involve debt charges resulting from borrowing, but there are some historic lease charges relating to the fleet portfolio. Operational Leasing is no longer being used by the Authority for capital financing following the introduction of the Prudential Borrowing Code.

2.2 Debt charges impact on the revenue budget, but timing and term of the borrowing vary according to category of borrowing, the point at which expenditure occurs and the bank balance. For these reasons the impact of the proposals in this report will largely take effect from financial year 2010/11 onwards. A detailed financial appraisal is given in sections 4 and 5.

2.3 For similar reasons any slippage in the previously approved capital programme will impact the 2009/10 revenue budget as debt charges will be less than planned, resulting in a revenue budget saving in that year. Current slippage is documented in Section 3 and the financial consequences are included within section 4.

2.4 Financing costs associated with the programme approved on 3 October 2008 are used as a base comparison in the financial analysis in section 4.

3. PROGRAMME AND PROPOSALS

Estate Development

Exeter Middlemoor and Exeter Danes Castle

3.1 There are no changes to these already approved schemes. Good progress is being made with the schemes considered to be ahead and in excess of forecast budget cashflow at financial year end. The schemes will remain within budget overall.

Other Projects

3.2 The ongoing sums approved by the Authority in February 2008 in respect of ring-fenced maintenance have been increased by inflation to £750,000.

3.3 The proportion of the two year £2m government capital grant allocated to 2009/10 is £870,000. Although there are no absolute constraints concerning its use, there is an assumption that facilities on station will be brought into line with equality and diversity requirements. The Service has many shortcomings in this respect and therefore the funds will be widely deployed to address some of these issues.

3.4 The currently planned projects covering the two budgets totalling £1.62m in total is shown below, but this is subject to amendment where blocking factors arise, albeit the overall budget will be adhered to.

Taunton	Phase 2 of internal refurbishment	150,000
Yeovil	Phase 2 of internal refurbishment	100,000
New drill tower	Teignmouth, Exmouth, Dulverton, Totnes, Shepton Mallet or Crownhill	60,000
Station extensions	Ivybridge	160,000
	Dawlish	160,000
	Street	160,000
	Bovey Tracey	160,000
DDA, DAW, BA,	Honiton	60,000
Drying Room,	Lynton	100,000
Community access	Martock	30,000
works	Chumleigh plus new roof	60,000
	Sidmouth	120,000
	STC Phase 2	65,000
Torquay	Phase 2 of training structure	175,000
New boiler	Crownhill, Camels Head or Torquay	45,000
Total		**1,605,000**

<u>2008/09 Slippage</u>

3.5 Slippage at financial year end is a regular phenomenon in major capital projects due to the inability to control certain external factors, examples of which are the planning process and conveyance transactions. In these circumstances it becomes difficult to fully complete 'other project' schemes within the financial year that they are approved.

3.6 Slippage on the major schemes is dealt with by re-profiling the scheme, whilst maintaining the originally approved threshold, albeit at the moment the Exeter schemes are generally performing ahead of profile. Slippage in other projects totalling an estimated £231,700 has occurred, however, but again, originally approved thresholds are held. Progress on Exeter stations ahead of October's revised schedule has compensated for this slippage.

3.7 Slippage does not necessarily have a major detrimental impact on the scheme as the prudential code financial guidelines now allow for greater flexibility in roll over between financial years. The originally projected debt charges are affected, however, in that there will be less revenue spend than originally planned in the relevant year. The final slippage figure may vary when the outturn report is completed following year end.

Fleet and Equipment

<u>Replacement Appliances</u>

3.8 The Authority approved a programme which allowed for the replacement of 9 appliances at its meeting of 30 May 2007 and these are due for delivery in April this year. No new appliances were approved in the 2008/09 budget year as the programme was effectively frozen. This currently results in a backlog in the replacement programme of 6 appliances overdue from 2007/08 and 8 from 2008/09. A further 9 are due for replacement in 2009/10, 13 in 2010/11 and potentially around 12 (the average figure) in 2011/12. This would give an overall total requirement of 48 appliances by 2011/12 if appliances were replaced 'like for like' in line with the current replacement policy. The endorsed proposal in Appendix A allows for an additional £6m to be spent on vehicle replacements over the next three years. This would need to cover the requirements of special vehicles and aerials in addition to appliances. For comparison purposes, these funds would allow for 21 appliances to be replaced with £1.17m spent on specials. The current euro currency exchange rate would impact on this, however, as a significant proportion of equipment is necessarily sourced from continental Europe.

3.9 As noted in previous reports, the Authority has the second largest fleet in England and failure to abide by the replacement schedules leads to significant problems in future years such as increased maintenance costs, less operational availability due to breakdown failures and difficulties in maintaining legislative and health and safety compliance. Furthermore, new vehicles are far more energy and environmentally efficient with significant ergonomic advantages, which take account of equality and diversity considerations, thereby encouraging use by a more diversified workforce, some of whom would feel disadvantaged and discouraged from working with old vehicles.

3.10 This rising backlog is perturbing, but in line with current best practice, as advocated in the recent Audit Report 'Rising to the Challenge' the Service is reviewing resource requirements and disposition in line with local risk. Hence it is considering a wider portfolio of vehicles specially targeted to meet these local risks. These vehicles are generically referred to as Targeted Response Vehicles (TRVs). A typical TRV is significantly less expensive than the traditional appliance and therefore it may be possible to achieve a wider replacement programme through a mixture of appliances and TRVs as appropriate to the defined risks.

3.11 It is likely, however, that there will still be an overall medium term funding deficit to meet full operational needs unless more stringent measures are put into place and/or other funding support realised through efficiency savings.

Aerial replacement

3.12 The Authority approved a programme which allowed for the replacement of 3 aerials and refurbishment of a further 2 aerials at its meeting of 30 May 2007. As was always the intention, subject to containment within the funding envelope, this was revised in October 2008 to allow the 2 refurbished aerials to become new ones through efficiencies in the procurement programme throughout. The aerials will be delivered in the first quarter of 2010 and there will be a degree of compatibility within the region. There are three further aerials within the Service due for replacement within timescales of this programme and these would be reviewed as part of asset review process and the total funding envelope available.

Specialist Operational Vehicles

3.13 The Authority approved a programme which allowed for the replacement of certain special operational vehicles at its meeting of 30 May 2007. The programme is in varying degrees of completion due to the bespoke nature of these vehicles. There is a backlog of 4 replacement vehicles due for 2008/09 and a further 10 or so are due over the next three years. As explained above the replacement programme was frozen in 2008/09 and new vehicles will have to be funded within the funding envelope proposed for vehicles in total. The new TRV concept may also impact on the specials programme as vehicle scope of operations become more flexible due to increased versatility of use and location.

Equipment

3.14 The previously approved equipment replacement budget has been updated in line with inflation only.

2008/09 Slippage

3.15 Slippage occurs due to the inability to control certain external factors, an example of which is the manufacturer's build schedule slots for vehicles.

3.16 Slippage inevitably occurred with the aerial replacement programme and there has been a minor delivery delay of appliances to April 2009, resulting in final payment being in the next financial year. Such delays may be managed within the prudential code financial guidelines. The originally projected debt charges are affected, however, in that there will be less revenue spend than originally planned in the relevant year. Slippage for fleet and equipment is estimated at £700,000, largely as a result of the 9 new appliances being slightly late in delivery and slipping into the 2009/10 financial year as stated.

4. FINANCING OF THE PROPOSED REVISED CAPITAL PROGRAMME

4.1 The amount of capital expenditure borrowing that is supported through the Revenue Support Grant and known as Supported Capital Expenditure (SCE(R)) for 2009/10 is £1,757,000. The SCE(R) is based on population (as it is for County Councils) and not on asset base as it is for Metropolitan Fire Authorities. This fails to take account of the need to provide significantly more assets in sparsely populated areas than in urban areas. This "sparsity" factor is well recognised but as yet receiving insufficient funding support from government. It has a particularly significant impact on Devon and Somerset. The Authority has made representations to government on this aspect, but without any positive outcome to date.

4.2 Borrowing in excess of the SCE(R) is permitted through the Prudential Code and classed as unsupported borrowing. These borrowing requirements are controlled by the approval and monitoring of the prudential indicators, and through the adoption of the Authority's treasury management strategy and practices.

4.3 There are projected overall slippages in the 2008/09 Capital programme will result in the debt charges appertaining to those schemes being lower in 2009/10 than originally forecast.

4.4 The schedule in Appendix A illustrates the revised spending profiles for 2009/10 through to 2011/12. The estimated debt charges emanating from this revised spending profile are illustrated in Table 1 below. These figures have been included in the 2009/2010 revenue budget and Medium Term Financial Plan (MTFP).

TABLE 1 – SUMMARY OF ESTIMATED CAPITAL FINANCING COSTS

	2008/09	**2009/10**	**2010/11**	**2011/12**
	£m	**£000**	**£000**	**£000**
Base budget for Capital Financing Costs – debt charges and operating leasing rentals	4.413	4.544	4.971	5.355
Increase over previous year		0.131	0.427	0.384

5. REVISED PRUDENTIAL INDICATORS

5.1 In considering the original capital programme for the years 2008/2009 to 2010/2011 at the February budget meeting (revised in October 2008), the Authority also approved the prudential indicators associated with the proposed level of spending. These are the indicators required to be set, by the Authority, under the Prudential Code for Capital Financing, to ensure that capital spending plans are affordable, prudent and sustainable. Given the revised capital programme included in this report it is necessary for those indicators to be revised based upon the new proposed level of spending. These revised indicators are included at Appendix C for consideration and approval.

6. CONCLUSION AND RECOMMENDATION

6.1 This report has built upon the report "Affordable Capital Investment Plans for 2009/10 to 2011/12" as submitted to the previous meeting of the Committee.

6.2 Both this and the previous report have emphasised the pressure a Service of the size of DSFRS puts upon its capital programme requirements. It is clearly necessary that an affordable proposal is put in place, however, and both reports have recommended the same prudent solution.

6.3 It is clear, however, that the solution does not fully address the needs of the Service either now or in the future. With budget settlements set to become even more stringent in future years as a consequence of the economic downturn, it is apparent that it will become extremely difficult to address the backlog in asset replacement and maintenance that is accruing. The CLG grant has 'softened the blow', but it perhaps seems unlikely that this will be continued beyond the initial two year period. It would be prudent for the Service to seek to review its asset base for the future to consider more flexible, economic and targeted resources to meet local risk requirements. Preliminary studies are underway in this respect.

6.4 The proposed capital programme as set down in Appendix A is now recommended for approval.

DEREK WENSLEY
Head of Physical Assets

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/09/2

Proposed Capital Programme (2009/10 - 2011/12)

PREV YEARS (£000)	2008/09 (£000)	PROJECT	2009/10 (£000)	2010/11 (£000)	2011/12 (£000)	Project Total incl. prev years (£000)
		Estate Development				
661	1,522	Exeter Middlemoor	1,769	150		4,102
61	1,187	Exeter Danes Castle	1,692	103		3,043
	469	Other Projects				
		Funded Capital grant	870	1,193		2,063
		Allocation			1,000	1,000
	483	Maintenance ring fenced	750	750	750	2,733
		2008/09 slippage	231			231
	624	2007/08 slippage				
	4,285	**Estates Sub Total**	**5,312**	**2,196**	**1,750**	
		Fleet & Equipment	-			
	1,155	Appliance replacement	1,675	880		3,710
	200	Specialist Operational Vehicles	368			568
		Vehicle replacement programme	870	3,140	2,000	6,010
	259	Equipment	319	319	319	1,216
26	55	Asset Management Plan (Miquest) software	144			225
		2008/09 slippage	50			50
	400	2007/08 slippage				
	170	BA cylinder replacement				
	2,239	**Fleet & Equipment Sub Total**	**3,426**	**4,339**	**2,319**	
	6,524	**Overall Capital Totals**	**8,738**	**6,535**	**4,069**	

Note that the total of £25,866 for 2008/09, 2009/10, 2010/11 and 2011/12 equates directly with the sums presented to Resources Committee on 8 December 2008 in the report: Affordable Capital Investment Plans 2009/10 to 2011/12. The only movement is that the overall slippage for 2008/09 has been updated from £655,000 to £536,000, but the totals remain the same.

APPENDIX B TO REPORT RC/09/2

Revised Capital Programme (2008/09 - 2010/11)

PREV YEARS (£000)	2007/08 (£000)	PROJECT	2008/09 (£000)	2009/10 (£000)	2010/11 (£000)	Project Total incl. prev years (£000)
		Estate Development				
52	609	Exeter Middlemoor	1,450	1,841	150	4,102
	61	Exeter Danes Castle	864	2,015	103	3,043
	1,019	SHQ building	449			1,468
	1,310	USAR Project	20			1,330
		Maintenance ring fenced	714	714	714	2,142
		2007/08 slippage	525			525
		2006/07 slippage	99			99
		Estates 2008 - 2010 Sub Total	**4,121**	**4,570**	**967**	
		Fleet & Equipment	-			
		Appliance replacement	1,760	1,950		3,710
		Specialist Operational Vehicles	200	368		568
		Equipment	309	309	309	927
		BA cylinder replacement	170			170
	26	Asset Management Plan (Miquest) software	100	99		225
		2007/08 slippage	234			234
		2006/07 slippage	166			166
		Fleet & Equipment 2008 - 2010 Sub Total	**2,939**	**2,726**	**309**	
		Overall Capital 2008 - 2010 Totals	**7,060**	**7,296**	**1,276**	

PRUDENTIAL INDICATOR	**2009/10 £m estimate**	**2010/11 £m estimate**	**2011/12 £m estimate**
Capital Expenditure			
Non - HRA	8.738	6.535	4.069
HRA (applies only to housing authorities)	0	0	0
TOTAL	8.738	6.535	4.069
Ratio of financing costs to net revenue stream			
Non - HRA	3.42%	4.19%	4.67%
HRA (applies only to housing authorities)	0%	0%	0%
Capital Financing Requirement as at 31 March			
Non – HRA	28.673	32.048	33.761
HRA (applies only to housing authorities)	0	0	0
TOTAL	28.673	32.048	33.761
Annual change in Cap. Financing Requirement			
Non – HRA	2.860	3.375	1.713
HRA (applies only to housing authorities)	0	0	0
TOTAL	2.860	3.375	1.713
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase/(decrease) in council tax (band D) per annum	(£0.36)	(£0.47)	£0.12
TREASURY MANAGEMENT PRUDENTIAL INDICATORS			
	£000	**£000**	**£000**
Authorised Limit for external debt -			
borrowing	36.628	38.602	40.205
other long term liabilities	0	0	0
TOTAL	36.628	38.602	40.205
Operational Boundary for external debt -			
borrowing	33.761	35.397	36.829
other long term liabilities	0	0	0
TOTAL	33.761	35.397	36.829

	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 2009/10		
Under 12 months	10%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	50%

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/09/3**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**4 FEBRUARY 2009**
SUBJECT OF REPORT	**REVENUE BUDGET MONITORING REPORT 2008/2009**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***That the budget monitoring position as outlined in this report be noted.***
EXECUTIVE SUMMARY	This report provides Members with a further revenue budget monitoring report for the current financial year. It provides projections of spending against individual budget lines and explanations of any significant variations. Based upon spending to the end of December 2008, it is projected that spending will be £0.665m less than the approved revenue budget, equivalent to 0.95%. The main reason for such an underspend position is as a consequence of savings from staffing costs, primarily from a high number of vacancies due to retirements, and reductions in retained pay costs as a consequence of relatively low activity levels. A summary of the main variations from individual budget lines are provided within the report.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	A. Revenue Budget Monitoring Report.
LIST OF BACKGROUND PAPERS	Nil.

1. INTRODUCTION

1.1 This report provides Members with an update of projected spending against the 2008/2009 revenue budget. Monitoring of income and expenditure for the first nine months of the financial year, to the end of December 2008, would indicate that total revenue spending will be £69.637m, against an approved budget of £70.302m, resulting in an underspend position of £0.665m, equivalent to 0.95% of budget. It should be noted that this projection reflects the decisions made at the previous meeting of Resources Committee, held on the 8 December 2008, to utilise an amount of £0.386m from the current year underspend to fund two spending items i.e. purchase of replacement alerter transmitter systems, and decommissioning of legacy radio systems, that would have been required to have been funded in 2009/2010.

1.2 This latest projection is based upon spending to date, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to significant change during the year, such as retained pay costs, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report.

1.3 As has been reported in previous budget monitoring reports to this Committee during the financial year, the main reason for such an underspend position is as a consequence of a higher level of uniformed retirements than had been anticipated, resulting in one-savings against pay costs, and savings against retained pay costs from reduced activity levels. Appendix A to this report provides a subjective analysis of projected spending against each individual budget line, and more detailed explanations of the significant variations (in excess of £50,000) from budget are provided below: -

2. EMPLOYEE COSTS

Wholetime Pay

2.1 At this time it is projected that spending against wholetime pay costs will be £0.489m less than budget, or just 1.52% of the wholetime pay budget, primarily as a consequence of vacancies across the Service. As was reported to the meeting of the Human Resources Management and Development Committee, held on the 12 September 2008, the Service is currently well below the full establishment, albeit that most of this has been planned in order to facilitate the introduction of dual crewing of the Aerial appliances and also for the reduction in Area Managers. In addition, the number of vacancies has increased as a consequence of a higher than expected number of retirements during the first half of the financial year.

Retained Pay Costs

2.2 At this stage retained pay costs are projected to be £0.456m less than budget, primarily as a consequence of fewer calls than had been anticipated. In addition, the number of retained firefighters opting to join the new Firefighter Pension Scheme is less than had been anticipated resulting in reduced employer’s pension contributions. It should be emphasised that by its very nature retained pay costs can be subject to significant variations, dependant on activity levels during the course of the year, e.g. volatility caused from spate weather conditions.

Control Room Staff

2.3 As a consequence of a higher level of sickness issues within the control room, and the need to maintain cover arrangements, it is projected that the budget for control room pay costs will be overspent by £0.122m.

Training Expenses

2.4 At this stage, it is anticipated that spending against the training budget will be £0.082m less than budget, primarily as a consequence of further economies of scale in training delivery being achieved from combination, and the impact on training requirements from the relatively high level of vacancies across the organisation.

Fire Service Pensions

2.5 Based upon current information it is anticipated that there will be fewer ill-health retirements in the current financial than had been budgeted for, resulting in savings against pension costs of £0.138m.

3. PREMISES RELATED COSTS

Energy Costs

3.1 As a consequence of significant increases in utility costs during the course of the year it is projected that spending against this budget line will be £0.066m more than had been budgeted.

4. TRANSPORT RELATED COSTS

4.1 At this time, it is estimated that spending on overall transport costs will be £0.095m more than budget, primarily as a consequence of the significant increases in fuel costs in the early part of the financial year, and increases in insurance premiums as a consequence of the change in insurance provider.

5. SUPPLIES AND SERVICES

Equipment and Furniture

5.1 Whilst spending on equipment and furniture is projected to be £0.121m more than budget, the additional spending primarily relates to training equipment and consumables required to cover additional courses scheduled for the year, which is more than offset by additional training income generated from external organisations.

6. ESTABLISHMENT COSTS

Insurances

6.1 Members will be aware of the decision by the mutual insurance company, FRAML, to suspend trading in light of a recent legal judgement, as reported to the meeting of Devon and Somerset Fire and Rescue Authority held on the 31 July 2008. As a consequence of that decision it is projected that non-fleet insurance costs will be £0.082m more than had been budgeted. This includes, not only the additional premium cost from the alternative insurance provider, but also a prudent assumption relating to premiums which are due to be refunded by FRAML, which may not be received in the current financial year.

7. CAPITAL FINANCING COSTS

Capital Charges

7.1 As has been reported to this Committee throughout the financial year, slippage against the capital programme, for both 2007/2008 and 2008/2009, has resulted in savings against capital financing costs. For 2008/2009, this revised assessment indicates that debt charges for 2008/2009 will be £0.325m less than that budgeted. Given this position and the fact that borrowing rates have reduced during this year, consideration will be given, in the remaining few months of the financial year, as to the viability of utilising some of these savings to fund the cost of rescheduling existing long-term debt onto more favourable interest rates. This would be particularly beneficial in relation to those loans taken out many years ago on long-term fixed rates. Such action would only be taken where a financial appraisal would clearly demonstrate that savings can be achieved over the period of the new loan.

Revenue Contribution to Capital Spending

7.2 Given the projected underspend position for the current year, it was agreed at the meeting of Resources Committee held on the 21 July 2008, that an amount of £0.170m be utilised to fund the urgent purchase of replacement Breathing Apparatus cylinders, therefore avoiding the need to borrow for this spending. In addition, an amount of £0.035m has been utilised to fund the purchase of vehicles, and £0.027m to fund the purchase of three oil tanks for bulk oil storage.

8. INCOME

Treasury Management Investment Income

8.1 Whilst recent reductions in interest rates will have a detrimental impact to future investment income on working balances, for the current year, income is projected to exceed budget by £0.137m, as a consequence of higher levels of working balances available for investment purposes, primarily caused by slippage in the cash spending profile of the major capital projects.

Other Income

8.2 At this stage, it is anticipated that the Other Income budget will be over achieved as a consequence of two main issues. Firstly, additional training income will be achieved from the delivery of recruit training for other Fire Services, and secondly, the Service has recently signed a Memorandum of Undertaking with the Westcountry Ambulance Trust (WAT) relating to the co-responder arrangements, which will result in the Service receiving additional income from the WAT, based on performance levels.

Contribution to/from Reserves

8.3 At its meeting on 3 October 2008 the Committee resolved to recommend to the Authority that, in light of the underspend position, the contribution from the General Reserve of £0.153m originally agreed as part of the of the budget setting process for 2008/2009 was no longer required (Minute RC/10 refers). This was duly approved by the Authority at its meeting on 23 October 2008(Minute DSFRA/48(e) refers). At its meeting on 8 December 2008 the Committee resolved that an amount of £0.175m of the underspend be transferred to an Earmarked Reserve to provide funding for the costs associated with the decommissioning of existing radio systems following the implementation of the national radio scheme Firelink (Minute *RC/14 refers).

9. SUMMARY AND RECOMMENDATIONS

9.1 Whilst there are still three months of spending to consider, and projections of spending will inevitably change as we get closer to the year-end, it is still projected that spending against the revenue budget will be well within the approved budget. The current forecast is that spending will result in an underspend of £0.665m. A further update will be provided to the next meeting of the Resources Committee, and the final outturn position reported to the Authority, on completion of the closure of the Accounts in May 2009, together with recommendations as to how the final outturn position is to be dealt with.

KEVIN WOODWARD
Treasurer

Line No		2008/09 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 9 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,147	24,193	23,532	31,658	(489)
2	Retained firefighters	12,089	8,798	8,044	11,633	(456)
3	Control room staff	1,827	1,356	1,439	1,949	122
4	Non uniformed staff	7,657	5,740	5,368	7,589	(68)
5	Training expenses	1,193	895	804	1,111	(82)
6	Fire Service Pensions recharge	1,797	1,498	1,420	1,659	(138)
		56,710	**42,480**	**40,607**	**55,599**	**(1,111)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,046	669	597	1,066	20
8	Energy costs	469	352	306	535	66
9	Cleaning costs	375	281	90	379	4
10	Rent and rates	1,234	1,082	902	1,274	40
		3,124	**2,384**	**1,895**	**3,254**	**130**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	586	380	297	575	(11)
12	Running costs and insurances	1,127	826	1,047	1,195	68
13	Travel and subsistence	1,002	675	811	1,040	38
		2,715	**1,881**	**2,155**	**2,810**	**95**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,120	1,423	1,364	2,241	121
15	Hydrants-installation and maintenance	102	113	54	74	(28)
16	Communications	1,420	910	849	1,424	4
17	Uniforms	767	575	531	769	2
18	Catering	118	88	131	148	30
19	External Fees and Services	98	73	16	86	(12)
20	Partnerships & regional collaborative projects	157	129	63	157	0
		4,782	**3,311**	**3,008**	**4,899**	**117**
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	408	319	279	417	9
22	Advertising	59	45	52	79	20
23	Insurances	326	322	529	408	82
		793	**686**	**860**	**904**	**111**
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	623	435	372	619	(4)
		623	**435**	**372**	**619**	**(4)**
	CAPITAL FINANCING COSTS					
25	Capital charges	4,413	2,164	1,805	4,088	(325)
26	Revenue Contribution to Capital spending	0	0	0	232	232
		4,413	**2,164**	**1,805**	**4,320**	**(93)**
27	**TOTAL SPENDING**	**73,160**	**53,341**	**50,702**	**72,405**	**(755)**
	INCOME					
28	Treasury management investment income	(352)	(264)	(439)	(489)	(137)
29	Grants and Reimbursements	(1,357)	(1018)	(1,105)	(1,352)	5
30	Other income	(943)	(708)	(889)	(1,049)	(106)
31	Internal Recharges	(53)	(39)	(60)	(53)	0
32	Contribution to/from Reserves	(153)	(115)	0	0	153
33	Earmark Rerserve	0	0	0	175	175
33	**TOTAL INCOME**	**(2,858)**	**(2,144)**	**(2,493)**	**(2,768)**	**90**
34	**NET SPENDING**	**70,302**	**51,197**	**48,209**	**69,637**	**(665)**