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)

Monday 8 February 2010

A meeting of the Resources Committee will be held on the above date, **commencing at 14.15 hours in Conference Room B in Somerset House, Service Headquarters to** consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

1. Apologies

2. Minutes of the meeting held on 16 November 2009 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.*

PART 1 – OPEN COMMITTEE

5. Treasury Management Performance 2009/10

Report of the Treasurer (RC/10/1) attached (page 4)

6. **Financial Performance Report 2009/10**

Report of the Treasurer (RC/10/2) attached (page 10)

7. **Capital Programme 2010/11 to 2012/13 and Associated Prudential Indicators**

Report of the ACFO (Service Support) (RC/10/3) attached (page 19)

8. **2010/11 Revenue Budget and Council Tax Level**

Report of the Treasurer and Chief Fire Officer (RC/10/4) attached (page 27)

9. **Target Setting for the Devon and Somerset Fire and Rescue Authority's Corporate Plan 2010/11 To 2012/13**

Report of the Director of Corporate Services (RC/10/5) attached (page 49)

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

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A (as amended) to the Act as set out below:

- For item 11, paragraph 4 - information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.
- For item 12, paragraphs 1, 2, 3 and 4 - information relating to any individual, information which is likely to reveal the identity of an individual, information relating to the financial or business affairs of any particular person (including the authority holding that information)

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

11. **Specialist Rescue**

Report of the ACFO (Service Support) (RC/10/6) attached (page 54)

12. **Debt Write Off**

Report of the Treasurer (RC/10/7) attached (page 61)

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Gordon (Chair), Yeomans (Vice Chair), Horsfall, Hughes OBE, Smith, Turner and Woodman

Substitute Members

Members are reminded that, in accordance with Standing Order 36, 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 Sam Sharman 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)

16 November 2009

Present:-

Councillors Gordon (Chair), Horsfall, Hughes OBE, Smith and Yeomans

Apologies:-

Councillors Turner and Woodman

***RC/9. Minutes**

RESOLVED that the Minutes of the meeting held on 14 September 2009 be signed as a correct record.

***RC/10. Declarations of Interest**

Members were invited to consider whether they had any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and to declare any such interests.

RC/11. Revenue Budget Monitoring Report 2009/10

The Committee considered a report of the Treasurer (RC/09/8) that set out projections of income and expenditure for the first seven months of the year (to the end of October 2009) against the approved Revenue Budget for 2009/10 and which detailed significant variations against individual budget lines. The report also contained details of the Authority's forecast performance against its financial targets.

At this stage, projections indicated that spending will be £0.875m less than the approved Revenue Budget for 2009/10, equivalent to just 1.20%. It should be noted that of this figure, an amount of £0.490m related to the fact that the 2009 pay award, for both uniformed and non-uniformed staff had been settled at a lower rate than had been budgeted. Additionally, there had been slippage associated with the Capital Programme resulting in a decrease in the debt charges and an underspend of £145,000. There had been an increase in the level of income received, due largely as a result of training new recruits for other services, which was good news for the Authority. Although there was five months of the year remaining, the Treasurer stated that there was a reasonable level of confidence in the forecast underspend position.

Reference was made to the underspend and the proposal to earmark £357,000 of this to contribute towards the costs of procuring Personal Protective Equipment (PPE) through the Integrated Clothing Project (ICP) to avoid increasing the base budget for 2010/11. In view of the Financial Regulations, in year virements in excess of £150,000 had to be authorised by the Fire and Rescue Authority and if this request was approved, it would be submitted for consideration on 14 December 2009.

In debating performance against financial indicators, as outlined in the report, Members expressed concern as to the level of “aged debt” (debt outstanding for more than 85 days) and any process that might be in place to mitigate against this (e.g. credit checks). The Treasurer indicated that this would then form the basis of a report to a future meeting.

RESOLVED

(a) That the Authority be recommended to establish, from the total projected underspend of £0.875m, an earmarked reserve of £0.357m to part-fund the costs associated with the replacement Personal Preventative Equipment (PPE) Project under the Integrated Clothing Project (ICP);

(b) That the performance against 2009/2010 financial targets, be noted;

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

(SEE ALSO MINUTE RC/12 BELOW)

RC/12. Personal Preventative Equipment (PPE) Replacement - Integrated Clothing Project (ICP)

The Committee considered a report of the Head of Physical Assets (RC/09/9) on recent developments in relation to securing replacement PPE as initially approved by the Authority at its meeting on 23 October 2008.

The PPE contract as initially approved was based and funded on a Fully Managed System (FMS). Subsequent consideration of both operational and contractual issues, however, had resulted in a revised option to move to a Purchase Managed System (PMS) which would provide all firefighters with two sets of kit instead of one (and a pool as under FMS). The PMS option represented a saving of £1.439million over the seven year term, although an additional amount of £621,000 would be required in 2010/11. £264,000 of this had already been set aside and it was proposed to meet the remaining £357,000 from an earmarked reserve to be established - subject to approval by the Authority - from the underspend in 2009/10.

RESOLVED that, following approval for utilisation of £357,000 from the indicative underspend on the 2009/10 budget, the Authority be recommended to approve the replacement of personal protective equipment (PPE) by a Purchase Managed Service (PMS) “as needed” basis (Option 2, Appendix A to report RC/09/9) under the Integrated Clothing Project and funded in accordance with the model as set out in Section 4 of report RC/09/9.

(SEE ALSO MINUTE RC/11 ABOVE)

*RC/13. Minutes of the Capital Programme Working Party held on 5 November 2009

The Committee received for information the Minutes of the meeting of the Capital Programme Working Party held on 5 November 2009.

***RC/14.** **Capital Programme Monitoring 2009/10 to 2011/12**

The Committee received for information a report of the Head of Physical Assets (RC/09/10) giving the current position for the capital programme 2009/10 to 2011/12. Revisions to the Capital Programme to take account of actual outturn in 2008/09 and current status were approved by the Authority at its meeting on 28 September 2009.

The Head of Physical Assets advised that there had been a saving of £500,000 made in respect of the Middlemoor station build. He added that this matter had been reported to the Capital Programme Working Party at its meeting on 5 November 2009 and that a decision would need to be taken in due course as to how this funding could be reinvested within the Capital Programme in the future in the light of the pressures that had been identified already.

A discussion ensued in respect of potential pressures such as the Camels Head and Brixham station rebuilds. The Chief Fire Officer reiterated the point that there was a need for a longer term strategy in respect of station location and appliance disposition in order to gain improvements in public safety and efficiencies in service delivery. He indicated that he envisaged that the Capital Programme Working Party would assist in shaping the proposals emanating from the fundamental review of service delivery currently being undertaken and that this would be reported back to the Resources Committee in due course. It was noted that the Capital Programme Working Party would be undertaking visits to a number of stations to gain evidence at first hand in order to inform discussion in the future.

***RC/15.** **Treasury Management Performance 2009/10**

The Committee received for information a report of the Treasurer (RC/09/11) that provided details of the Authority's borrowing and investment activities during the first six months of 2009/10 (to the end September 2009) and which compared this performance against the approved Treasury Management Strategy.

The Authority's treasury management adviser, Mark Swallow, was in attendance at the meeting to present the report and he highlighted the following points:

- None of the Prudential Indicators had been breached and a prudent approach had been taken in relation to investment decisions taken during the year with priority being given to liquidity and security over yield;
- Whilst investment returns had reduced from the previous year as a consequence of the fall in interest rates, the Authority was still achieving returns above the LIBID 7 day rate, which is the benchmark return for this type of short term investment.

The Chair commented that this was an excellent health check for the Authority and commended the Treasurer and his team for the work undertaken in this area.

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

The meeting started at 10.00hours and concluded at 11.20hours

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/10/1**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2010**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2009/2010**
LEAD OFFICER	**TREASURER**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2009/2010 (to December 2009) be noted;***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted. The report includes a performance report relating to the current financial year, as at December 2009.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Investments held as at 31 December 2009.
LIST OF BACKGROUND PAPERS	Treasury Management Policy – as approved at the meeting of the Shadow DSFRA meeting held on the 16 March 2007. Revision to the Treasury Management Policy, as approved at the DSFRA meeting held on the 31 March 2009.

1. INTRODUCTION

1.1 The Treasury Management Strategy for Devon and Somerset FRA had been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2001. The adoption of the Code was originally made at the meeting of the DSFRA held on the 16th March 2007, with the most recent revision being agreed at the meeting of the DSFRA on the 31st March 2009. A revised Code of Practice has recently been issued, to be adopted by the authority prior to 31 March 2010. The authority fully complies with the primary requirements of the Code, which includes:

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

1.2 Treasury management in this context is defined as:

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

1.3 CIPFA issued an interim Treasury Management guidance document in March 2009, highlighting Best Practice recommendations for Local Authorities to follow. The document suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations. It is expected that CIPFA will issue an updated Treasury Management Code of Practice in the autumn of 2009, following consultations with Local Authorities during the summer. The report provides information on the performance so far in the current financial year, based upon the position at the end of December 2009.

2. THE ECONOMY

2.1 The third quarter of the financial year of 2009 saw:

- Activity indicators suggesting that the economy is finally exiting the recession;
- Household spending grow at its fastest rate since early 2008;
- The deterioration of the labour market slowing considerably;
- Little improvement in the UK's trade position;
- Monetary policy loosened again...
- ...but with only limited effect on asset markets and the growth of the money supply;
- Inflation rise as higher energy costs pushed up the annual comparison;
- Financial markets make further gains, but at a much slower pace;

2.2 Monetary policy was loosened further in the third quarter. At its meeting in November, the Monetary Policy Committee (MPC) increased the amount of asset purchases under the Bank's Quantitative Easing (QE) programme by £25bn to £200bn. However, QE continued to have a relatively limited effect, and there were only tentative signs of a positive impact outside of financial markets.

2.3 Household spending in Q3 looks set to have grown at its fastest rate since early 2008. The annual growth in retail sales was the highest in nearly eighteen months in October. Retail sales should have received at least some support towards the end of the year as consumers brought forward spending before the reinstatement of the standard rate of VAT on the 1st January. High street spending appears to have been stronger too. New private car registrations were 86% higher in October and 141% higher in November than a year ago, partly as a result of the Government's car scrappage scheme.

2.4 Q3 also saw the rate of deterioration in the labour market slow considerably. Unemployment claimant count rose by 5,900 in October but *fell* by 6,300 in November 2009. The improvement in the labour market no doubt supported the housing market, which continued to recover in the third quarter, albeit at a slightly slower rate than in Q2. The Nationwide house price index finished the quarter 1.5% higher than at the end of the previous quarter. The Halifax measure, which had been a little less buoyant in Q2, also posted decent rises. However, the rise in house prices continued to be largely driven by the shortage of homeowners putting their homes up for sale, suggesting that the rises may prove to be temporary.

2.5 Consumer Price Inflation (CPI) rose in the third quarter, from 1.1% in September to 1.5% in October and 1.9% in November, while RPI inflation returned to positive territory. Much of the rise in inflation was the result of energy price inflation turning from negative to positive.

2.6 The third quarter saw the global recovery continue to take hold. Once again, the recovery appeared to be strongest in the US. In the euro-zone, the output balance of the composite PMI index rose over the quarter to be consistent with quarterly growth in euro-zone GDP of around 0.5%. The recovery looked set to be strongest in France and Germany. But, like in the US, there were concerns that households in all countries remained reticent to spend.

Economic Forecast

2.7 The Authority's Treasury Advisers, Sector, have provided the following forecast;

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Bank rate	0.50%	0.50%	0.75%	1.00%	1.50%	2.25%	2.75%	3.25%	3.50%	3.75%	4.25%	4.25%	4.50%
5yr PWLB rate	3.05%	3.20%	3.30%	3.40%	3.60%	3.85%	4.15%	4.55%	4.60%	4.80%	4.80%	4.85%	4.85%
10yr PWLB rate	4.00%	4.05%	4.15%	4.30%	4.45%	4.60%	4.80%	4.90%	5.00%	5.10%	5.10%	5.15%	5.15%
25yr PWLB rate	4.55%	4.65%	4.70%	4.80%	4.90%	5.00%	5.05%	5.10%	5.20%	5.30%	5.30%	5.35%	5.35%
50yr PWLB rate	4.60%	4.70%	4.75%	4.90%	5.00%	5.10%	5.15%	5.20%	5.30%	5.40%	5.40%	5.45%	5.45%

- The forecast is based on moderate economic recovery and moderate MPC concerns about inflation looking 2 years ahead
- The first Bank Rate increase expected to be in the quarter ending September 2010; and is expected to reach 4.5% by the end of March 2013
- Long term PWLB rates are expected to steadily increase to reach 5.45% by end of 2012 due to huge gilt issuance, reversal of QE and investor concerns over inflation
- There is considerable uncertainty in all forecasts due to the difficulties of forecasting the timing and amounts of QE reversal, the fiscal effect of a general election, speed of recovery of banks profitability and balance sheet position, changes in the consumer saving ratio, rebalancing of the UK economy in terms of export and import etc.

3. TREASURY MANAGEMENT STRATEGY STATEMENT

Annual Investment Strategy

3.1 The authority's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity

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

3.3 A full list of investments held as at 31 December 2009 are shown in Appendix A.

3.4 As illustrated in the economic background section above, investment rates available in the market are at an historical low point. The average level of funds available for investment purposes in the third quarter of 2009/10 was £14.040m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Benchmark Return	Authority Performance	Investment Interest Earned
7 day LIBID	0.44%	0.84%	£29,760

3.5 As illustrated, the authority outperformed the benchmark by 40 bp. The authority's budgeted investment return for 2009/10 is £0.105m, and performance for the year to date indicates that this figure will not be achieved, as a consequence of the fall in interest rates since the budget was originally set.

Borrowing Strategy

Prudential Indicators:

3.6 It is a statutory duty for the Authority to determine and keep under review the "Affordable Borrowing Limits". The Authority's' approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.

3.7 A full list of the approved limits are included in the budget monitoring report, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to December 2009.

3.8 Sector's target rate for new long term borrowing for the third quarter of 2009/10 was 4.45%. As at the end of December 2009, due to the overall financial position and the underlying need to borrow for capital purposes (the Capital Financing Requirement - CFR), new external borrowing of £2.7m was undertaken at the rates indicated in the table below. It is unlikely that the authority will seek new external borrowing during the remainder of the year, although this is dependent on the cash flow position of the authority, and predictions relating to movements in PWLB/market rates.

Date of Loan	**Amount £m**	**Life (Years)**	**Interest Rate**
13/10/2009	0.700	29.5	4.09%
13/10/2009	0.500	30.5	4.13%
13/10/2009	0.500	31.5	4.13%
13/10/2009	0.500	48.5	4.19%
13/10/2009	0.500	49.5	4.18%

3.9 As outlined below, interest rates have gradually increased during the quarter across all bands, with the low points in October and the high points at the end of December.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.73	2.46	3.55	4.07	4.18
Date	09/10/2009	30/10/2009	09/10/2009	09/10/2009	09/10/2009
High	0.97	3.12	4.3	4.64	4.57
Date	22/10/2009	30/12/2009	30/12/2009	30/12/2009	30/12/2009
Average	0.83	2.82	3.90	4.34	4.35

4. SUMMARY

4.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with a summary report of the treasury management activities during 2009/2010. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken during the year, with priority being given to liquidity and security over yield. Whilst investment returns have reduced from the previous year, as a consequence of the fall in interest rates, the authority is still achieving returns above the LIBID 7 day rate, which is the benchmark return for this type of short term investments.

KEVIN WOODWARD
Treasurer

Investments as at 31st December 2009 – Appendix A				
Counterparty	Maximum to be invested	Total amount invested	Call or Term	Interest rate(s)
	£m	£m		
Abbey	5.0	4.96	C	0.80%
Barclays Bank	6.0	2.0	T	0.70%
Chelsea B/S	1.5	1.0	T	0.95%
Newcastle B/S		1.0	T	1.00%
Norwich & Peterborough B/S	1.5	1.0	T	1.55%
Nottingham B/S	1.5	1.0	T	0.80%
Stroud & Swindon B/S	1.5	1.0	T	0.75%
Total invested as at 31st December 2009		**11.96m**		

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/10/2**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2010**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2009/2010**
LEAD OFFICER	**TREASURER**
RECOMMENDATIONS	***(a) That the budget monitoring position in relation to projected spending against the 2009/2010 revenue and capital budgets be noted;*** ***(b) That the performance against 2009/2010 financial targets, be noted.***
EXECUTIVE SUMMARY	This report provides a further update of the budget monitoring position for the current financial year, based upon spending to the end of December 2010. At this stage, projections indicate that revenue spending will be £0.494m less than budget, equivalent to just 0.68% of the total budget. Given that there are still three months of spending to come, and the projection will be subject to change, this report does not provide any recommendation as to how this underspend is to be utilised. . This report also provides a summary of the Authority's forecast performance against its financial targets.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Summary of Forecast Performance against 2009/2010 Financial Targets. Appendix B – Subjective Analysis of 2009/2010 Revenue Spending. Appendix C – Capital Monitoring Statement 2009/2010.
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 This report provides an updated monitoring report for the current financial year. As well as providing projections of spending against the 2009/2010 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 The report is presented in the following three Sections.

SECTION A	–	Performance against the 2009/2010 Revenue Budget.
SECTION B	–	Performance against the 2009/2010 Capital Budget and Prudential Indicators.
SECTION C	–	Performance against Other Financial Indicators.

1.3 Appendix A to this report provides a summary of performance against each of our targets. The key issues relating to our forecast performance against each of these targets are explained within each section of this report.

2. SECTION A - REVENUE BUDGET 2009/2010

2.1 Current projections are for total revenue spending in 2009/2010 to be £72.165m, as compared to an approved budget of £72.659m, representing an underspend of £0.494m, equivalent to 0.68% of the total budget. It should be emphasised that this projection includes the impact of the transfer of an amount of £0.357m to an earmarked reserve to part fund the introduction of the Integrated Clothing Project (ICP), as agreed at the last meeting of Resources Committee held on the 16 November 2009 (Minute RC/11/(a) refers). Appendix B provides an analysis of projected spending against each of the subjective budget headings, and explanations of the more significant variations from budget are explained below in paragraphs 3 to 9 below.

2.2 The projections are based upon the spending position at the end of December 2009, 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 volatility in spending patterns during the year, in particular retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report. For this reason this report does not make any proposals as to how this projected underspend is to be utilised.

3. EMPLOYEE COSTS

Wholetime Staff

3.1 Spending against wholetime pay costs is anticipated to be £0.194m less than budget, primarily as a result of the impact of the 2009 pay award being settled at 1.25%, as compared to the 2.3% provision made in the budget.

Retained Staff

3.2 At this stage it is projected that spending against this budget heading is projected to be underspent by £0.153m, again primarily as a consequence of the lower pay award. This projection is based upon spending to date and an assumption that activity levels in the remainder of the financial year are consistent with the average for the same period for the last two financial years. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions.

Non-Uniformed Staff

3.3 The forecast spending on non-uniformed pay includes the costs associated with the Community Safety Action Teams (CSAT) engaged as part our prevention activities to reduce the number of fire calls, and the redundancy and early retirement costs associated with the agreed restructure to the Senior Management Team, resulting in the deletion of two senior management posts.

3.4 Training Expenses

At this stage, it is anticipated that savings of £0.090m will be achieved against the training budget, as a consequence of some delays in the delivery of planned courses.

Fire Service Pension Costs

3.5 As a result of fewer cases of ill-health retirements than had been budgeted for it is anticipated that savings of £0.057m will be achieved against this Fire Service Pension Costs.

4. PREMISES RELATED COSTS

Energy Costs

4.1 At this stage it is projected that spending on energy costs will be £0.105m less than anticipated primarily as a consequence of a refund of gas charges relating to previous years.

5. TRANSPORT RELATED COSTS

Running Costs and Insurances

5.1 At this stage it is projected that savings of £0.136m will be achieved from transport running costs, as a result of increases in fuel costs not being as much as had been anticipated, and savings on insurance costs.

6. SUPPLIES AND SERVICES

Equipment and Furniture

6.1 The projected underspend against the equipment budget includes savings of £0.105m from the expected delay in the implementation of the document management system project, originally planned to have been implemented during the current financial year. Subject to the final outturn position, a proposal will be made at the year-end to transfer this sum to an earmarked reserve in order that this project can be implemented during 2010. Additional equipment costs relating to training activity (fully offset by increased training income) reduces the projected savings from the total equipment budget to £0.056m.

Communications

6.2 As a consequence of the need to support the implementation of the new national radio scheme (Firelink) and the RCC project, it is anticipated that a number of other ICT projects will not have been delivered by the end of the financial year, resulting in an underspend against the Communications budget of £0.068m. Subject to the final outturn position at the year-end it will be proposed that the underspend be transferred to an earmarked reserve, in order that those incomplete ICT projects can be implemented.

7. ESTABLISHMENT COSTS

Insurances

7.1 In anticipation of fewer insurance claims to be funded from self-insurance arrangements, savings of £0.073m are projected against this budget line.

8. CAPITAL FINANCING COSTS

8.1 As a consequence of slippage in spending against the 2008/2009, and also slippage against the current year programme, it is projected that overall debt charges for 2009/2010 will be £0.269m less than budget.

8.2 The savings on debt charges from capital spending slippage has enabled additional capital spending of £0.140m on vehicles and equipment to be financed direct from revenue therefore avoiding the need to borrow.

9. INCOME

Grants and Reimbursements

9.1 It is forecast that the amount of New Burdens grant necessary in 2009/2010 to fund the RCC transition Teams and ISP project will be less than originally anticipated. This reduction in grant is fully offset by a reduction in spending on these projects.

Other Income

9.2 It is projected that income targets for the year will be exceeded by an amount of £0.328m, primarily from additional training income as a consequence of the Service securing orders to deliver firefighter recruit training to other fire and rescue authorities i.e. Royal Berkshire, Cornwall, Dorset and the States of Jersey.

Earmarked Reserves

9.3 As agreed at the last meeting of Resources Committee, and ratified by the full Authority meeting held on the 14 December 2009, an amount of £0.357m is to be transferred to an earmarked reserve to fund additional costs of the ICP project in 2010/2011

10. SUMMARY OF REVENUE SPENDING

10.1 Whilst the forecasts of financial performance will inevitably change during the remainder of the financial year, at this stage, I am confident that overall spending will be well within agreed budget figures.

10.2 Given that there are still three months of spending to come before the end of the financial year, at this stage, no proposal is made within this report as how this underspend may be utilised.

11. SECTION B – CAPITAL PROGRAMME 2009/2010 AND PRUDENTIAL INDICATORS

11.1 Appendix C to this report provides a summary of the projected spend against the current year capital programme. This indicates that overall spending will be £9.924m, as compared to an agreed programme of £10.236m, resulting in an underspend of £0.312m. Elsewhere on the agenda to this meeting is a separate report relating to the capital programme levels for 2010/2011 to 2012/2013. That report proposes that the slippage/savings against the current years programme is carried forward to support spending in 2010/2011.

11.2 Also included in Appendix C are details of how spending of £9.924m is to be financed.

Prudential Indicators (including Treasury Management)

11.3 As a consequence of capital spending forecast to be within agreed limits none of the agreed prudential indicators are forecast to be breached. Actual external borrowing as at December 20009 stood at £26.850m, forecasting to fall to £26.651m by 31 March 2010, which is well below the authorised limit for external debt of £36.628m (the absolute maximum that the Authority has agreed as affordable).

11.4 In relation to investment returns, it is forecast that the income target of £0.105m will not be achieved as a consequence of the falling interest rates since the budget was set. The current estimate is that an amount of £0.090m will be achieved. An average return of 0.88% has been achieved to the end of December 2009, as compared to the average LIBID 7 day rate (industry benchmark), for the same period of 0.43%.

11.5 Current external borrowing has been taken at an average borrowing rate of 3.80%. This compares with a target of 4.18% assumed in setting the debt charges budget for 2009/2010.

12. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Efficiency Savings

12.1 The Authority's forward looking Annual Efficiency Statement, required to be submitted to the CLG annually, has targeted additional cashable savings of £0.906m to be achieved in 2009/2010. The majority of these savings are to be delivered from the implementation of the dual crewing of aerial appliances, reductions in fire calls, further savings from the combination of ex-Devon and ex-Somerset FRS, and from better procurement. At this stage of the year monitoring has indicated that we are on course to achieve this saving target.

12.2 In relation to the cumulative savings to be achieved from the combination, including savings to be achieved in 2009/2010, the current forecast is that total savings of £3.6m will be achieved by the year 2012/2013, which exceeds the original target figure of between £1.6m and £3.0m.

Aged Debt Analysis

12.3 As at 31 December 2009, an amount of £67,818 was due from debtors relating to invoices that are more than 85 days old, equating to 18.91% of the total debt outstanding. This is deterioration from the previous quarter (14.49%). Increased efforts are being made in the remainder of the year to improve this position back to below our target level of 10.0%.

Payment of Supplier Invoices within 30 days

12.4 The ratio of supplier invoices paid within 30 days (or other agreed credit terms) is that 99.71%, compared to our target figure of 98.00%. It should also be noted that the majority of suppliers are now being paid within 20 days, as a result of a Service decision to make a temporary change to the payment period down from 30 days to 20 days during the period of the recession, to assist smaller suppliers, in particular, with their cash flow position.

KEVIN WOODWARD
Treasurer

FINANCIAL PERFORMANCE INDICATORS 2009/2010

Revenue Budget	**Forecast £m**	**Target £m**	**Variance (favourable) /adverse %**
Forecast Spending	72.165	72.659	(0.68)%
Efficiency Savings to be achieved in 2009/2010	0.906	0.906	0.00%
Cumulative Efficiency Savings from Combination by 2012/1013	3.600	3.000	(0.20%)

Prudential Indicators and Treasury Management Indicators	**Forecast £m**	**Target £m**	**Variance (favourable) /adverse %**
Capital Expenditure	9.924	10.236	(0.30%)
Capital Financing Requirement (CFR)	28.515	28.673	(0.05%)
Authorised limit for external debt	26.651	36.628	(27.24%)
Operational boundary for external debt	26.651	33.761	(21.06%)
Investment Income	0.090	0.105	14.29%
	Actual (31 Dec 2009) %	**Target %**	**Variance (favourable) /adverse %**
Investment Return	0.88%	0.43%	(0.45)%
Cost of Borrowing	3.80%	4.18%	(0.38)%

Prudential Indicators and Treasury Management Indicators	**Actual (31 Dec 2009) %**	**Target Upper limit %**	**Target Lower limit %**	**Variance (favourable) /adverse %**
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00)%
Maturity structure of borrowing limits				
Under 12 months	3.67%	10.00%	0.00%	(6.33)%
12 months to 2 years	3.84%	15.00%	0.00%	(11.16)%
2 years to 5 years	10.83%	30.00%	0.00%	(19.17)%
5 years to 10 years	5.66%	50.00%	0.00%	(44.34)%
10 years and above	76.00%	100.00%	50.00%	(24.00)%

Other Indicators	**Actual (31 Dec 2009) %**	**Target %**	**Variance (favourable) /adverse %**
Aged Debt over 85 days	18.91%	10.00%	8.91%
Payments to Suppliers within 30 days	99.71%	98.00%	(1.71%)

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY — APPENDIX B

Revenue Budget Monitoring Report 2009/10

Line No		2009/10 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	32,791	24,409	24,256	32,597	(194)
2	Retained firefighters	12,143	8,676	8,563	11,990	(153)
3	Control room staff	2,225	1,654	1,643	2,203	(22)
4	Non uniformed staff	8,539	6,387	6,698	8,821	282
5	Training expenses	1,167	876	623	1,077	(90)
6	Fire Service Pensions recharge	1,955	1,659	1,600	1,898	(57)
		58,820	**43,661**	**43,383**	**58,586**	**(234)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	939	704	880	916	(23)
8	Energy costs	513	385	242	408	(105)
9	Cleaning costs	379	284	211	343	(36)
10	Rent and rates	1,301	976	993	1,342	41
		3,132	**2,349**	**2,326**	**3,009**	**(123)**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	587	440	282	579	(8)
12	Running costs and insurances	1,194	889	803	1,058	(136)
13	Travel and subsistence	1,297	895	882	1,252	(45)
		3,078	**2,224**	**1,967**	**2,889**	**(189)**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,164	1,623	1,816	2,108	(56)
15	Hydrants-installation and maintenance	168	126	73	118	(50)
16	Communications	1,126	845	857	1,058	(68)
17	Uniforms	935	701	848	983	48
18	Catering	141	106	148	166	25
19	External Fees and Services	98	73	48	122	24
20	Partnerships & regional collaborative projects	116	87	82	116	-
		4,748	**3,561**	**3,872**	**4,671**	**(77)**
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	412	321	277	410	(2)
22	Advertising	75	56	41	73	(2)
23	Insurances	377	336	397	304	(73)
		864	**713**	**715**	**787**	**(77)**
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	637	446	377	658	21
		637	**446**	**377**	**658**	**21**
	CAPITAL FINANCING COSTS					
25	Capital charges	4,655	2,286	2,334	4,386	(269)
26	Revenue Contribution to Capital spending	0	0	0	140	140
		4,655	**2,286**	**2,334**	**4,526**	**(129)**
27	**TOTAL SPENDING**	**75,934**	**55,240**	**54,974**	**75,126**	**(808)**
	INCOME					
28	Treasury management investment income	-105	-78	-67	-90	15
29	Grants and Reimbursements	-2,201	-1,650	-2,927	-1,931	270
30	Other income	-901	-676	-993	-1,229	(328)
31	Internal Recharges	-68	-51	-45	-68	-
32	Contribution to/from Reserves					
	- Earmarked Rerserve	0	0	0	357	357
33	**TOTAL INCOME**	**-3,275**	**-2,455**	**-4,032**	**-2,961**	**314**
34	**NET SPENDING**	**72,659**	**52,785**	**50,942**	**72,165**	**(494)**

2009/2010 CAPITAL PROGRAMME MONITORING STATEMENT
(Based on Spending to December 2009)

PROJECTED SPENDING	2009/2010 Programme £000	Projected Outturn £000	Projected Variance (under)/over £000
ESTATES			
Exeter Middlemoor	1,702	1,380	(322)
Exeter Danes Castle	1,856	1,780	(76)
Minor improvements and structural maintenance (including 2008/2009 slippage)	1,926	1,528	(398)
Welfare facilities on stations	300	204	(96)
Diversity & equality grant	34	34	-
USAR Works	35	35	-
SHQ building/USAR - 2008/2009 slippage	224	71	(153)
SUB TOTAL - ESTATES	**6,077**	**5,032**	**(1,045)**
FLEET AND EQUIPMENT			
Appliance Replacement	2,034	2,555	521
Specialist Operational Vehicles	392	65	(327)
Appliance Replacement Programme (new starts)	985	1,730	745
Equipment	319	267	(52)
Asset Management Plan System	177	23	(154)
2008/2009 slippage	252	252	-
SUB TOTAL - FLEET AND EQUIPMENT	**4,159**	**4,892**	**733**
TOTAL PROGRAMME 2009/2010	**10,236**	**9,924**	**(312)**

TO BE FINANCED BY;	£000	£000	£000
External Borrowing	8,882	8,666	(216)
Other Funding;			
Direct Revenue Funding	140	140	-
Capital Grants	914	914	-
Earmarked Reserve	300	204	(96)
TOTAL FINANCING	**10,236**	**9,924**	**(312)**

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/10/3**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2010**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2010/11 – 2012/13 AND ASSOCIATED PRUDENTIAL INDICATORS**
LEAD OFFICER	**ACFO (SERVICE SUPPORT)**
RECOMMENDATIONS	***That the Authority, at its budget meeting on 19 February 2010, be recommended to approve the revised Capital Programme 2010/11 to 2012/13 and the associated Prudential Indicators as set out in this report.***
EXECUTIVE SUMMARY	Each year the Capital Programme is reviewed in line with the Service budget preparations. This review takes account of the normal replacement cycle for appliances and equipment, actions in support of maintaining the Authorities building stock. The commitments for 2009/10 period, as approved, have been progressed. This report therefore details the adjusted three year capital programme for the period 2010/11 to 2012/13. Appendix A illustrates the existing approved 2009/10 alongside the forward 2010/11 to 2012/13 capital programme. This includes elements of the programme already approved, but additionally includes further proposals to meet ongoing fleet and equipment replacement 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 2010/11 to 2012/13 Capital Programme. B. Prudential Indicators to proposed Capital Programme.
LIST OF BACKGROUND PAPERS	Report CPWP/09/3 – “Affordable Capital Investment Plans for 2010/11 to 2011/12” – submitted to the meeting of the Capital Programme Working Party on 5 November 2009.

1. INTRODUCTION

1.1 Each year the capital programme is reviewed and adjusted to include projects that have been carried forward and to review capital investment needs over the next three year period. The capital budget for 2009/10 is £10.236m with a predicted outturn of £9.924m. This provides and underspend of some £0.312m, which is proposed to be moved to support projects in the 2010/11 year.

1.2 Appendix A represents a proposed programme 2010/11 to 2012/13, which includes the elements already approved and new proposals which are referenced later in the report.

1.3 The matter of Capital expenditure remains an issue for an Authority the size of Devon and Somerset. The Affordable Capital Investment Plans 2009/10 to 2011/12 was reported to Resources Committee which illustrated the significant capital investment needs of a large rural fire and rescue authority. The report also detailed the inequity in the calculation of revenue grant support for capital expenditure (SCE(R)) from the Authority's viewpoint on sparsity and its representations to CLG on the matter. The constraints have placed pressure on the Authorities investment programme which would require significant investment over the next three years to meet the ongoing full programme needs.

1.4 Given this position and the Authorities approval for the build of two new fire station in 2008/09 no new fire appliances were approved and the programme was effectively frozen. As a consequence the Authority has a current backlog of fire appliances against the current Service replacement policy.

1.5 The Department for Communities and Local Government (CLG) approved a grant of £2m debt free capital support spread over 2009/10 to 2010/11, principally to address equality and diversity issues on stations. In addition a further £300k was made available from earmarked reserves in 2009/10 to fund station improvements demanded by the Health and Safety Executive.

1.6 Whist this report provides options for the next three years, it should be recognised that future capital programmes may be adjusted significantly against such recommendations made as a result of the two reviews of Service Delivery and Service Support.

2. SERVICE ESTATES

2.1 Members will be aware that the two new fire stations at Exeter, Danes Castle and Middlemoor are now complete and fully operational, with both projects being built on time. Savings on the Middlemoor and SHQ projects of £0.412m and £0.018m respectively were secured. It is proposed to use these underspends against projects identified for 2010/11. The financial provisions made against the projects for 2010-2011 cover the contract retention and some minor additional works that have been requested.

2.2 The remainder of the £2m government capital grant allocated to 2010-2011 is £1,193m. 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.

2.3 The projects proposed for 2010/11 concentrate on station extensions and refurbishments that incorporate our legal obligations under the Disability Discrimination Act, Dignity at Work requirements, community access and partnership co-location. Also included are major building works to improve the current building stock. This programme for 2010/11 is £2.771m, including forecast slippage from 2009/2010.

2.4 In relation to 2011/2012 and 2012/2013, at this stage only prudent allocations of £1.750m has been included for both years. This will need to be reviewed in twelve months time when setting 2011/2012 budget levels, dependent on affordability issues, and decisions from the government as to whether it will continue with the grant allocations awarded in 2009/2010 and 2010/2011.

Slippage for 2009/10

2.5 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 some schemes within the financial year, as approved.

2.6 Slippage does not necessarily have a major detrimental impact on a scheme as the prudential code financial guidelines now allow for greater flexibility in roll over between financial years. Slippage on the major schemes is dealt with by re-profiling the scheme, whilst maintaining the originally approved threshold. For 2009/10 the total slippage on estates is forecast to be £0.615m.

3 SERVICE FLEET AND EQUIPMENT

Vehicle Replacements

3.1 The Authority has the second largest fleet in England and slippage with replacement schedules leads to significant problems in future years such as increased maintenance costs, less operational availability due to breakdowns that result with extended periods of maintenance downtime 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. The decision to reduce fire appliance purchases for 2008/09 impacted on current procurement. Whilst the profile for appliance purchase for 2009/10 is within scope and at varying stages of build, the Service now has a considerable number of fire appliances replacements outstanding.

3.2 Funding of £3.2m is included in the proposed programme for 2010/2011. This will enable the funding of the appliance builds commenced in 2009/2010 and the purchase of programmed replacement appliances, whilst remaining within the agreed programmed thresholds across the two financial years.

3.3 The review of Service Delivery is considering options for lighter, more manoeuvrable fire appliances which are more cost effective to those currently being procured. The Service is currently reviewing resource requirements and the disposition of appliances and equipment in line with local risk. These vehicles are generically referred to as Light Rescue Pumps and comply with EN1864 specification standards. The current programme provides for the purchase of such appliances which are to be piloted. Given the cost incentive, it may be possible to consider for 2011/12 and beyond alternative purchases that are significantly less than the traditional appliance. If Members are minded to support such an approach in the future this would reduce the current fire appliance backlog.

3.4 The Authority approved a programme at its meeting of the 30th May 2007 for the replacement of five aerial appliances. Whilst these were profiled over three years, they have been completed in the final quarter of 2009/10. Whilst we have been able to advance spending from 2010/11, as a consequence of slippage on the 2009/2010 estates programme, this does not exceed spending across the three year period.

Equipment

3.5 The previously approved equipment replacement budget for 2010/11 and forthcoming years would better meet the Service needs by providing a balance of capital and revenue. A more appropriate level of funding for equipment would be £0.200m, the balance which will now be met from revenue. This is incorporated in the Revenue Budget paper elsewhere on this agenda. The £0.119m capital being moved to fleet replacement commencing 2010/11.

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 2010/11 is £1.808m. 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.

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 The report 'Affordable Capital Investment Plans 2010/2011 to 2011/2012' presented to the meeting of the Capital Programme Working Party held on the 5 November 2009, highlighted the affordability issues relating to further debt exposure. It is forecast that the external borrowing figure at the end of 2009/2010 will be £26.6m, rising to £35.2m by 2012/2013, based upon the capital programme proposed.

4.4 Whilst a debt level of £35.2m is not considered excessive for this size authority, it is evident that the authority will need to monitor its exposure to further debt levels as we move forward in the next 3-5 years, to ensure that the debt levels are affordable in the context of the ability of the revenue budget to service debt repayments.

4.5 The setting of the annual prudential indicators provides the framework for the authority to take a view as to the affordability of future capital investment. One of the key indicators relates to the 'Ratio of financing costs to net revenue stream. This indicator highlights the proportion of the total income received from council tax and government grant that is spent on paying the consequences of borrowing to finance the capital programme. Included as Appendix B to this report are the revised prudential indicators as a consequence of the capital programme proposed within this report. This indicates that this ratio for 2010/2011 will be 3.86% rising to 4.68% in 2012/2013. It is my view that an indicator of less than 5% is not excessive for this size of authority, however this will need to be reviewed as we move forward and consider future capital spending plans over the next 3-5 year period.

4.6 In setting the capital programme for 2010/2011 to 2012/2013 the authority is very mindful of the need to exercise prudency, particularly in light of the potential reductions in public spending from 2011/2012 onwards. For this reason the overall programme for 2009/2010 to 2011/2012 has been frozen at previously agreed levels, with only a prudent allocation of £4.069m included for the year 2012/2013, as illustrated in Table 1 below;

TABLE 1	**Estates**	**Fleet and Equipment**	**Total**
	£000	**£000**	**£000**
CURRENT PROGRAMME			
2009/2010	6,077	4,159	10,236
2010/2011	2,196	4,339	6,535
2011/2012	1,750	2,319	4,069
Total 2009/10 TO 2011/12	**10,023**	**10,817**	**20,840**
PROPOSED PROGRAMME			
2009/2010 (forecast spend)	5,032	4,892	9,924
2010/2011	3,241	3,606	6,847
2011/2012	1,750	2,319	4,069
Total 2009/10 TO 2011/12	**10.023**	**10,817**	**20,840**
2012/2013	1,750	2,319	4,069

4.7 The schedule in Appendix A illustrates the revised spending profiles for 2010/11 through to 2012/13. The estimated debt charges emanating from this revised spending profile are illustrated in Table 1 below. These figures have been included in the 2010/2011 revenue budget and Medium Term Financial Plan (MTFP).

TABLE 1 – SUMMARY OF ESTIMATED CAPITAL FINANCING COSTS

	2009/10	**2010/11**	**2011/12**	**2012/13**
	£m	**£000**	**£000**	**£000**
Base budget for Capital Financing Costs – debt charges and operating leasing rentals	4.655	4.988	5.436	5.618
Increase over previous year		0.333	0.448	0.182

5. REVISED PRUDENTIAL INDICATORS

5.1 In considering the original capital programme for the years 2009/10 to 2011/12 at the February 2009 budget meeting 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 B for consideration.

6. CONCLUSION AND RECOMMENDATION

6.1 This report has built upon the report “Affordable Capital Investment Plans for 2010/11 to 2012/13” as submitted to a previous meeting of the Committee.

6.2 Both this and the previous report have emphasised the difficulties in meeting the full capital expenditure for the Service. In recognising the revenue costs associated with servicing debt through borrowing it is clearly necessary that affordable and prudent proposals are put in place.

6.3 The proposals for 2010/11 do not fully address the needs of the Service either now or in the future. With public finances set to become even more stringent in future years addressing the backlog of replacement and maintenance will become extremely difficult to address. Whilst the CLG grant has ‘softened the blow’, it appears unlikely that this will continue beyond the initial two year period.

6.4 As a consequence the Service will consider its asset base for the future to consider more flexible, economic and targeted resources to meet local risk requirements. Preliminary reviews are underway in this respect.

6.5 Therefore, the Authority, at its budget meeting on 19 February 2010, is recommended to approve the revised Capital Programme 2010/11 to 2012/13 and the associated Prudential Indicators as set out in this report.

TREVOR STRATFORD
Service Support

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/10/3

Proposed Capital Programme (2010/11 to 2012/13)

Previous years spend (£000)	2009/2010 predicted outturn (£000)	Item	PROJECT	2010/11 (£000)	2011/12 (£000)	2012/13 (£000)	Total project costs (Exeter major projects) (£000)
			Estate Development				
2,250	1,380	1	Exeter Middlemoor	60			3,690
1,084	1,780	2	Exeter Danes Castle	179			3,043
	71	3	SHQ major building/USAR major project (slippage 2008/09)	135			
	0	4	Major building works	0	1,000	1,000	
	1,528	5	Minor improvements & structural maintenance (including 2008/09 slippage)	2,771	750	750	
	204	6	Welfare facilities 2009/10	96			
	34	7	Diversity & equality	0			
	35	8	USAR works	0			
	5,032		**Estates Sub Total**	3,241	1,750	1,750	
			Fleet & Equipment				
	4,082	9	Appliance replacement	2,100	2,119	2,119	
	153	10	Specialist Operational Vehicles	1,100			
	115	11	CFS Vehicles	0			
	519	12	Equipment	252	200	200	
	23	13	Asset Management Plan (Miquest) software	154			
	4,892		**Fleet & Equipment Sub Total**	3,606	2,319	2,319	
	9,924		**Overall Capital Totals**	6,847	4,069	4,069	
			Programme funding				
	8,666		Main programme	5,558	4,069	4,069	
	140		Revenue funds	0	0	0	
	914		Grants	1,193	0	0	
	204		Earmarked Reserves	96	0	0	
	9,924			6,847	4,069	4,069	

PRUDENTIAL INDICATOR	**2010/11 £m estimate**	**2011/12 £m estimate**	**2012/13 £m estimate**
Capital Expenditure			
Non - HRA	6.847	4.069	4.069
HRA (applies only to housing authorities)	0	0	0
TOTAL	6.847	4.069	4.069
Ratio of financing costs to net revenue stream			
Non - HRA	3.86%	4.44%	4.68%
HRA (applies only to housing authorities)	0%	0%	0%
Capital Financing Requirement as at 31 March			
Non – HRA	32.034	33.686	35.261
HRA (applies only to housing authorities)	0	0	0
TOTAL	32.034	33.686	35.261
Annual change in Cap. Financing Requirement			
Non – HRA	3.519	1.652	1.575
HRA (applies only to housing authorities)	0	0	0
TOTAL	3.519	1.652	1.575
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase/(decrease) in council tax (band D) per annum	(£0.25)	(£0.10)	£0.00
TREASURY MANAGEMENT PRUDENTIAL INDICATORS			
	£000	**£000**	**£000**
Authorised Limit for external debt -			
borrowing	39.836	41.222	42.363
other long term liabilities	0	0	0
TOTAL	39.836	41.222	42.363
Operational Boundary for external debt -			
borrowing	36.633	37.853	38.837
other long term liabilities	0	0	0
TOTAL	36.633	37.853	38.837

	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/10/4**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2010**
SUBJECT OF REPORT	**2010/2011 REVENUE BUDGET AND COUNCIL TAX LEVEL**
LEAD OFFICER	**Treasurer and Chief Fire Officer**
RECOMMENDATIONS	***That it be recommended to the the budget meeting of the Devon and Somerset Fire and Rescue Authority, to be held on the 19 February 2010, that;*** ***(i) a Net Budget Requirement of £75,135,000 for 2010/2011 be set;*** ***(ii) a level of council tax of £71.77 for a Band D property, representing an increase of 3.74% over the figure for 2009/2010, be set;***
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. The Committee is asked to consider the contents of this report, with a view to making a recommendation of these levels for 2010/2011, to the full Authority budget meeting on 19 February 2010.
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 2010/2011. B. The profile of the Devon & Somerset Fire & Rescue Service compared to other English fire and rescue services. C. Draft Revenue Commitment Budget 2010/2011. D. Report on Precept Consultation for 2010/11 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 2010/2011. 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 proposes that the net budget requirement be set at £75.135m, which would require the council tax for a band D property to be set at £71.77, and invites the Committee to recommend these levels to the budget meeting of the full Authority on the 19 February 2010.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1 The provisional Local Government Finance Settlement for 2009/2010 was announced on the 26 November 2009. This announcement only served to confirm that the indicative figure for 2010/2011, announced in December 2007 as part of the three-year grant settlement covering the years 2008/2009 to 2010/2011, would not be changed.

2.2 This announcement was only provisional as it was subject to the normal consultation period which ended on 6 January 2010. During the consultation period every local authority had an opportunity to challenge individual grant allocations. A response submitted to the Department of Communities and Local Government (CLG), on behalf of Devon and Somerset Fire and Rescue Authority (DSFRA 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 20 January 2010. 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 2010/2011	31.245	
Increase over 2009/2010 Grant	**716**	**2.3%**

2.4 A grant allocation of £31.246m for 2010/2011 representing an increase of 2.3% over the 2009/2010 figure, compares with an average increase for all fire and rescue authorities of 1.42%, ranging from 0.5% to 4.13%.

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 2010/11 are excessive, although alongside the provisional grant settlement it has emphasised that;

> *"The government is pleased that the average council tax increase for 2009/2010 was 3%, and that it anticipates that this average will fall further in 2010/2011"*

2.7 It has also been re-emphasised that it should not be assumed that the principles applied in 2009/2010 will be repeated in 2010/2011. In 2009/2010 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 4%; and
- that the increase in council tax should also not exceed 5%.

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

3. CORE REVENUE BUDGET REQUIRMENT 2010/2011

3.1 A draft core budget requirement for 2010/2011 has been assessed as £75.135m. A summary of the make up of this budget requirement is provided in Table 2 overleaf, and a breakdown of the more detailed items included in this draft budget are included in Appendix C.

TABLE 2 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2010/2011	**£m**	**%**
Approved Net Revenue Budget Requirement 2009/2010	72.659	
PLUS Provision for pay and price increases (items 1 to 4 included in Appendix C to this report)	0.407	
PLUS Inescapable Commitments (items 5 to 12 included in Appendix C to this report)	1.691	
MINUS Budget Reductions (items 13 to 20 included in Appendix C to this report)	(0.508)	
PLUS Essential Spending Needs and Invest-to-Save (items 21 to 26 included in Appendix C to this report)	0.886	
DRAFT REVENUE BUDGET 2010/2011	**75.135**	
INCREASE IN BUDGET OVER 2009/10 (£m)	**2.476**	
INCREASE IN BUDGET OVER 2009/10 (%)		**3.41%**

4. PROPOSED COUNCIL TAX 2010/2011 AND MEDIUM TERM FINANCIAL PLANNING

4.1 To fund the core budget requirement of £75.135m would require the 2010/2011 council tax for a Band D property to be set at £71.77, an increase of £2.59 per annum (5 pence per week) over 2009/2010, representing an increase of 3.74%. Table 3 below illustrates how this figure is calculated.

TABLE 3 – CALCULATION OF 2010/2011 COUNCIL TAX FOR A BAND 'D' PROPERTY	**£**	**Increase over 2009/2010 %**
NET REVENUE BUDGET REQUIREMENT 2010/2011	**75,135,000**	
LESS Government Grant	(31,245,174)	
LESS Share of net surplus on Collection Funds	(184,873)	
AMOUNT TO BE COLLECTED FROM COUNCIL TAX PAYERS 2010/2011	**43,704,953**	
DIVIDE BY **COUNCIL TAX BASE FOR DEVON AND SOMERSET (£ p)**	**608,942.53**	
COUNCIL TAX FOR BAND 'D' PROPERTY IN 2010/2011	**£71.77**	
INCREASE OVER 2009/2010 BAND 'D' COUNCIL TAX	**£2.59**	**3.74%**

4.2 In formulating the core budget requirement for the next financial year, an assessment has also been made with regard to indicative core budget requirements for the following two years, i.e. 2011/2012 and 2012/2013. This will enable the Medium Term Financial Plan (MTFP) for the Authority to provide financial modelling over a three year timeframe, to inform future budget and council tax strategy. The indicative budget figures for 2011/2012 and 2012/2013 have been assessed as £77m for both years. It should be emphasised that the figures for both years include some key assumptions which may well be subject to change, for instance projections of future pay award and inflationary increases, which by 2011 may well be higher the levels included in the current MTFP.

4.3 The other unknown quantity, of course, in terms of medium term financial planning is the uncertainty over future government grant levels. It has been widely commentated upon that from 2011 the government will require significant reductions in public spending, which is highly likely to result in reductions in government grant levels from 2011/2012 onwards. The actual grant levels for 2011/2012 will not be known until the Local Government Finance Settlement is announced in December 2010, and therefore it is impossible to gauge with any certainty the exact impact to Devon and Somerset FRA. However based upon even an optimistic assumption that the grant figure for 2011/2012 is frozen at the 2010/2011 level i.e. £31.245m, then the MTFP modelling indicates that ongoing savings of approximately £1m will be required from the 2011/2012 core budget requirement.

4.4 It is with the future budget difficulties in mind that the Service has already commissioned fundamental reviews to be undertaken during 2010, of both Service Delivery and Support Services. The terms of reference of these reviews will not only focus on the scope for identifying budget savings from future revenue budgets, but also to make improvements to the way we do things and reducing community risk. In order to support this work an amount of £0.455m has been included in the 2010/2011 core budget requirement as a one-off investment to commence the implementation of the identified changes.

5. PRECEPT CONSULTATION 2010-11

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 each financial year and that it be completed before the first precept is issued by the authority for that financial year. The Department for Communities and Local Government previously advised that there is no statutory requirement to consult the general public. For 2010/2011 it was decided to adopt the telephone survey which had successfully been used during the previous 3 years.

5.2 The main findings from the survey undertaken between 11 and 15 January 2010 revealed that the majority of respondents 82% (301) felt that an increase to £71.95 for a Band ‘D’ property represented value for money, whilst 18% (64) did not consider it value for money. As can be seen in Table 4 overleaf, for the first time in four years this represented an increase in the number of people who considered the proposed level of Council Tax to be value for money.

Table 4: Question 1 Do you consider '£71.95' to be value for money? - Comparison between results in 2007/08, 2008/09, 2009/10 and 2010/11

Response	**2007/08 Proposed Council Tax £63.45**	**2008/09 Proposed Council Tax £66.58**	**2009/10 Proposed Council Tax £69.81**	**2010/11 Proposed Council Tax £71.95**
Yes	79%	75%	68%	82%
No	21%	25%	32%	18%
Total	**100%**	**100%**	**100%**	**100%**

5.3 When asked if in addition to a £71.95 council tax they would be prepared to pay £1 more to enable DSFRS to improve community safety, 83% of respondents said yes. Of the 18% who disagreed that £71.95 was value for money, 45% would not find any increase on last years figure of £69.18 to be reasonable. Whilst 55% felt an increase between 2.5% and 4.0% would be reasonable.

5.4 A Briefing Note is included as Appendix D to this report, which provides details of the methodology and sample sizes used, together with a more detailed report of the survey results.

6. RESERVES AND BALANCES

6.1 In setting the revenue budget and council tax for 2010/2011, 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 2010/2011. 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 £4.453m, 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/10/x). This indicates a projected underspend of £0.494m. If all of this underspend were to transferred to the General Reserve then this would result in a balance, as at 1 April 2010, 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 has adopted an "in principle" strategy to maintain the level of reserves at a minimum of 5% of the revenue budget for any given year, with the absolute minimum level of reserves only being breached in exceptional circumstances, as determined by risk assessment. This does not mean that the Authority should not aspire to have more robust reserve balances based upon changing circumstances, but that if the balance drops below 5% (as a consequence of the need to utilise reserves) then it should immediately consider methods to replenish the balance back to a 5% level.

6.4 It is, of course, pleasing that the Authority has not experienced the need to call on reserve balances in the last three years to fund emergency spending. This has enabled the balance, through budget underspends, to be increased to a level in excess of 5%. However, given the current economic climate and the resultant uncertainties about grant funding levels for the next CSR period, commencing 2011/2012, it is my view that the Authority should seek to protect reserve balances, as much as possible, to provide added financial stability through this turbulent period.

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

7. SUMMARY

7.1 The Authority is required to set its level of revenue budget and council tax for 2010/2011 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 2010/2011. This report provides Members with the necessary background information to assist them in making decisions as to the appropriate levels for Devon and Somerset FRA.

7.2 The report proposes that the net budget requirement for 2010/2011 be set at £75.135m, which would require the council tax for a Band D property to be set at £71.77, an increase of £2.59 (5 pence per week) over 2009/2010, equivalent to 3.74%. The Committee is asked to consider the contents of the report with a view to recommending these levels to the budget setting meeting of the full Fire and Rescue Authority, to be held on the 19 February 2010.

KEVIN WOODWARD
Treasurer

LEE HOWELL
Chief Fire Officer

APPENDIX A TO REPORT RC/10/4

Lee Howell
CHIEF FIRE OFFICER

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

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Website : www.dsfire.gov.uk

Date : 5 January 2010
Please ask for : Mr Woodward
Email : kwoodward@dsfire.gov.uk

Telephone : 01392 872200
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Direct Telephone : 01392 872317

Dear Mr Lock,

RESPONSE FROM DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY IN RELATION TO THE REVENUE SUPPORT GRANT SETTLEMENT FOR 2010/2011

In relation to the provisional 2010/2011 Local Authority Finance Settlement announcement on the 26th November 2009, 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 made in my letter dated 7th January 2009, in response to the 2009/2010 provisional grant settlement, and my letter dated 16th July 2009 in response to the proposed review of the methodology used to distribute Fire Formula Grant from 2011/2012.

There are three specific issues that this authority has previously raised, and which it again, as part of this consultation exercise, requests are addressed in the final 2010/2011, 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 2009/2010 of £0.440 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	Hectares	**Urban**	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	Population per station	**Urban**	Population per station
Cumbria	13,000	London	67,500
Lincolnshire	18,000	Merseyside	52,000
Devon and Somerset	19,900	West Midlands	63,000

What Devon and Somerset FRA is seeking: an equitable grant distribution formula which 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 overleaf;

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

	Population (m)	Supported Capital Expenditure (SCE) 2009/2010 (£000)	Number of Stations	SCE per station (£000)
Combined Fire Authorities				
Devon and Somerset	1.681	1,757	82	21
Hampshire	1.711	1,811	52	35
Kent	1.673	1,750	65	27
Essex	1.700	1,788	51	35
Metropolitan Fire Authorities				
Merseyside	1.353	3,160	26	122
South Yorkshire	1.296	2,748	25	110
Greater Manchester	2.580	4,396	41	107
Tyne and Wear	1.075	2,129	17	125

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 £440,000 for 2009/2010. 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.

What Devon and Somerset FRA is seeking: 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

This Authority welcomes the opportunity to again provide its views on some of the shortcomings of the current methodology used to distribute fire formula grant, and requests that the issues highlighted within this response, particularly the non inclusion of sparsity as a factor in the grant, are reflected in the final grant calculations for 2010/2011.

Yours faithfully

Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority

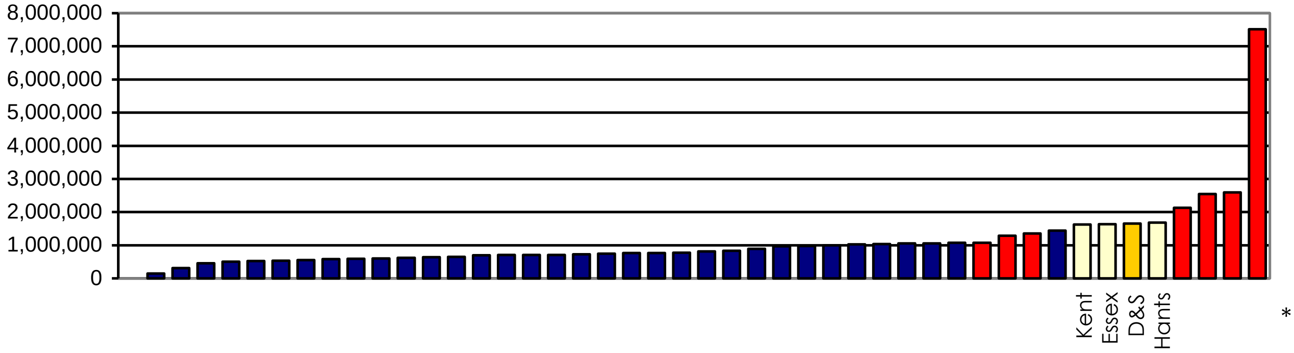
DEVON & SOMERSET
FIRE & RESCUE SERVICE

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*:

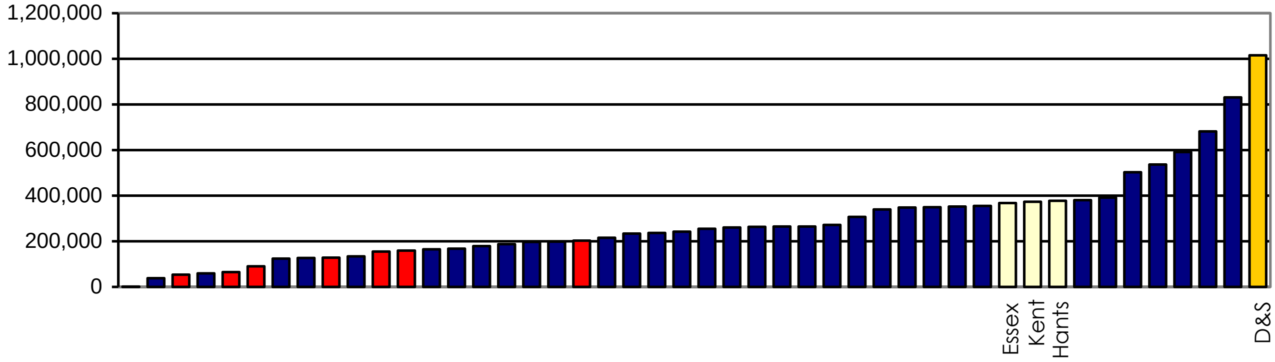


The metropolitan Services are shown as red.

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.

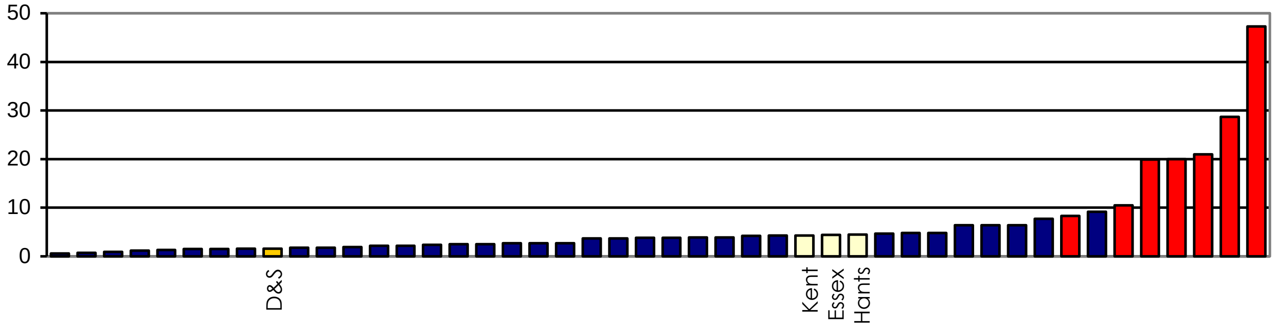
Area in hectares:



Population Density

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

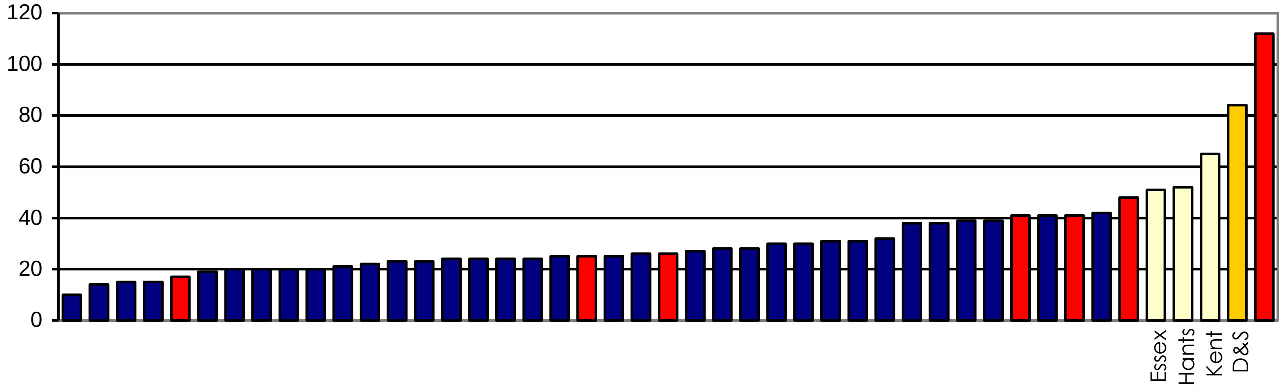
Population per hectare:



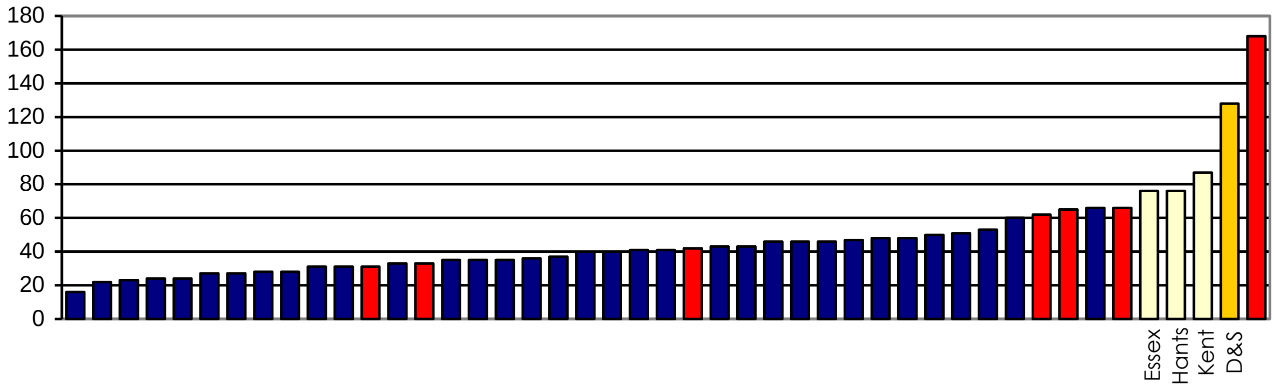
Resources

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

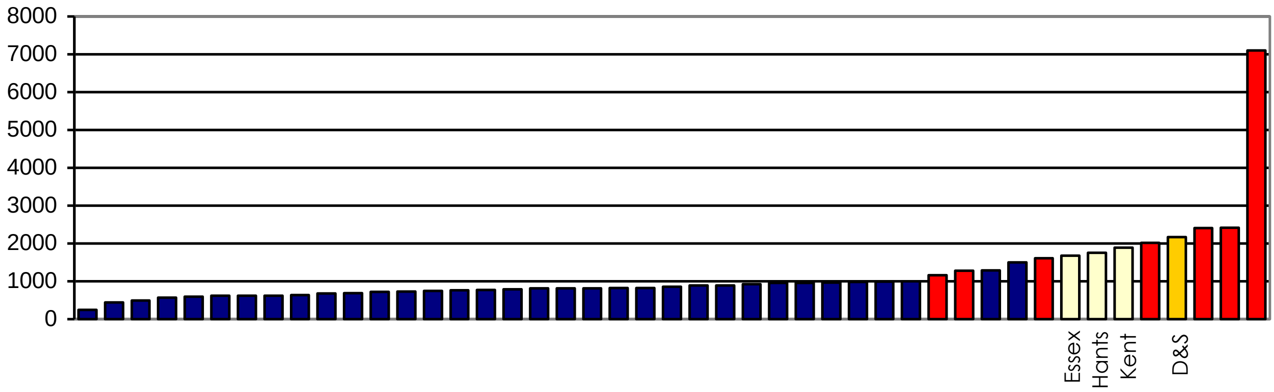
Estimated number of Fire Stations as at 31 March 2008:



Estimated number of pumping appliances as at 31 March 2008:



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

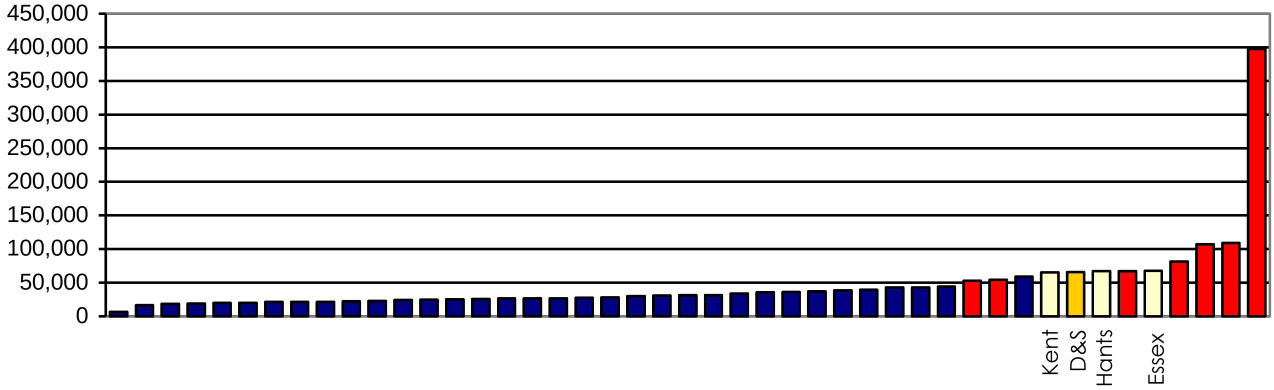


The three factors above have the biggest impact upon the levels of spending required to support the service.

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

APPENDIX C TO REPORT RC/10/4

CORE REVENUE BUDGET REQUIREMENT 2010/2011

		£m		%
	Revenue Budget 2009/2010		**72.659**	
	Provision for Pay and Prices			
1.	Uniformed Pay - July 2009 (budgeted 2.3% LESS actual of 1.25%) - July 2010 (assumed 1.0%)	 (0.223) 0.359		
2.	Non-Uniformed Pay - April 2009 (budgeted 2.3% LESS actual of 1.0%) - April 2010 (assumed 1.0%)	 (0.120) 0.100		
3.	Provision for prices increases (fuel, utilities and non-domestic rates)	0.242		
4.	Provision for inflationary increase in pension costs.	0.049	0.407	
	Inescapable Commitments			
5	Additional debt charges arising from agreed capital programme	0.660		
6	Additional costs associated with the implementation of the Integrated Clothing Project (ICP) – additional cost of £0.557m less amount of £0.357m set aside in earmarked reserves.	0.200		
7	Reduction in income targets resulting from the economic recession.	0.100		
8	Additional costs associated with training for Retained Duty Staff.	0.201		
9	Costs associated with the introduction of the national radio scheme (Firelink) and mobilising equipment	0.196		
10	Costs of maintaining a full establishment	0.250		
11	Replacement of obsolete Breathing Apparatus equipment	0.035		
12	Other minor costs(net)	0.049	1.691	
	Budget Reductions			
13	Reductions in pay costs from incremental drift and pension costs	(0.278)		
14	Reduced provision for ill-health costs.	(0.035)		
15	Reduced provision for travel costs.	(0.046)		
16	Reduction in external support costs	(0.020)		
17	Reduction in rental costs (vacation of Pynes Hill, Exeter)	(0.047)		
18	Removal of provision for implementation of e-market systems (2009/2010 only)	(0.025)		
19	Removal of provision for review of shift pattern changes (2009/2010 only)	(0.025)		
20	Other Minor changes(net)	(0.032)	(0.508)	

	<u>**Invest-to-Save/Essential Spending Pressures**</u>			
21	Business Transformation (invest-to-save)	0.455		
22	Scope the creation of a trading company (invest-to-save)	0.100		
23	Carbon Management Programme (invest-to-save)	0.078		
24	New Post – Technical Accountant	0.038		
25	Temporary Communications Officers to 31/3/2011	0.055		
26	Community Fire Safety Costs to support Group Plans	0.160	0.886	
	TOTAL CHANGES (LINES 1 TO 26)		**2.476**	**3.41%**
	CORE REVENUE BUDGET REQUIREMENT 2010/2011		**75.135**	

APPENDIX D TO REPORT RC/10/4

REPORT ON PRECEPT CONSULTATION FOR 2010-11 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 consultation each financial year and that it is completed before the first precept is issued by the authority for the financial year. Before the precept consultation in 2007/08 Communities and Local Government (CLG) were approached and they advised that there is not a statutory requirement to consult domestic ratepayers.

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, 2009 and again in 2010.

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 Monday 11 January and Friday 15 January 2010.

2.2 The key specifications of the survey were:

- To ask 4 key questions, plus demographic information
- 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. To further ensure the results were representative of the business population the responses were weighted by constituent authority, employee size band and sector.

Table 1: Population and sample size

Constituent authority	Actual number of businesses	%	Proportionate sample	Adjustment	Proposed sample		Actual response	
					Count	%	Count	%
Devon	30,297	49	196	-16	180	45	158	39
Somerset	21,320	34	136	-16	120	30	144	36
Plymouth	6,200	10	40	+10	50	12.5	49	12
Torbay	4,403	7	28	+22	50	12.5	52	13
Total	**62,220**	**100%**	**400**	**0**	**400**	**100%**	**403**	**100%**

(The data on the actual number of businesses contained in Table 1 are produced from the Annual Business Inquiry Workplace Analysis, ONS Crown copyright Reserved [from Nomis on 5 January 2010])

3 RESULTS

3.1 1392 businesses were contacted to participate in the survey from which:

- 403 (29%) businesses completed the survey
- 516 (37%) businesses declined to participate
- 473 (34%) numbers unobtainable/incorrect/no answer

Question 1 asked: 'For 2010/11 Devon and Somerset Fire and Rescue Authority is estimating a Council Tax increase of no more than 4% to maintain current standards of service. This would set a Council Tax figure of £71.95 per year per band 'D' property, an increase of 23p per month (£2.77 per year). Do you consider £71.95 to be value for money?'

3.2 82% of respondents agreed that the proposed charge did represent value for money and 18% 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		Torbay		Somerset	
	Count	%	Count	%	Count	%	Count	%
Yes	25	76%	145	80%	22	81%	109	87%
No	8	24%	36	20%	5	19%	16	13%
Total	**33**	**100%**	**181**	**100%**	**27**	**100%**	**125**	**100%**

3.3 When compared against the results from the previous surveys it is observed that for the first time in four years more 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, 2009/10 and 2010/11

Response	**2007/08 Proposed Council Tax £63.45**	**2008/09 Proposed Council Tax £66.58**	**2009/10 Proposed Council Tax £69.81**	**2010/11 Proposed Council Tax £71.95**
Yes	79%	75%	68%	82%
No	21%	25%	32%	18%
Total	**100%**	**100%**	**100%**	**100%**

3.4 There were 21 comments received from respondents on this question. The general themes of the comments were:

- Not sure if it is value for money (6)
- A rise is ok as it is an essential service (4)
- All the different taxes add up to too much money (3)
- It is too high already (2)
- Would need to know how the money is being spent to answer the question (2)
- The current tax funds need allocating better to the different organisations (1)
- There needs to be more accountability for how public money is spent (1)
- There should be no rise in the current financial situation (1)
- There should be no rise as inflation has not gone up (1)

Question 2 asked: 'What percentage increase, based on last year's figure of £69.18, would you consider reasonable?'

3.5 This question was asked if respondents answered 'No' and 'Don't know' to Question 1. Respondents were given the opportunity of answering with options between 2.5% and 4.0%. Of the 42 respondents who answered this question 45% would not find any increase on last years figure of £69.18 to be reasonable with 55% feeling an increase between 2.5% and 4.0% would be reasonable.

Table 4: Question 2 'What percentage increase, based on last year's figure of £69.18, would you consider reasonable?'

Proposed % increase	**Number of responses**	**Response %**
4.0%	2	5%
3.5%	1	2%
3.0%	5	12%
2.5%	15	36%
None of above	19	45%
Total	**42**	**100%**

3.6 When asked what they would consider reasonable, there were 61 general comments received from respondents on this question. The themes of the comments were:

- There should be no increase, 0% (42)
- Don't know (4)
- There should be a decrease (3)
- 2% (3)
- 1% (2)
- Not in the current financial situation (2)
- 3% (1)
- 0.05% (1)
- As little as possible (1)
- In line with inflation (1)
- The money should come from government (1)
- There are too many taxes (1)

Question 3 asked: 'Would you be prepared to pay £1 more per year per household, in addition to the proposed charge of £71.95 per year, to enable Devon and Somerset Fire and Rescue Service to improve community safety?'

3.7 83% (316) of all respondents said that they would, with 17% (16) of respondents saying they were not prepared to pay an extra £1 to improve community safety.

Table 5: Question 3 'Would you be prepared to pay £1 more per year per household, in addition to the proposed charge of £71.95 per year, to enable Devon and Somerset Fire and Rescue Service to improve community safety?'

Response	Number of responses	%
Yes	316	83%
No	66	17%
Total	**382**	**100%**

3.8 There were 9 general comments received from respondents on this question. The themes of the comments were

- DSFRS already do a good job so don't need for more money (1)
- There should be a decrease (1)
- Don't know (1)
- Just because it's the public sector doesn't justify increase (1)
- More money should go towards the actual emergencies (1)
- No, as not getting good value at moment (1)
- Problem is the lack of value get from other organisations (1)
- Yes, along as improvements made (1)
- Yes, but only if get 2 county control rooms (1)

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. 80% answered that they would not be prepared to pay anything, 5% would be prepared to pay 0.25p and 15% would be prepared to pay 0.50p.

	Number of responses	**%**
0.50p	10	15%
0.25p	3	5%
None	52	80%
Total	**65**	**100%**

4 CONCLUSION

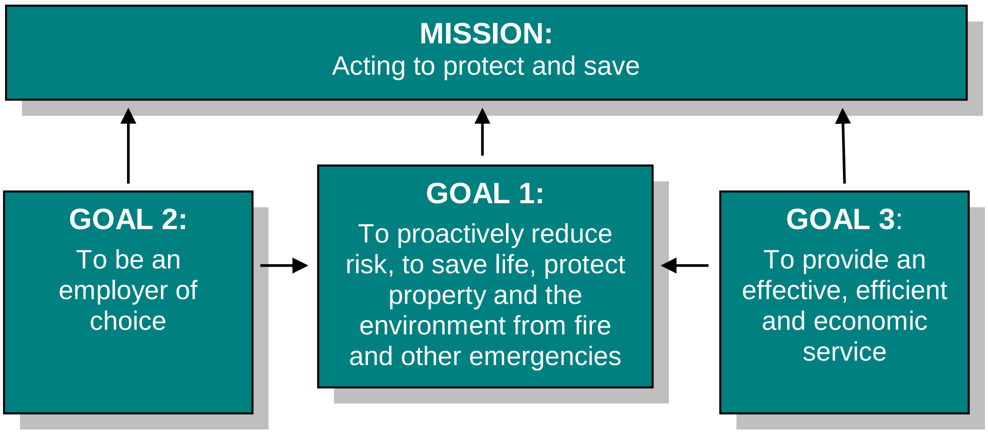
4.1 The results of the telephone survey indicate that there is support for the proposed level of Council Tax and a high proportion of the respondents would be prepared to pay an additional £1 to improve community safety. Over the last three years there had appeared to be a decreasing opinion that the proposed level of Council Tax provides value for money. However, this year for this first time since the survey has started there has been an increase in opinion that the proposed level of council tax provides value for money. Underlying messages are that 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. However, there is acknowledgment that as an essential service it is important that DSFRA receives enough funding.

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/10/5**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2010**
SUBJECT OF REPORT	**TARGET SETTING FOR DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY CORPORATE PLAN 2010/11 TO 2012/13**
LEAD OFFICER	**DIRECTOR OF CORPORATE SERVICES**
RECOMMENDATIONS	***(a) That the recommendations for measures and targets contained within this report (RC/10/5) are considered and;*** ***(b) That the targets are included in the Devon and Somerset Fire and Rescue Authority Corporate Plan 2010/11 to 2012/13. The Corporate Plan will then be submitted to the Devon and Somerset Fire and Rescue Authority in February 2010 for final approval.***
EXECUTIVE SUMMARY	A key part of any business plan is the setting of targets to demonstrate the level of ambition the organisation wishes to achieve. As in previous years, it is proposed that this Committee discusses and recommends targets for relevant areas of the Corporate Plan before final endorsement by the full Authority in February. Therefore, this paper sets out recommendations for targets under Goal 3 ‘To provide an effective, efficient and economic service’
RESOURCE IMPLICATIONS	There are no specific financial implications contained within the report.
EQUALITY IMPACT ASSESSMENT	None indicated
APPENDICES	None
LIST OF BACKGROUND PAPERS	Devon and Somerset Fire and Rescue Authority Draft Corporate Plan 2010/11 to 2012/13

1. INTRODUCTION

1.1 The draft Devon and Somerset Fire and Rescue Authority Corporate Plan 2010/11 to 2012/13 sets out the ambitions for the Authority for the next three years, as expressed through the following Mission and Goals:



1.2 A key part of any business plan is the setting of targets to demonstrate the level of ambition the organisation wishes to achieve.

1.3 Within the Fire and Rescue Service in previous years there has been the requirement to set targets for the next three years for each of the national Best Value Performance Indicators. However, this requirement no longer exists and therefore there is greater flexibility for the Authority in the setting of targets.

1.4 Nationally the former suite of Best Value Performance Indicators has been replaced with the National Indicator Set which consists of 198 performance indicators covering a wide range of areas in the public sector. The recently renewed Local Area Agreements were required to set targets against 35 of the performance indicators in the National Indicator Set. However, all of the 198 indicators will still need to be measured and monitored on a regular basis. Within the set there are 2 specific indicators where the fire and rescue service is the primary source of the data. They are:

NI 33: Arson Incidents. To be measured as

a) Number of deliberate primary fires per 10,000 population;

b) Number of deliberate secondary fires per 10,000 population

NI 49: Number of primary fires and related fatalities and non-fatal casualties (excluding precautionary checks). To be measured as

1) Total number of primary fires per 100,000 population;

2) Total number of fatalities due to primary fires per 100,000 population;

3) Total number of non-fatal casualties (excluding precautionary checks) per 100,000 population

1.5 The Service monitors many measures under each of its Goals that inform the day to day management of the organisation. These measures are regularly reviewed by the Service Management Board and Service Improvement Group. However, there are also measures that reflect the strategic management and progress of the Service. These measures should enable the Authority to focus on the key strategic issues in each of the Goals. Therefore it is the intention to establish a small but discrete set of corporate measures and targets to assist strategic management. The set of measures is not expected to be fixed indefinitely but may be adjusted over time to provide any necessary change in strategic focus.

2. TARGET SETTING FOR GOAL 3

2.1 Within the Draft Corporate Plan there are four outcomes that the Service will be able to demonstrate as a high performing organisation. These outcomes are:

- Our staff and community know what we do, the part they play to improve community and influence future decisions of the service
- All of work is effectively planned, managed and delivers continuous improvement
- Our environmental impact is known and it is reduced through sustainable solutions
- Physical assets are managed for current and future needs

2.2 To ensure that the focus is maintained on the most strategic issues it is not proposed to identify and set multiple corporate measures and targets for each of the outcomes listed above. To provide the necessary strategic focus it is proposed to set targets against the following measures:

- Management of expenditure within budget
- Savings from the combination of the two services
- Results from external assessment

In addition it is proposed to establish a new measure:

- Levels of efficiency achieved

Whilst these corporate measures will be aligned with other measures to the four outcome statements listed above, they will be the key measurements for success towards achieving Goal 3. Each of the measures and associated targets are considered in detail within this report.

2.6 When setting targets it is important to consider:

- The priority and importance of delivering a specific issue
- Current performance and success of existing strategies to deliver the outcomes
- Resources available to undertake the activity required to achieve the target
- Benchmarking of current performance against other Fire and Rescue Services
- The possible impact of the current economic situation on performance. No-one can reliably predict what this impact might be and therefore setting targets in this climate provides a significant challenge in itself.

3. CORPORATE TARGET: MANAGEMENT OF EXPENDITURE WITHIN BUDGET

3.1 Prudent management of the service's budget is essential to the effective delivery of the service. The main objective is to ensure spending is within the approved budget levels. If the budget is exceeded then there is an impact on financial reserves and if there is a significant under-spend there is a risk that planned activity has not been completed. The service is striving towards excellence and therefore looks to what is good professional practice in the management of budget. Other local authorities have taken the view that a tolerance of -1% is professionally acceptable (i.e. not overspent and any under-spend is within 1%). Therefore, it is proposed to introduce a corporate target that measures the management of the budget to a tolerance of -1%. In setting this target it needs to be recognised that there may be exceptional circumstances when the tolerance may be exceeded e.g. unforeseen expenditure that will need to be funded from reserves.

The proposed target is:

To manage expenditure within a tolerance of -1%

4. CORPORATE TARGET: SAVINGS FROM THE COMBINATION OF THE TWO SERVICES

4.1 A target was set at the combination of the two services to achieve savings of between £1.6m and £3m over five years from 1st April 2007. Currently, cumulative savings to the end of 2009/10 are forecast to be £1.58m and therefore the lower of the target figures has been achieved nearly two years ahead of schedule. These savings exceed those forecast in the original business case for this period by nearly £0.4m and have been principally achieved by:

- Staff changes from a slimmer organisational structure
- Economies of scale in training, procurement, IT and insurance

4.2 The savings established from the above factors will continue by providing an ongoing benefit of £1m per annum, delivering a total forecast saving of £3.6m by 2011/12 as identified in a report elsewhere on the agenda (RC/10/2) for the Resources Committee.

4.3 The service is now embarking on two significant reviews that focus on service delivery and service support. These reviews are expected to identify improvements that will deliver additional savings. It is proposed later in this paper to introduce an additional measure that will track the savings resulting from these reviews. For a short timescale there will be two measures reporting savings and for this period there must be clarity between those savings that are as a result of combination and those that are a result of business improvement.

Given the present forecast of the savings from combination it is proposed that the existing target is amended to:

Achieve the savings from combining the two services of £3 million over the five years from 1st April 2007

5. <u>CORPORATE TARGET: RESULTS FROM EXTERNAL ASSESSMENT</u>

5.1 The service is subject to external assessment from local auditors and the Audit Commission. The results of these assessments provide an independent view of how the organisation is performing across many different factors from internal management to how we work with external partners to improve local areas. It is important to have a target that is based on an independent judgement in order to provide the local community with the confidence that the service it funds is being managed and delivered appropriately.

The proposed targets are:

To achieve a Level 3 Use of Resources result in the 2010/11 assessment
To achieve a Level 4 Use of Resources result in the 2012/13 assessment

6. <u>CORPORATE MEASURE: LEVELS OF EFFICIENCY ACHIEVED</u>

6.1 The service is undertaking two significant reviews that focus on service delivery and service support. The purpose of these reviews is to improve our service and increase efficiency. It is important to note that these reviews are separate from the combination of the two services and therefore it is appropriate to measure the resulting efficiencies separately. Consequently, it is proposed to measure and report on the levels of efficiency achieved from the changes introduced; at this stage it is proposed that a target is not set until the future budget circumstances become clear. The criteria that will be measured to show efficiency will be considered and established with any proposed changes resulting from the reviews.

MIKE PEARSON
Director of Corporate Services