



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

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

(see below)

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

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

Date : 11 February 2016
Please ask for : Steve Yates
Email : syates@dsfire.gov.uk

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

DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Budget Meeting)

Friday, 19th February, 2016

A meeting of the Devon & Somerset Fire & Rescue Authority is to be held on the above date, **commencing at 10.00 am in the Conference Rooms, Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

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

1 Apologies

2 Minutes (Pages 1 - 8)

of the meeting held on 14 December 2015.

3 Items Requiring Urgent Attention

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

PART 1 - OPEN COMMITTEE

4 Questions and Petitions from the Public

In accordance with Standing Orders, to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at this meeting of the Authority. Petitions must relate to matters for which the Authority has a responsibility or which affects the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority (e-mail address: clerk@dsfire.gov.uk) **by midday on Tuesday 16 February 2016.**

5 Addresses by Representative Bodies

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

6 Questions from Members of the Authority

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

7 Minutes of Committees

a Community Safety & Corporate Planning Committee (Pages 9 - 12)

The Chair of the Committee, Councillor Eastman, to **MOVE** the Minutes of the meeting held on 12 January 2016.

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

b Audit & Performance Review Committee (Pages 13 - 16)

The Chair of the Committees, Councillor Radford, to **MOVE** the Minutes of the meeting held on 14 January 2016.

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

c Commercial Services Committee (Pages 17 - 18)

The Chair of the Committee, Councillor Healey, to **MOVE** the Minutes of the meeting held on 21 January 2016.

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

d Resources Committee (Pages 19 - 24)

The Vice-Chair of the Committee, Councillor Yeomans, to **MOVE** the Minutes of the Budget Meeting of the Committee held on 10 February 2016.

RECOMMENDATIONS

- (i) that the recommendations at Minutes RC/12 (Capital Programme 2016-17 to 2018-19) and RC/13 (Revenue Budget and Council Tax Level 2016-17) be considered in conjunction with items 8(b) and 8(a) respectively below;
- (ii) that the recommendation Minute RC/14(a) (Financial Performance Report 2015-16: Quarter 3), to transfer a further £1.5m underspend from the 2015-16 approved revenue budget to the Earmarked Reserve established for capital expenditure, be approved; and

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

8 Revenue and Capital Budgets

- a 2016-17 Revenue Budget and Council Tax Levels** (Pages 25 - 74)
Joint report of the Treasurer and Chief Fire Officer (DSFRA/16/1) attached.
- b Capital Programme 2016-17 to 2018-19** (Pages 75 - 86)
Joint report of the Chief Fire Officer and the Treasurer (DSFRA/16/2) attached.
- c Treasury Management Strategy (including Prudential and Treasury Indicators Report 2016-17 to 2018-19)** (Pages 87 - 106)
Report of the Treasurer (DSFRA/16/3) attached.

9 Strategic Plan - "Our Plan 2016 - 21" (Pages 107 - 128)

Report of the Chief Fire Officer (DSFRA/16/4) attached.

10 Devon & Cornwall Police and Dorset Police Strategic Alliance - Opportunities and Options for Devon & Somerset Fire & Rescue Authority (Pages 129 - 142)

Report of the Chief Fire Officer (DSFRA/16/5) attached.

11 Emergency Services Mobile Communications Programme (Pages 143 - 164)

Report of the Chief Fire Officer (DSFRA/16/6) attached.

12 Localism Act 2011 - Pay Policy Statement 2016-17 (Pages 165 - 178)

Report of the Chief Fire Officer (DSFRA/16/7) attached.

13 Appointment of Authority Non-Executive Directors to the Board of Red One Ltd. (Pages 179 - 184)

Report of the Chief Fire Officer (on behalf of Independent Chair of Board of Red One Ltd.) (DSFRA/16/8) attached.

14 Chairman's Announcements

15 Chief Fire Officer's Announcements

16 Exclusion of the Press and Public

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

- Paragraph 1 (information relating to an individual) (Agenda item); and
- Paragraph 2 (information likely to reveal the identity of an individual); and
- Paragraph 3 (information relating to the financial and business affairs of a particular person).

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

17 Firefighters' Pensions Scheme Issue (Pages 185 - 188)

Report of the Chief Fire Officer (DSFRA/16/9) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors M Healey (Chair), K Ball, A Bown, P Burrige-Clayton, C Chugg, P Colthorpe, J Dyke, A Eastman, M Edmunds, V Ellery, B Greenslade (Vice-Chair), R Hill, A Horsfall, J Knight, M Leaves, R Radford, S Randall Johnson, L Redman, C Singh, D Thomas, N Way, G Wheeler, J Woodman and D Yeomans

NOTES

- | | |
|----|---|
| 1. | <p><u>Access to Information</u>
Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.</p> |
| 2. | <p><u>Reporting of Meetings</u>
Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chairman - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority.
Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.</p> |
| 3. | <p><u>Disclosable Pecuniary Interests (Authority Members only)</u>
If you have any disclosable pecuniary interests (as defined by Regulations) in any item(s) to be considered at this meeting then, unless you have previously obtained a dispensation from the Authority’s Monitoring Officer, you must:</p> <ul style="list-style-type: none">(a) disclose any such interest at the time of commencement of consideration of the item in which you have the interest or, if later, as soon as it becomes apparent to you that you have such an interest;(b) leave the meeting room during consideration of the item in which you have such an interest, taking no part in any discussion or decision thereon; and(c) not seek to influence improperly any decision on the matter in which you have such an interest. <p>If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have a disclosable pecuniary interest of a sensitive nature. You must still follow (b) and (c) above.</p> |
| 4. | <p><u>Part 2 Reports</u>
Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.</p> |
| 5. | <p><u>Substitute Members (Committee Meetings only)</u>
Members are reminded that, in accordance with Standing Order 35, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.</p> |

This page is intentionally left blank

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

14 December 2015

Present:-

Councillors Healey (Chair), Bown, Burridge-Clayton, Chugg, Colthorpe, Dyke, Eastman, Edmunds, Ellery, Greenslade, Hill, Knight, Leaves, Radford, Randall Johnson, Redman, Singh, Thomas, Way, Wheeler, Woodman and Yeomans.

Apologies:-

Councillors Ball and Horsfall

DSFRA/36. Minutes

RESOLVED that the Minutes of the meeting held on 7 October 2015 be signed as a correct record.

DSFRA/37. Minutes of Committees

(a) Resources Committee

The Chair of the Committee, Councillor Dyke, **MOVED** the Minutes of the meeting held on 19 November 2015 which had considered, amongst other things:

- a report on Treasury Management performance as at Quarter 2 of the current (2015-16) financial year; and
- a report on financial performance as at Quarter 2 of the current (2015-16) financial year.

RESOLVED

- (i) that the recommendation at Minute RC/9 (Financial Performance Report 2015-16: Quarter 2) to transfer the sum of £1.5m to Earmarked Reserves for future funding of capital expenditure be approved;
- (ii) that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

(b) Commercial Services Committee

The Chair of the Committee, Councillor Healey, **MOVED** the Minutes of the meeting held on 25 November 2015 which had considered:

- a report on commercial leads and opportunities being progressed as at October 2015; and
- a commercial financial update.

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

(c) Human Resources Management & Development Committee

The Chair of the Committee, Councillor Bown, **MOVED** the Minutes of the meeting held on 7 December 2015 which had considered, amongst other things:

- an update on the Authority's Equality Strategy "Safer Lives, Brighter Futures";
- a report on absence management by the organisation;

- a request for retirement and re-employment; and
- an update report on arrangements for working with trades unions.

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

DSFRA/38. Local Pensions Board - Additional Appointments

The Authority considered a report of the Director of Corporate Services (DSFRA/15/26) on a request from the Local Pensions Board, established by the Authority in February 2015 in compliance with legislative revisions to the Firefighters' Pensions Schemes, to increase the overall size of the Board by both an additional Scheme Manager and Scheme Member representative.

RESOLVED

- that Councillor Radford be appointed as an additional Scheme Manager representative on the Authority's Local Pensions Board, with the term of office to be initially until the Authority Annual Meeting in May 2017, and thereafter annually with appointments to be made at the Annual Meeting of the Authority each year;
- that the Director of People and Commercial Services be delegated authority to undertake an appropriate process to appoint an additional Scheme Member representative to the Board.

DSFRA/39. Treasurer to the Authority - Extension of Contract

The Authority considered a report of the Director of Corporate Services (DSFRA/15/27) seeking the endorsement by the Authority of the decision of the Chief Fire Officer, taken in accordance with the contract documentation, to extend the contract for the current Authority Treasurer for a further two years (until 3 November 2017).

RESOLVED

- that the extension by the Chief Fire Officer, of the appointment of the Treasurer (to 3 November 2017) at the revised contract rate indicated in this report, both in accordance with the terms of the initial contract, be endorsed; and
- that a report be submitted to the Authority meeting in December 2016 on the process to secure an Authority Treasurer to serve post-November 2017.

DSFRA/40. Commercial Governance - Further Developments

The Authority considered a report of the Chief Fire Officer (DSFRA/15/28) on the latest developments and proposals to effect revised governance and operating arrangements for commercial activities.

RESOLVED

- that the proposed revised governance arrangements for commercial activities (i.e by an expanded Board of Directors of Red One Ltd. to include three additional non-executive directors appointed from Membership of the Authority), as summarised in paragraph 2.2 of report DSFRA/15/28, be approved;
- that the process for the appointment of three Authority non-executive directors to the Board, as outlined in paragraph 3.2 of the report, be approved;

- (c) that the initial and subsequent appointment to, and term of office for, non-executive directors on the Board of Red One Ltd., as set out in paragraph 3.3 of the report, be approved;
- (d) that, subject to (a) to (c) above, the Commercial Services Committee be formally dissolved upon establishment of the new, extended Board of Directors of Red One Ltd. (i.e. on 19 February 2016);
- (e) that, upon dissolution of the Commercial Services Committee, the revisions to the Authority's approved Financial Regulations, Scheme of Delegations and to the Terms of Reference of the Resources Committee, as set out in Section 5 of the report, be approved with the powers previously exercised by the Commercial Services Committee exercised as indicated paragraphs 5.9 and 5.10 of the report;
- (f) that the Clerk be authorised to make the consequential amendments to the constitutional governance framework documents resulting from (e) above;
- (g) that the proposed process for the appointment, should this be required, of independent non-executive director (and Board Chairman), as indicated at Section 6 of the report, be noted.

DSFRA/41. Devon & Somerset Fire & Rescue Authority Approved Scheme of Members Allowances 2016-17

The Authority considered a report of the Director of Corporate Services (DSFRA/15/29) to which was appended the report of the Independent Advisor commissioned to review the Authority's approved Scheme of Members Allowances with a view to informing the Scheme to operate from April 2016.

Regulations required the Authority to set its allowances scheme prior to the commencement of each financial year. The Authority was not required to have its own Independent Remunerations Panel but, in setting its allowances scheme, was required to "have regard to" any recommendations made by the Independent Remuneration Panels of its constituent authorities in relation to allowances payable by those authorities. Additionally, the regulations required that any automatic annual uprating mechanism contained in a scheme should only operate for a maximum period of four years prior to seeking as further review.

The Authority's scheme had last been subject to a substantive review in 2012. An Independent Advisor had again been commissioned to review this and advise on the Scheme to operate from April 2016 onwards. In undertaking the review, reference had been made to recommendations of constituent authority Independent Remuneration Panels together with other benchmarking data on allowances payable by other combined fire and rescue authorities.

Following debate on the report of the Independent Advisor, Councillor Radford **MOVED**, with Councillor Edmunds seconding:

"that the recommendations as summarised at pages 42 and 43 and contained in the Independent Review of Allowances be approved for implementation with effect from 1 April 2016 subject to:

- (a) deletion of recommendation (v)
- (b) deletion of recommendation (vi) and its replacement with the following;

“that the Special Responsibility Allowance attracting to the role of Authority-appointed non-executive director on the Board of Red One Ltd. be set at a flat rate of £6,000 per annum, with this allowance to commence from the date of appointment of the non-executive directors if such appointments are made prior to 1 April 2016 (it is expected at appointments will be made at the Authority meeting on 19 February 2016);

- (c) deletion of recommendation (vii) and its replacement with the following:

“No Member may receive more than one Special Responsibility Allowance, with the exception of those Members appointed as non-executive directors to the Board of Red One Ltd. who should be eligible to claim the Special Responsibility Allowance attracting to that role in addition to one other Special Responsibility Allowance (if eligible).”

- (d) deletion of recommendation (viii);
- (e) consequential renumbering of other recommendations

and that it be noted that the effect of the above proposals will result in a net annual saving of £12,250 on the Scheme of Members’ Allowances.”

Councillor Randall Johnson proposed that the Motion be **amended** by the addition of the following recommendation:

“that each Authority Member appointed as a non-executive director to the Board of Red One Ltd. be required to submit a written review report on their activities to each full Authority meeting for the first twelve months of operating the new arrangements”.

Councillors Radford and Edmunds indicated their acceptance to incorporation of this amendment into the substantive Motion.

Councillor Hill then proposed, with Councillor Randall Johnson seconding, that the substantive Motion be further **amended** as follows:

“after the words “approved for implementation with effect from 1 April 2016 subject to”, insertion of the following:

- (a) recommendations (i), (ii), (iii) and (iv) being deleted and replaced with the following:

That the Basic Allowance be frozen at the current level (i.e. £2,581 per annum), with the multipliers in relation to the Special Responsibility Allowances for the Authority Chair, Vice Chair and Committee Chairs remaining at their current level (i.e. 5 x Basic Allowance [£12,903]; 2.5 x Basic Allowance [£6,451]; and 1.5 x Basic Allowance [£3,871])

and the renumbering of paragraphs (a) to (e) inclusive in the substantive motion as paragraphs (b) to (f) respectively”.

The amendment was put to the vote and declared **LOST** by 13 votes against to 7 for, with two abstentions.

Councillor Wheeler then proposed, with Councillor Randall Johnson seconding, that the substantive Motion be further **amended** as follows:

“deletion of all words after “approved” i.e. the substantive motion to read “that the recommendations as summarised at pages 42 and 43 and contained in the Independent Review of Allowances be approved”.

The amendment was put to the vote and declared **LOST** by 16 votes against to 4 votes for, with 2 abstentions.

There being no further amendments, the substantive Motion was put to the vote and declared **CARRIED** by 17 votes for to 2 votes against, with 3 abstentions whereupon it was

RESOLVED

- (a) that the Basic Allowance to operate with effect from 1 April 2016 be set at £2,600;
- (b) that the multiplier for the Authority Chair’s Special Responsibility Allowance remain at 5 x the Basic Allowance (i.e. £13,000 from 1 April 2016, given the increase in Basic Allowance);
- (c) that the Authority Vice-Chair’s Special Responsibility Allowance be set at 2.5 x the Basic Allowance (i.e. £6,500 from 1 April 2016, given the increase in Basic Allowance);
- (d) that the Committee Chair’s Special Responsibility Allowance be set at 1.5 x the Basic Allowance (i.e. £3,900 from 1 April 2016, given the increase in Basic Allowance);
- (e) that the Special Responsibility Allowance attracting to the role of Authority-appointed non-executive director on the Board of Red One Ltd. be set at a flat rate of £6,000 per annum, with this allowance to commence from the date of appointment of the non-executive directors if such appointments are made prior to 1 April 2016 (it being expected that appointments would be made at the Authority meeting on 19 February 2016);
- (f) that no Member may receive more than one Special Responsibility Allowance, with the exception of those Members appointed as non-executive directors to the Board of Red One Ltd. who should be eligible to claim the Special Responsibility Allowance attracting to that role in addition to one other Special Responsibility Allowance (if eligible).
- (g) that, in light of concerns in the Independent Advisor’s report about capacity to undertake the non-executive director role, the Board Independent Chair be invited to assess this as part of his review of candidates to recommend to the Authority to appoint;
- (h) that, in relation to the non-executive director roles on Red One, either Red One Ltd. or the Authority be asked to make arrangements to identify appropriate Director’s liability insurance and meet any costs associated with this on behalf of the Members undertaking the non-executive director roles (and similarly meet insurance costs for officers on the Board);
- (i) that uprating of allowances be linked to any annual increase agreed by the National Joint Council for Local Government Services, but that this uprating only be applied from 1 April 2017 onwards;

- (j) that travel rates should be linked to the rates published by Her Majesty's Revenue and Customs (HMRC) and amended accordingly;
- (k) that subsistence be linked to the employee scheme and updated accordingly;
- (l) that the Authority continue to provide development support to Members;
- (m) That the Authority consider a more detailed review, in advance of the normal 4 yearly reassessment, of the relative levels of responsibility, accountability, time and effort in the key roles attracting Special Responsibility Allowances in particular:
 - the relative levels of responsibility of the Chair and Vice-Chair;
 - the roles and responsibilities of Chairs of Committee to consider the possibility of differential rates applying to different Committees; and
 - the exact nature of the non-executive director role on Red One Ltd;
- (n) that each Authority Member appointed as a non-executive director to the Board of Red One Ltd. be required to submit a written review report on their activities to each full Authority meeting for the first twelve months of operating the new arrangements
- (o) that it be noted that the effect of the above proposals will result in a net annual saving of £12,250 on the Scheme of Members' Allowances.
- (p) that, following from the above decisions and in accordance with the requirements of the relevant Regulations, the Clerk to the Authority be authorised:
 - (i) to arrange for publication as soon as possible of those rates agreed in relation to Basic and Special Responsibility Allowances;
 - (ii) to amend the Authority Approved Scheme of Members Allowances accordingly.

DSFRA/42. Precept Consultation for 2016-17 Budget

The Authority considered a report of the Treasurer to the Authority (DSFRA/15/30) on consultation options in relation to the 2016-17 Authority budget and council tax precept.

The Authority had a statutory duty to consult with non-domestic ratepayers on its proposals for expenditure and in previous years had also undertaken similar consultation with the public.

RESOLVED that Option C as set out in report DSFRA/15/30 (consulting the business community via telephone survey and with the public via street level face to face surveys) be undertaken in relation to the Authority's proposed expenditure and level of council tax precept for 2016-17.

DSFRA/43. Chairman's Announcements

The Authority received, for information, a list of events attended by the Chair on its behalf since the last full meeting. These events had included, amongst other things:

- several meetings with the Chief Fire Officer and Chairs of Committees;

- attendance at the inaugural South West Emergency Services Forum meeting (also attended by representatives of the police, fire and ambulance services in the region), at which he was elected initial Chair; and
- attendance at meetings of the Local Government Association Fire Commission and Fire Service Management Committee.

DSFRA/44. Chief Fire Officer's Announcements

The Chief Fire Officer reported on his involvement in a range of issues since the last full Authority meeting, including:

- Discussions with the Devon & Cornwall and Dorset Constabularies on involvement in the Strategic Alliance;
- Attendance, with the Chair, at a meeting with Rebecca Pow MP at Taunton fire and rescue station where the opportunity was taken to lobby for a better funding settlement for the Devon & Somerset Fire & Rescue Authority;
- a meeting with Ken Wenman (Chief Executive, South West Ambulance Service NHS Foundation Trust) to discuss the potential for closer engagement in the provision of emergency medical services and co-responding;
- chairing a meeting of the Arson Prevention Forum in London.

The meeting started at 10.00hours and finished at 13.03hours.

This page is intentionally left blank

COMMUNITY SAFETY AND CORPORATE PLANNING COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

12 January 2016

Present:-

Councillors Bown, Eastman, Ellery, Hill, Redman and Thomas (vice Leaves).

Apologies:-

Received from Councillor Colthorpe.

***CSCPC/9. Apologies**

In the absence of both the Chair and Vice Chair of the Committee, it was **RESOLVED** that Councillor Bown take the Chair for this meeting.

***CSCPC/10. Minutes**

RESOLVED that the Minutes of the meeting held on 23 September 2015 be signed as a correct record.

CSCPC/11. Strategic Plan 'Our Plan': 2016 to 2021

The Committee considered a report of the Chief Fire Officer (CSCPC/16/1) that set out the proposals for the Authority's Strategic Plan 'Our Plan': 2016 to 2021. The proposed Plan was an evolution of 'Our Plan 2015 to 2020, continuing the previously agreed longer term planning approach which would changes to be incorporated during the lifecycle of the Plan as appropriate. The strategic direction and content of the plan was aligned with the medium term financial plan to address the Service's anticipated funding requirements and to drive improvement. It also incorporates the requirements of the Integrated Risk Management planning process, aligning resources to risk accordingly.

The Service's three key strategic priorities remain as:

- Public safety;
- Staff safety;
- Efficiency and effectiveness.

It was noted that new strategic outcomes had been identified for each of the three key priorities and it was anticipated that this would improve the Service's ability to measure performance against the strategy.

The Chief Fire Officer stated that, since the report had been published, the Authority had received details of its financial settlement for 2016/17. This meant that the funding gap was £7.5million with £2.5million of savings required in 2016/17 and he outlined some of the actions that were being taken to address this, including the ongoing reductions in operational staff and the implementation of reductions in non-operational staff.

The Committee enquired as to the position on redundancy for non-operational staff. The Chief Fire Officer replied that this remained a possibility although staff would be given the opportunity to move into other roles wherever possible. The Authority had taken a decision in 2015 to reduce the redundancy multiplier to 1, the outcome of which was that voluntary redundancy was now no longer as attractive to individuals and the decision may need to be revisited if the Service wished to encourage staff to leave voluntarily.

Reference was also made to the position on Automatic Fire Alarm activations and whether the Service's revised approach had achieved the required outcome. The Chief Fire Officer advised that the number of calls and the subsequent road risk had already reduced but he would ask officers to review the policy to ensure that it was robust and that mechanisms were put into place to charge repeat offenders. He added that a report would be submitted to the next meeting to update the Committee on this matter.

Attention was drawn to the need to ensure that community safety activities in particular had a high profile in the media and it was suggested that this could be carried out via a monthly focus on these issues on programmes such as BBC Spotlight. The Chief Fire Officer indicated that the Service strived to gain as much coverage in the media as possible but that he would raise this specifically at a forthcoming with the Editor.

The Committee expressed its thanks to officers for the work that had been undertaken on what it felt was an excellent document, whereupon it was:

RESOLVED that the Devon and Somerset Fire and Rescue Authority be recommended to approve the Strategic Plan 'Our Plan 2016-2021' at its meeting on 19 February 2016.

***CSCPC/12. Review of the Community Safety Strategy**

The Committee received for information an update given by the Director of Operations at the meeting on the progress made to date in respect of the review of the Service's Community Safety Strategy.

It was noted that there was to be a fundamental review of the Community Safety Strategy which would be focussed on four key areas, namely:

- Improving information gathering and intelligence – to include learning from operational incidents, developing opportunities for gathering community intelligence and sharing data so the Service could learn more about its vulnerable communities;
- Targeting resources better – rationalising existing partnerships, improving the focus on the Service's key strategic aims and developing further opportunities for integrated service delivery;
- Community safety delivery – ensuring a more consistent approach to issues such as Drug Driving and Schools Education was in place;
- Performance management – ensuring clearer lines of management were in place with a clear focus on the Service's strategic aims.

The Committee recognised that fire was only one of the partners in the community safety field and enquired as to the contribution that others such as Red One could make. The Chief Fire Officer responded that there were areas in which Red One was already contributing such as in public health, giving assistance with bariatric patients. He added that there was a need to ensure that partners were aware of what the Service could offer in the future and also to consider other forms of income and funding for projects such as through SAFE South West. It was noted that there may also be opportunities for funding via the Hinckley C Social and Economic Fund and the Chief Fire Officer undertook to explore this further.

***CSCPC/13. Proposed Response Arrangements**

The Chief Fire Officer gave an oral update at the meeting on the proposed future response arrangements for the Service. It was noted that this involved a three tier response incorporating a range of different sized vehicles that could be mobilised according to the nature of the incident and the location, amongst other factors, to best match resources to risk. The Service was applying a “blended” approach involving the use of different types of vehicle for the future.

The Chief Fire Officer reported that the Service had already undertaken six months of a twelve month pilot on the use of Rapid Intervention Vehicles and as a result, there were clear advantages and disadvantages with the different types of vehicles being piloted. A specification was being drafted for the purposes of the procurement exercise for the proposed Rapid Intervention Vehicles and a report would be submitted to the next meeting of the Committee setting out the progress made.

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

The meeting started at 10.00hours and finished at 12.07hours

This page is intentionally left blank

AUDIT AND PERFORMANCE REVIEW COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

14 January 2016

Present:-

Councillors Radford (Chair), Edmunds, Healey, Randall Johnson and Singh

Apologies:-

Councillors Horsfall and Way

***APRC/19. Minutes**

RESOLVED that the Minutes of the meeting held on 28 September 2015 be signed as a correct record.

***APRC/20. Update by Grant Thornton (External Auditor)**

The Committee received for information a report submitted by the Authority's external auditor, Grant Thornton, setting out the progress made in delivering its audit responsibilities to the Devon & Somerset Fire & Rescue Authority up to 18 December 2015. The report also covered emerging issues and developments, including guidance on devolution as set out in the Grant Thornton publication "Making Devolution Work: a practical guide for local leaders", Supporting Members in Governance and the National Audit Office Report, amongst others.

***APRC/21. Grant Thornton Annual Audit Letter for the Devon & Somerset Fire & Rescue Authority for the Year Ended 31 March 2015**

The Committee received for information the Authority's Annual Audit Letter for the year ended 31 March 2015 as submitted by the Authority's external auditor, Grant Thornton. Peter Barber, representing Grant Thornton, drew attention to the work that had been undertaken with the Authority during the year, including the Statement of Accounts and the Value for Money conclusion, both of which had received an unqualified opinion.

***APRC/22. Audit & Review 2015-16 Progress Report**

The Committee received for information a report of the Audit and Review Manager (APRC/16/01) that set out the details of the work that had been undertaken by the Service's Audit and Review Team in conjunction with the Devon Audit Partnership to provide assurance in respect of the audits completed to date.

The Audit and Review Manager stated that audit activity was focussed on three key areas, namely strategic reviews, compliance reviews and health checks. He indicated that the Service had made good progress in each of these areas. The audit tracker showed that there were 51 high or high/medium internal audit recommendations outstanding as at December 2015 and the Audit and Review Manager indicated that work was being undertaken as a management priority to bring this down. The audit tracking process had been aligned to the Corporate Plan process to ensure that outstanding recommendations were reviewed regularly alongside departmental plans and the position was monitored by the Service Leadership Team. Overall, the Audit and Review Manager advised that the Service was maintaining a good level of internal control, albeit that there was a risk associated with the management of change moving forwards.

The Committee drew attention to the compliance review undertaken in respect of the Gartan system and enquired as to whether this was an issue for the Service. The Audit and Review Manager replied that this system provided a double check that payments made to retained staff were accurate and this action could not be undertaken whilst the system was offline. The Area Manager (Community Safety) advised that, although this additional check system was not working currently, the payment claims were checked by local managers as part of the authorisation process to ensure that they were appropriate and any discrepancy was challenged at that stage. The Director of Corporate Services advised that additional resources had been brought in to ensure that priority development work on key IT systems could be completed within agreed timeframes. The Committee was keen to see such systems providing value for money and the Director of Corporate Services undertook to report back to Members on this in due course.

In terms of sickness, the Committee noted that the Service continued to work towards reducing the level of absence in line with an action plan that had been instigated. The Chief Fire Officer commented that this had to be considered in the context of the point that the organisation was undergoing significant change and there was less staff to deliver the service due to the current financial constraints. The Service was looking carefully at the impact of this on sickness absence levels in the organisation. On this point, it was noted that the benchmarking information set out within the report circulated showed that other organisations within both the public and private sectors had seen a rise in sickness absence levels in the past 12 months.

The Head of Human Resources advised the Committee that the audit had been undertaken prior to the launch of the new version of the sickness portal in July 2015. It was envisaged, therefore, that improvements in the data would be seen in the next reporting period. The Director of Corporate Services advised that a report would be submitted to the next meeting setting out the position in respect of the number of sickness days that may have been attributed to incorrect data being input on the sickness portal and also detailing the progress made with validating absence levels reported via the new portal.

***APRC/23. Devon & Somerset Fire & Rescue Service Performance Report Quarter 2 2015**

The Committee received for information a report of the Chief Fire Officer (APRC/16/02) that's set out the Service's performance for the period October 2014 to September 2015 as measured against the indicators in the current Strategic Plan "Our Plan: 2015 to 2020".

The report set out a new performance measurement system, namely:

- Green represented normal performance;
- Amber represented the need for monitoring; and,
- Red represented performance that required investigation.

An executive summary was included within the report to provide clearer information in respect of saves, injuries and deaths. The key message set out within the report included:

Measure 1 – deaths as a result of fires where people live - there had been 10 deaths in the period to September 2015 which was a 24% increase on the previous 12 month period. There had not been any fire related deaths in Quarter 2 of 2015, however (July to September).

Measure 2 – injuries as a result of fires where people live – red rating – there had been 81 injuries in the period October 2014 to September 2015 which was a 59% increase on the previous 12 months. Of these injuries, 71 were due to accidental fires and 10 were due to deliberate fires. In quarter 2, however, there had only been 18 injuries of this type which was a 10% reduction on the same quarter in 2014. This measure was showing a negative upward trend, however, and would be monitored carefully.

Measure 3 – fires where people live – there had been 989 fires where people live which was a 1% increase on the previous 12 months. Of these, 930 were accidental fires and 59 were deliberate (6 % reduction).

Measure 4 – fire related deaths where people work and visit – there had not been any fire related deaths in the 12 months to September 2015 where people work and visit. The long, medium and short term trends for this measure were all positive.

Measure 5 – fire related injuries where people work and visit – there had been 37 injuries in places where people work and visit which was an increase of 28% on the previous 12 months.

Measure 6 – fires where people work and visit – there had been 1286 fires where people work and visit in the 12 months to September 2015 which was a 7% reduction on the previous 12 months.

Measures 7 – Emergency Response Standards (first attendance within 10 minutes and full attendance within 13 minutes) – the performance in respect of first attendance to fires where people lived within 10 minutes had decreased by 3% to 68% of incidents compared to the previous 12 month period, with full attendance showing a 1% reduction to 57%.

Measure 8 – Emergency Response Standards (attendance at road traffic collisions) – there had been a decline in performance by 3% in the 12 months to September 2015 with performance at 68%.

In terms of absence, it was noted that the benchmarking data showed that sickness had risen in all services in the country during 2014/15. The issue of sickness absence was discussed in more depth under Minute *APRC/22 above.

*** DENOTED DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 11.37hours

This page is intentionally left blank

COMMERCIAL SERVICES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

21 January 2016

Present:-

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

Apologies:-

Councillors Ball, Dyke and Leaves

***CSC/18. Minutes**

RESOLVED that the Minutes of the meeting held on 25 November 2015 be signed as a correct record.

***CSC/19. Exclusion of the Press and Public**

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

***CSC/20. Commercial Update December 2015**

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

The Committee considered a report of the Commercial Business Development Manager (CSC/16/01) on commercial leads and opportunities currently being progressed. The Chair also apprised the Committee on the use by Red One Ltd. of part of the dividend realised from profits generated by the company in the previous financial year and which the Authority had approved should be retained by the company. The retained dividend would be used to develop further the business potential for the company with overseas markets.

***CSC/21. Financial Update**

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

The Senior Finance Manager reported, for information, on the current position in relation to the commercial services profit and loss accounts for the current (2015-16) financial year. Whilst the net profit at the end of quarter 3 was slightly less than had been achieved in the previous financial year, it had nonetheless been a successful trading quarter and there was a high expectation that, by the end of the financial year, both net profit and turnover would exceed that of the previous financial year.

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

The meeting started at 10.00hours and ended at 11.32hours

This page is intentionally left blank

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

10 February 2016

Present:-

Councillors D Yeomans (Vice-Chair, in the Chair), B Greenslade, A Horsfall (sub J Dyke), D Thomas, G Wheeler (sub C Singh) and J Woodman (sub P Burrige-Clayton).

In attendance:-

M Healey – Chairman of the Authority

*RC/10. Minutes

RESOLVED that the Minutes of the meeting held on 19 November 2015 be signed as a correct record.

*RC/11. Treasury Management Performance 2015-2016: Quarter 3

The Committee received for information a report of the Treasurer (RC/16/1) that set out the treasury management activities of the Authority for the third quarter of the current financial year (2015-16) to December 2015. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management advocated that public authorities should receive a report on treasury management activities at least twice a year and preferably quarterly. This report therefore provided the Authority with the assurance required that it was compliant with the Code of Practice.

Cecelie Booth, representing Capita – the Authority's Treasury Management Adviser – was present at the meeting and she gave an overview of the economic background against which the Authority was operating together with an overview of performance to date as measured against the approved Treasury Management Strategy. The key points made were:

- The United Kingdom (UK) Gross Domestic Product (GDP) growth rates in 2013 and 2014 of 2.2% and 2.9% respectively were the strongest of any G7 country, with the 2015 UK growth rate predicted to be a leading rate in the G7 again.
- performance during the third quarter of the current financial year demonstrated a prudent approach to investment decisions, with priority being given to security and liquidity over yield in accordance with the Authority's current investment priorities;
- the Service had outperformed the LIBID 3 benchmark return of 0.45% with a performance of 0.49%, giving a return to quarter 3 of £90,719;
- no Prudential Indicators had been breached;
- the level of external borrowing was £25.8m.

Reference was made to the point that the Authority currently pursued a low risk approach to its investment portfolio whilst there were opportunities for higher investment returns available. The Committee had requested at its previous meeting on 19 November 2015 (Minute *RC/8 refers) that consideration be given diversification of the investment portfolio into higher risk/higher yield instruments and specifically, to consider Property Funds and Peer to Peer lending.

Cecilie Booth responded that, as the Authority's investment advisers, Capita would encourage the Authority to look at the opportunities available and to consider amending the Treasury Management Strategy to include provision for higher risk investments in due course. However, since the concept of Property Fund investment was relatively new, there was a limited history on the potential default position available to guide the Authority's potential level of risk and thus, the Committee expressed the view that the Treasury Management Strategy should not be amended at this stage.

Councillor Greenslade **MOVED** and was seconded by Councillor Yeomans:

“that Officers be requested to explore in greater detail the options that may be viable for the Authority in terms of a higher risk investment strategy and a report thereon be submitted to the next meeting of the Resources Committee”.

The motion was then put to the vote and was **CARRIED** (5 for, 0 against, 1 abstention).

RESOLVED

- (a) that the performance in relation to the treasury management activities of the Authority for 2015 -2016 (to December) be noted; and,
- (b) that Officers be requested to explore in greater detail the options that may be viable for the Authority in terms of a higher risk investment strategy and a report thereon be submitted to the next meeting of the Resources Committee.

RC/12. Capital Programme 2016/17 to 2018/19

The Committee considered a report of the Chief Fire Officer and Treasurer (RC/16/2) that set out the proposals for a three year Capital Programme covering the years 2016-17 to 2018-19 and which also outlined the difficulties in meeting the full capital requirements for this Authority given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced.

The Treasurer advised the Committee that the Capital Programme had been constructed on the basis of the principle that debt charges emanating from capital borrowing were kept within the 5% Prudential Indicator limit (debt charges as a percentage of the Revenue Budget) as set by the Authority. He referred to the difficulties in recent years of maintaining a capital programme that was affordable within the 5% Prudential Indicator against a reducing revenue budget. The existing borrowing level of £25.8m would reduce to £24.8m by 2021 and it was not proposed that any further external borrowing would be undertaken. Additionally, there was a report on the agenda for this meeting (RC/16/3) that included a recommendation for a minimum revenue contribution of £2.407m to support the financing of the 2016-17 to 2018-19 capital programme in the absence of any funding from Government.

RESOLVED that the Authority be recommended:

- (a) To approve a minimum revenue contribution of £2.407m from the 2016-17 revenue budget towards financing of the 2016-17 to 2019-19 capital programme;
- (b) To approve the draft Capital Programme 2016-17 to 2018-19 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively of report RC/16/2: and,
- (c) To note the forecasting impact of the proposed Capital Programme (from 2019-29 onwards) on the 5% debt ratio Prudential Indicators as indicated in this report.

RC/13. Revenue Budget and Council Tax Level 2016/17

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/16/3) on options for the Authority's revenue budget and associated council tax level in 2016-17. It was a legislative requirement for the Authority to set a balanced budget and determine an associated council tax level prior to 1 March each year and this report set out the necessary financial background on which to consider the appropriate way forward for this Authority.

The Treasurer advised that the Department for Communities and Local Government had announced on 17 December 2015 that the council tax level which, if exceeded, would trigger the need for the Authority to hold a referendum, would be 2%. Reference was made to the point that the Department for Communities and Local Government had been requested to consider the implementation of an alternative set of principles for fire and rescue authorities that would apply a cash value of £5 on council tax increases for the purposes of the referendum limit rather than a set percentage. Whilst this had been applied to some police and crime commissioner areas and district councils, it had not been applied to fire and rescue authorities. Thus, given that the administrative costs associated with holding a local referendum were estimated to be in the region of £2.3million, this report did not include any proposal to go beyond the 2% limit.

The provisional Settlement Funding Assessment for this Authority for 2016-17 was £26.873m, representing a reduction of 8.6% (£2.540m) on 2015-16. This was broadly in line with the figures already included within the Authority's Medium Term Financial Plans. The Government had also provided settlement figures for a four year period to 2019-20 should the Authority accept an offer of a four year settlement. These figures showed a reduction in funding of 24.9% by 2019-20 (£7.333m) over 2015-16, representing the 7th worst settlement of all fire and rescue authorities.

The Treasurer reported that the final Settlement had now been received and, whilst the base funding figures had not changed, the Authority had been allocated an amount of £466k additional Section 31 grants in 2016-17 relating to Rural Services Delivery Grant (£317k) and transitional funding (£149k). Alongside this, however, the Authority had been advised that the Business Rate income would be £61k less than had been anticipated, resulting in a net gain of £405k in funding in 2016-17 overall, although this was not available to be added to the base budget in future years.

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

- Option A – to freeze council tax at 2015-16 level (£78.42 for a Band D property);
- Option B – to increase council tax by 1.99% above 2015-16 (£79.98 for a Band D property).

Each of these options would result in a reduction in the amount of revenue funding for 2016-17 and the report also set out a summary of the reductions associated with each option including additional precept income.

Reference was made in particular to the budget savings that had been included within the proposed net revenue budget requirements for 2016-17 which totalled £3.222m. This had been achieved by a combination of stringent budget management measures, an anticipated reduction in retained activity together with the Corporate Plan proposals (to reduce support staff, senior management and remove 149 operational posts).

In terms of the £405k of additional revenue funding that had now been made available in the final Settlement Funding Assessment, Councillor Greenslade suggested that this money should be transferred into the Earmarked Reserve to contribute towards future capital expenditure.

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

“that, subject to the inclusion of an additional recommendation that the additional £405k of Section 31 grant funding be added to the amount to be transferred into the Earmarked Reserve for future capital expenditure, it be recommended to the Authority that Option B as set out within report RC/16/3 be approved”.

The motion was then put to the vote and **CARRIED** unanimously.

RESOLVED that it be recommended to the Authority:

- (a) that the level of council tax in 2016-17 for a Band D property be set at £79.98, as outlined in Option B of report RC/16/3, representing a 1.99% increase over 2015-16; and
- (b) that the additional £405k of Section 31 grant funding be added to the amount to be transferred into the Earmarked Reserve for future capital expenditure.

NB. Minute RC/12 above also refers.

RC/14. Financial Performance Report 2015/16: Quarter 3

The Committee considered a report of the Treasurer (RC/16/4) that detailed the third quarter performance (to December 2015) against the agreed targets for the current financial year. In particular, it provided a forecast of spending against the 2015-16 revenue budget with explanations of the major variations.

The Treasurer advised that spending to quarter 3 was £74.225m, which was £0.486m less than the approved budget (0.65%). This saving was attributable largely to the ongoing crewing changes as a result of the Corporate Plan 2014-15 to 2016-17 together with a strategy to hold vacancies when staff left the organisation and a commitment to find in-year savings wherever possible. In view of this, the Treasurer was recommending to the Authority that a further £1.5m be transferred into the Earmarked Reserve to support future capital expenditure as outlined in paragraph 10.3 of report RC/16/4.

The Chief Fire Officer referred to the organisational restructure that was pending and the 16.5 support staff posts that been taken out already to assist in achieving the required budgetary savings. He added that he was confident that the organisation was fortunate to have staff that were committed to supporting its ongoing needs. Concern was expressed, however, that staff wellbeing was not being adversely impacted by the inevitable increased workloads and reference was made to the proposed introduction of Service Level Agreements which would define areas of work and responsibility more clearly. It was felt that consideration should be given to ensuring that there was investment in staff and opportunities available for them to develop into new roles. The Chief Fire Officer responded that work was progressing in respect of the Service Level Agreements and he undertook to share the work that had been undertaken on this and the restructure in a presentation to a subsequent Members' Forum.

The Committee expressed its appreciation to staff for the contribution made in assisting the Authority to achieve the required budgetary savings in 2016-17, whereupon Councillor Greenslade requested that part (c) of the recommendations in report RC/16/4 be amended to reflect this point. With this addition, Councillor Greenslade **MOVED** the recommendations set out in report RC/16/4 seconded by Councillor Horsfall.

The motion was put to the vote and was **CARRIED** unanimously, whereupon it was:

RESOLVED

- (a) That it be recommended to the Authority that a transfer be made to Earmarked Reserves of £1.5m for future funding of Capital Expenditure, as outlined in paragraph 10.3 of this report.
- (b) That subject to (a) above, the monitoring position in relation to projected spending against the 2015-2016 revenue and capital budgets be noted;
- (c) That the performance against the 2015-2016 financial targets be noted and that the appreciation of the Committee for the contribution made by staff in assisting the Authority to achieve the required budgetary savings in 2016-17 be recorded.

***RC/15. May 2016 Meeting - Proposed Change in Date**

The Committee considered a report of the Clerk to the Authority (RC/16/5) that proposed a change in date of the meeting of the Resources Committee that was scheduled currently for 18 May 2016 due to a clash with the Somerset County Full Council (Budget) meeting.

Reference was made to the point that a Members' Forum was also currently scheduled and it was suggested that the Resources Committee should meet at 09:30hours on 17 May 2016 to accommodate moving the Members' Forum to this date in addition.

RESOLVED that a change in date for the Resources Committee May 2016 meeting, from Wednesday 18 May to 09.30 on Tuesday 17 May 2016, be approved.

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

The meeting started at 10.00hours and finished at 11.40hours

This page is intentionally left blank

REPORT REFERENCE NO.	DSFRA/16/1
MEETING	DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	2016-17 REVENUE BUDGET AND COUNCIL TAX LEVELS
LEAD OFFICER	Treasurer and Chief Fire Officer
RECOMMENDATIONS	<p>(a) <i>that the Authority consider the contents of this report, together with any relevant recommendation made by the Resources Committee, with a view to determining either:</i></p> <p style="padding-left: 20px;">(i) <i>that the level of council tax in 2016-17 for a Band D property be set at £78.42, as outlined in Option A in this report, representing no increase over 2015-16, and that accordingly a Net Revenue Budget Requirement for 2016-17 of £73,073,100 be approved;</i></p> <p style="text-align: center;">OR</p> <p style="padding-left: 20px;">(ii) <i>that the level of council tax in 2016-17 for a Band D property be set at £79.98, as outlined in Option B in this report, representing a 1.99% increase over 2015-16, and that accordingly a Net Revenue Budget Requirement for 2016-17 of £73,976,600 be approved;</i></p> <p>(b) <i>that, as a consequence of the decisions at (a) above:</i></p> <p style="padding-left: 20px;">(i) <i>the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £45,421,865 (Option A) OR £46,325,437 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;</i></p> <p style="padding-left: 20px;">(ii) <i>the council tax for each property bands A to H associated with the total precept of £45,421,865 (Option A) OR £46,325,437 (Option B), as detailed on Page 2 of the respective budget booklet, be approved; and</i></p> <p style="padding-left: 20px;">(iii) <i>that the Treasurer’s ‘Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances’, as set out at Appendix C to this report, be endorsed.</i></p>
EXECUTIVE SUMMARY	<p>It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year by the 1 March each year. The Secretary of State has announced that the council tax threshold to be applied in 2016-17 that would trigger a requirement to hold a council tax referendum is to be set at 2.0%. This report considers two potential options A and B below for council tax in 2016-17.</p>

	<p>OPTION A – Freeze council tax at 2015-16 level (£78.42 for a Band D Property).</p> <p>OPTION B – Increase council tax by 1.99% above 2015-16 (increase of £1.56 to £79.98).</p> <p>The Authority is asked to consider the contents of this report, and approve a council tax level for a Band D property and resultant revenue budget level for 2015-16.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	<p>A. Core Net Revenue Budget Requirement 2016-17.</p> <p>B. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.</p> <p>C. Letter of Representation sent to the CLG regarding the Provisional Local Government Finance Settlement.</p> <p>D. BMG Report on Precept Consultation for 2016-17 Revenue Budget</p> <p>E. Report on face to face Precept Consultation</p>
LIST OF BACKGROUND PAPERS	Nil.

1. INTRODUCTION

- 1.1 It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year, before 1 March, in order that it can inform each of the fifteen council tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2016-17. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels for the Authority.
- 1.2 The Localism Act 2011 includes new provisions which require a local authority to hold a council tax referendum where an authority's council tax increase exceeds the council tax "excessiveness principles" applied for that year. These new rules replace the previous capping regime where the government would impose a cap on council tax increases.
- 1.3 On 8 February 2016 the Department for Communities and Local Government (DCLG) confirmed, as part of the final Local Government Settlement, that the council tax increase limit to be applied in 2016-17 (which, if exceeded, would trigger the need to hold a referendum) is to be 2.0%.
- 1.4 Given that the administration costs associated with holding a local referendum for this Authority for one year are estimated to be in the region of £2.3m, this report does not include any proposals to go beyond the referendum limit. Instead it considers two options, A and B below, of which the maximum proposed increase is 1.99%.
- **OPTION A** – Freeze council tax at 2015-16 level (£78.42 for a Band D Property).
 - **OPTION B** – Increase council tax by 1.99% above 2015-16 (£79.98).
- 1.5 At its meeting on 10 February 2016, the Resources Committee considered the implications of each of these options resolved to recommend Option B (increase in council tax of 1.99%) to the Authority for approval.

2. FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2016-17

- 2.1 The final Local Government Finance Settlement was announced on 8 February 2016, which provided local authorities with individual settlement funding assessment figures for 2016-17 and an offer of a four-year settlement to 2019-20 for those authorities that wish to take it.
- 2.2 The Settlement Funding Assessment (SFA) for this Authority results in a reduction in 2016-17 of 8.6% over 2015-16 and should the Authority accept the four-year settlement a total reduction of 24.9% by 2019-20:

	SFA	SFA Reduction	
	£m	£m	%
2015-16	29.413		
2016-17	26.873	(2.540)	-8.6%
2017-18	23.872	(3.001)	-11.2%
2018-19	22.599	(1.273)	-5.3%
2019-20	22.080	(0.519)	-2.3%
Reduction over 2015-16		(7.333)	-24.9%

- 2.3 With regard to the offer of a four-year settlement the government is making a clear commitment to provide central funding for the period of the Spending Review to those authorities that choose to accept the offer and have published a robust Efficiency Plan. Therefore it has published figures for future years which were confirmed in the final settlement.
- 2.4 In practice, final figures for each year will be subject to changes in the business rates multiplier which is based on the Retail Prices Index in September each year. However, barring exceptional circumstances, e.g. transfer of new responsibilities between authorities, and subject to the normal statutory consultation process for the local government finance settlement, the government expects the future year figures to be presented to Parliament each year.
- 2.5 Local Authorities will have until 14 October 2016 to confirm whether they accept the proposed four year settlement.
- 2.6 The final settlement figures for the Authority are in line with the figure previously included within the Service medium term financial plans (anticipated 8% reduction in 2016-17 rising to 25% over the four year period) and are identical to those in the Indicative Settlement.
- 2.7 When compared to other fire and rescue authorities, this Authority has received the seventh worst settlement, with a 24.9% reduction over the period against an average of 20%. In terms of spending power (which also includes income from Council Tax and the Rural Services Delivery Grant) the government is anticipating a reduction of 0.8% in this Authority's spending power by 2019-20, the tenth best settlement against an average of 1.7% for the sector.
- 2.8 A response to the provisional 2016-17 Local Government Finance Settlement announcement was sent to the CLG on behalf of the Authority expressing disappointment with the provisional settlement and the lack of recognition of rural sparsity and its impact on the Authority's cost base. A copy of this letter is attached as Appendix C.
- 2.9 In addition to the settlement figures reported in Table 1, the Authority has been awarded a share of a separate Rural Services Delivery Grant which is only available to the most sparsely populated rural areas. The provisional settlement had announced an increase to this grant from £15.5m this year to £20m in 2016-17 rising to £65m by 2019-20, resulting in a grant for this Authority of £104,000 in 2016-17 rising to £340,000 by 2019-20.
- 2.10 The final settlement announcement has increased the 2016-17 allocation from £20m to £80m resulting in the grant for this Authority increasing from £104,000 to £421,000 representing additional grant funding of £317,000. This grant will be paid as a Section 31 grant (which means it is not in base budget) and the 2016-17 grant of £421,000 is therefore included as income within the draft budget proposed in this report.
- 2.11 Furthermore, the Authority has been awarded a share of £300m transitional grant allocated to local government for the years 2016-17 and 2017-18 and paid only to those authorities suffering the most severe grant reductions in the first two years of the four-year settlement. The allocation for the Authority is £149,000 in 2016-17 and £188,000 in 2017-18.

2.12 The allocations outlined in paragraphs 2.10 and 2.11 results in additional grant funding for the Authority in 2016-17 of £466,000 since the provisional settlement.

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

3.1 The Authority has previously been advised of the new rules introduced in 2013-14 which require an authority to hold a local referendum should it propose to increase council tax beyond a government set limit (principles). If the referendum results in a 'yes' vote then the increase will stand. If a 'no' vote is the outcome, however, then the authority will need to revert to a council tax increase limited to the government set limit. This means that, in such circumstances, at the budget meeting two budgets would need to be considered - the budget at the council tax level in excess of the referendum limit and a second "shadow budget" based on the government set limit for council tax increases.

3.2 Given that Band D council tax figures for fire and rescue authorities are relatively low (typically only 4% of the total council tax bill), this Authority has argued with DCLG that fire and rescue authorities should be exempt from this requirement as the costs associated with holding a referendum are disproportionate to the amount of additional precept gained from any increase. For this Authority the position is exacerbated by the fact that it has to liaise with fifteen billing authorities that would be required to hold referendums on its behalf, resulting in estimated referendum costs in the region of £2.3m. This Authority has asked DCLG to consider an alternative set of principles for fire and rescue authorities that would apply a cash amount (e.g. £5) rather than applying a percentage increase. Disappointingly, whilst some police and crime commissioner areas and shire district councils have been given the flexibility to adopt the £5 threshold in 2016-17, the provisional settlement confirms that for fire and rescue authorities a percentage increase threshold will continue to be applied.

3.3 On the 17 December 2015, DCLG announced the referendum threshold to be applied in 2016-17 is to 2.0%.

3.4 In its announcement on 8 February 2016, DCLG set referendum levels for all district councils at the greater of 2% or £5.00 but this change of legislation does not apply to fire and rescue authorities.

4. COUNCIL TAX AND BUDGET REQUIREMENT 2016-17

Council Tax

4.1 Unlike in the previous Spending Review period the government has not overtly laid out any expectation that local authorities should freeze council tax, and therefore there is no offer of a Council Tax Freeze Reward Grant to those authorities that freeze, or reduce, council tax in 2016-17.

4.2 It is of course still an Authority decision to set a level of council tax that is appropriate to its funding position. For 2016-17 this report considers two options A and B.

- **OPTION A** – Freeze council tax at 2015-16 level (£78.42 for a Band D Property).
- **OPTION B** – Increase council tax by 1.99% above 2015-16 (£79.98).

- 4.3 The Authority could of course decide to set any alternative level between these two options. Each 1% increase in council tax represents a £0.78p increase for a Band D property, and is equivalent to a £0.452m variation on the revenue budget. In relation to the referendum option it is my view that given the costs of holding a referendum (circa £2.3m) it is not a viable option for the Authority to consider a council tax increase in excess of the 2% threshold.
- 4.4 Each of the options will result in a reduction in the amount of revenue funding for 2016-17. Table 2 below provides a summary of the reduction associated with each option, including additional precept income.
- 4.5 At its meeting on 10 February 2016, the Resources Committee resolved to recommend that the Authority adopt Option B to Increase council tax by 1.99%. Since reporting to the Resources Committee, the figures in Table 2 have been revised to reflect updated Council Tax and Business Rates income from billing authorities, as advised verbally at that meeting. Paragraphs 4.12 – 4.14 provide further information.

TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – REDUCTION IN FUNDING 2016-17

	OPTION A Council Tax Freeze at £78.42 £m 74.710	OPTION B Council Tax Increase of 1.99% to £79.98 £m 74.710
TOTAL FUNDING 2015-16		
Reduction in Formula Funding	(2.540)	(2.540)
Decrease in Retained Business Rates from Business Rate Retention System.	(0.186)	(0.186)
<u>Changes in Council Tax Precept</u>		
- increase in Council Tax Base	0.859	0.859
- resulting from an increase in Band D Council Tax	-	0.904
- Increase in Share of Billing Authorities Council Tax Collection Funds	0.230	0.230
Net Change in precept income	1.089	1.992
TOTAL FUNDING AVAILABLE 2016-17	73.073	73.976
NET REDUCTION IN FUNDING	(1.637)	(0.734)

- 4.6 The impact of each of the options over 2015-16 is summarised below:

Option A would result in the largest reduction in spending in 2016-17 of £1.637m

Option B would result in a smaller reduction in spending in 2016-17 of £0.734m and the amount available from the 1.99% increase in council tax of £0.904m will be built into future years funding levels.

Council Tax Base

- 4.7 Whilst the reduction in government funding of £2.540m was expected and planned for, such a high increase in the council tax base for the area (some 2%, resulting in additional precept income of £0.859m) was not anticipated. This increase is largely as a result of an increase in the council tax base across the area of Devon and Somerset (£0.9m) which reflects increases in the number of properties, e.g. Cranbrook in East Devon. In addition, following a review of council tax collection rates by districts, the amount of surplus available to the Authority has increased by £0.230m.

National Non Domestic Rates

- 4.8 In 2013-14 the government introduced significant changes to local authority funding with the introduction of the local business rates retention scheme. This now means that whereas previously 100% of business rates yield was held by central government and distributed as part of the local government finance settlement, 50% is now held centrally and the remaining 50% held locally of which 2% is distributed to the fire and rescue service.
- 4.9 This introduces a new financial risk to authorities in relation to significant fluctuations in income that may arise as a result of the appeals process, business rates growth/reduction and collection rates. Prior to 2013-14 this risk was borne by central government.
- 4.10 As part of the transitional arrangements of this new business rates retention scheme the government has put in place a safety net process to ensure that should any authority suffer a significant fluctuation from estimated income then the government will provide financial support. This safety net would only be triggered should an authority's actual business rate income drop below 92.5% of the safety net threshold figure included in the government baseline funding for the authority. This means that the local authority carries a financial risk in relation to the first 7.5%. For this Authority, this equates to £1m which will need to be managed through reserves.
- 4.11 At its meeting on 10 February 2016, the Resources Committee was informed, verbally, that some figures were still awaited from some billing authorities on the Authority share of estimated income from business rates.
- 4.12 This information has now been received which confirms that, in net terms, the Authority will receive £0.061m less in business rate income for 2016-17 than previously reported. This is made up of two elements, firstly an amount £0.186m less funding (impact to the Net Budget Requirement and reflected in Table 2 above) relating to changes in surplus/deficit on collection funds. This is partly offset by an increase in Section 31 grant of £0.125m to be paid by the government as compensation for loss of business rate income as a result of a government scheme which provides exemptions to small businesses.
- 4.13 As outlined in Paragraph 2.9 above, however, the amount of Section 31 grant available to this Authority in 2016-17 has increased by an amount of £0.466m since the provisional settlement was announced which, when combined with the confirmed reduction in National Non-Domestic Rate (NNDR) figures reflects a net increase in funding since the provisional settlement of £0.405m.

- 4.14 Following its consideration of this issue at its meeting on 10 February 2016, the Resources Committee resolved to recommend to the Authority that this net difference of £0.405m be transferred into the Earmarked Reserve for Capital Expenditure for use in supporting the Authority's strategy to reduce borrowing. The budget figures reported below in Table 3, and supporting Appendix A, have been amended since the report to Resources Committee to reflect this recommendation. It should be noted that this figure is outside of the base funding and can only be considered as one-off in nature

Net Budget Requirement

- 4.15 Table 3 below provides a summary of the core budget requirement (*based upon Option B for illustrative purposes*) for 2016-17. A breakdown of the more detailed items included in this draft budget is included in Appendix A.

TABLE 3 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2016-17

	£m	%
Approved Net Revenue Budget Requirement 2015-16	74.710	
PLUS Provision for pay and price increases (Pay award assumed 1.0% in 2016 for Firefighters)	0.549	0.73%
MINUS Removal of one off provisions in 2015-16	(0.758)	-1.01%
PLUS Inescapable Commitments	1.308	1.75%
PLUS Capital contribution	1.555	2.08%
PLUS Changes to income targets	(0.166)	-0.22%
CORE SPENDING REQUIREMENT 2016-17	77.198	
INCREASE IN BUDGET OVER 2015-16 (£m)	2.488	3.33%

Invest-to-Save

- 4.16 Elsewhere on the agenda is a separate report relating to the proposed capital programme 2016-17 to 2018-19. That report highlights the concerns of the Authority's reliance on increased borrowing to fund future capital investment requirements, particularly as a result of the lack of any government grant funding since 2014-15. It is therefore recommended that the Authority supports revenue contributions to fund capital spending wherever possible in order to reduce future borrowing requirement and therefore the resultant commitment required in the revenue budget to service debt charges.
- 4.17 It is therefore proposed that the revenue budget for 2016-17 includes an increase to the provision for a direct revenue contribution towards capital spending, enabling debt charges to be maintained below the 5% Prudential Code limit up to 2018-19. Table 3 (Option B) above includes an additional contribution of £1.555m giving a revised contribution of £3.7m (£3.048m to be utilised in 16-17, £0.625m to be transferred to reserve to be used to fund future capital spending). Should the Authority be minded to approve Option A, then it is proposed that this contribution be reduced by £0.9m (representing the loss of funding due to a council tax freeze) to £2.8m.

Budget Savings

- 4.18 As is indicated in Table 3, the Core Budget Requirement for 2016-17 (which includes provision for pay and inflation, inescapable commitments and new investment) has been assessed as £77.198m. This is more than the amount of funding available under Options A or B and therefore budget savings need to be identified in order that a balanced budget can be set. Table 4 identifies the savings target required and summarises how those targets would be achieved.

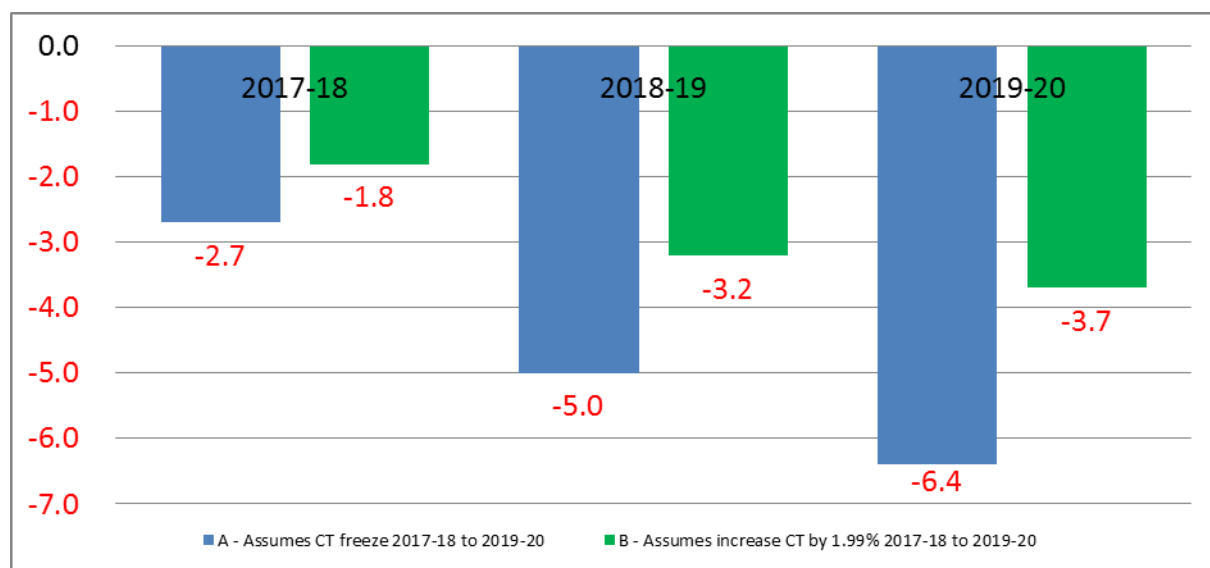
TABLE 4 – BUDGET SAVINGS REQUIRED 2016-17

	£m
Budget Management Savings – As in previous years the budget setting process has included the requirement for budget managers to scrutinise non-operational budget heads with a view to the identification of recurring savings. This process and challenge by managers has identified £0.988m of recurring savings which can be removed from base budget.	(0.988)
Retained Pay – Activity anticipated to reduce as a result of changes to activity levels and asset utilisation on some stations	(0.302)
Corporate Plan Proposals (operational) – The Corporate Plan proposals agreed by the Authority in July 2013 included the deletion of 149 operational posts to deliver £5m of on-going savings once fully implemented. Given that a strategy has been adopted to deliver this level of reduction without resort to compulsory redundancies it will take a number of years for this reduction to be fully achieved. An element of these staff numbers may be used in the transition of future staffing projects	(1.421)
Support Staffing – In order to meet financial challenges over the coming years, a strategy has been set to reduce support staff numbers and therefore managers have deleted 16.5 posts from the support staff establishment, resulting in a saving of £0.511m	(0.511)
TOTAL BUDGET SAVINGS (£m)	(3.222)

5. MEDIUM TERM FINANCIAL PLAN

- 5.1 Given that indicative grant figures up to 2019-20 have been received, there is now potential for greater certainty of the funding situation over the medium term. This means that the Medium Term Financial Plan (MTFP) needs to be planning for further significant reductions beyond the saving of £3.2m achieved in 2016-17.
- 5.2 Clearly it is difficult to provide forecasts into future years with absolute certainty, particularly in relation to future pay awards, inflationary increases and changes in pension costs. Key assumptions have therefore had to be made in our forecasts which will inevitably be subject to change. Prudent forecasts of future budgets can, however, be used to refresh the Authority's MTFP to inform financial planning and provide updated forecasts of the levels of budget reductions required by 2019-20 to balance the budget.
- 5.3 The MTFP financial modelling tool has assessed a likely 'base case' scenario in terms of savings required over the period 2017-18 to 2019-20. Chart 1 provides an analysis of those forecast savings required in each year.

CHART 1 – FORECAST BUDGET SAVINGS REQUIREMENT (CUMULATIVE) 2017 TO 2020 (BASE CASE) - £MILLIONS



5.4 Chart 1 illustrates that further savings will be required over the next three years (forecast to be cumulative savings of circa £6.4m by 2019-20). As is stated earlier in this report each 1% increase in council tax results in additional precept of £0.452m. Should it be agreed to increase by a further 1.99% (not subject to a decision at this meeting) in each year from 2017-18 to 2019-20 then the saving target by 2019-20 would be reduced from £6.4m to £3.7m.

5.5 Whilst it is only a legislative requirement for this report to consider a council tax level for 2016-17, as future levels will be set as part of the annual budget setting process, the issue of a council tax strategy during the Spending Review period will be vitally important at the point that the Authority considers whether it is to accept the government offer of a four-year settlement. This consideration will be subject to a further report to the Authority in advance of 14 October 2016, the deadline for an Authority to make a decision as to whether to accept a four-year settlement.

6. PLANS TO DELIVER SAVINGS 2016-2020

Our Plan 2016 onwards

6.1 This budget report proposes a balanced budget for the next financial year 2016-17 including proposals as to how budget savings can be achieved.

6.2 The Corporate Plan, approved by the Authority at its meeting held on the 10 July 2013, included a range of proposals, which when fully implemented will deliver total on-going savings of £6.8m. It is recognised, however, that not all of this sum will be deliverable by 2016-17 as the speed at which it can be delivered will be dependent on the natural turnover of staff over the next two years. Savings of £1.4m are targeted to be achieved towards this total in 2016-17.

- 6.3 Looking beyond 2016-17 it is clear that the Authority needs to plan for the delivery of further recurring savings to ensure that balanced budgets can be set in each year of the Spending Review period. As has been previously shared with Members our strategic approach to deliver the required savings is targeted against the three broad headings of:
- **Reducing our costs** (reductions against budget lines)
 - **Reduce Support Costs** (staffing budget lines)
 - **Reduce Operational Costs** (staffing budget lines)

6.4 Officers are currently developing a range of proposals under each of these headings in order to achieve the required savings and meet our Integrated Risk Management Plan objectives. Consideration of proposals for further savings beyond 2016-17 will be subject to Authority consideration.

7. PRECEPT CONSULTATION 2016-17

7.1 Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on proposals for expenditure.

7.2 In addition to the statutory requirement, members of the public have in previous years also been consulted as it was deemed appropriate to include the public's views on the option of increasing Council Tax at a time of economic difficulty.

7.3 At its meeting on 14 December 2015 the Authority considered the issue of council tax precept consultation and resolved (Minute DSFRA/42 refers):

That Option C as set out in report DSFRA/15/30 (consulting the business community via telephone survey and with the public via street level face to face surveys) be undertaken in relation to the Authority's proposed expenditure and level of council tax precept for 2016-17.

7.4 In line with the Authority decision, arrangements were made for a telephone survey to be undertaken with the business community only. The key specifications for the survey were:

- To ask four key questions on the precept, value for money and satisfaction
- To request demographic information
- To collect answers to both closed and open questions
- To provide a representative sample of 400 businesses by constituent authority area (Devon County Council; Plymouth City Council; Somerset County Council; and Torbay Council).

7.5 The business survey commenced in the week beginning Monday, 4 January 2016 and was undertaken by BMG Research.

7.6 Again in line with the Authority decision, a street level face-to-face survey was undertaken using Service staff. The questions used closely followed the format used for the business telephone survey. To maximise the value of this time, the opportunity was taken to distribute the Home Safety booklet and remind people to remain vigilant on home safety issues at the start of the New Year. The survey was publicised through the Service's social media feeds.

7.7 Face-to-face surveys with members of the public were conducted by Devon & Somerset Fire & Rescue Service staff in Plymouth, Torquay, Exeter and Taunton on 8, 13, 15 and 20 January 2016 respectively. A total of 253 responses were obtained.

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

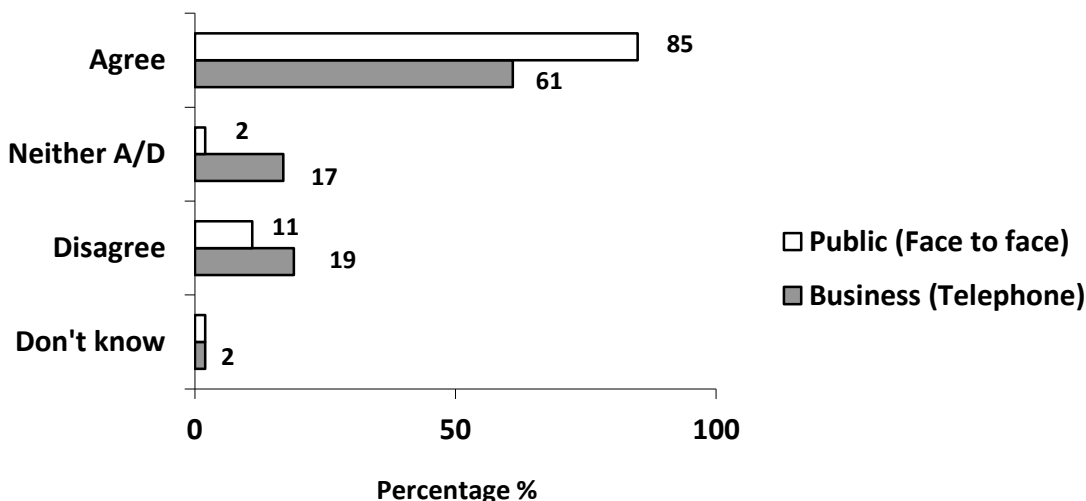
RESULTS

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

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

7.10 The results for Question one, shown in Chart 2, illustrate that the majority of business respondents agreed that it would be reasonable for the Authority to consider increasing the precept to lessen the impact of funding cuts. Members of public were more positive with 85% in agreement that it was reasonable for the Authority to consider increasing Council Tax charges. Members of the public were also less neutral than business respondents.

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



Count (unweighted)

Business responses 400, Public responses 253

7.11 The 2016 results of the business survey show a slight increase in the level agreement for the Authority to consider an increase to the precept over the last two years: up from 53% in 2014 and 57% in 2015. The majority of this change reflects movement in opinion from 'disagree' to 'agree'. The results for the public street survey also showed an increase in agreement over previous year's results of 74% in 2014 and 79% in 2015. The increase in agreement in 2016 appears to have come from mainly a reduction in those responding 'Neither agree nor disagree'.

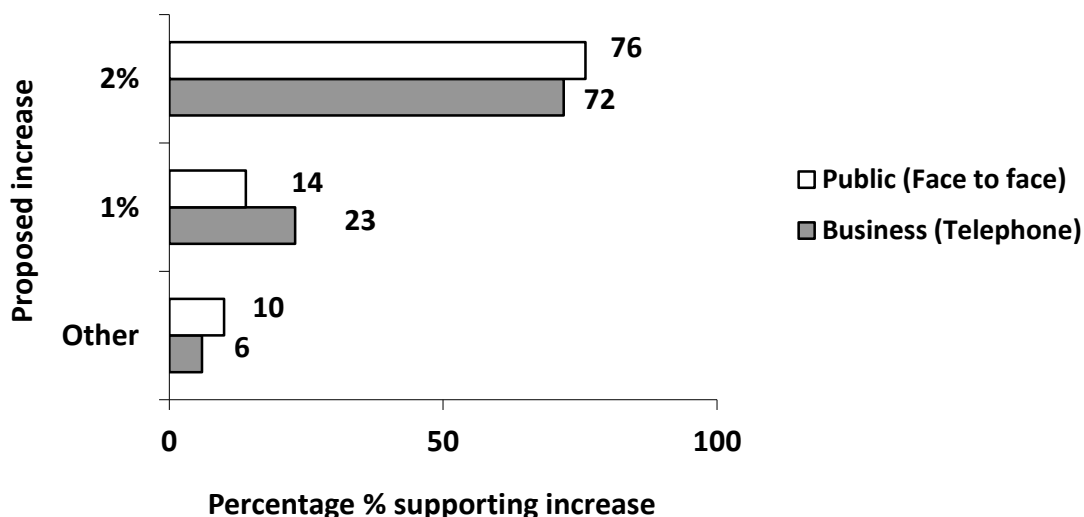
7.12 These results suggest support from businesses and members of the public for the Authority to consider increasing the precept to minimise the impact of cuts to the government grant.

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

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

7.14 The majority of business respondents (72%) were in favour of a 2% increase to the precept as seen in Chart 3. Similarly, the majority of public respondents (76%) were also in favour of a 2% increase.

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



Count (unweighted) Business responses 248, Public responses street 214

7.15 There was a marked increase in support from both businesses and the public for a 2% increase in Council Tax when compared with the 2015 results of 61% for businesses and 67% public.

7.16 Of those business respondents who indicated an increase other than 1 or 2% (14 respondents), the majority suggested an increase greater than 2% (8) respondents, with figures ranging from 3% up to 15%. The most common suggestion was an increase of 5% (4 respondents).

7.17 The increases given by members of the public who gave an 'Other' response (17 respondents) ranged from 0.1% (1 respondent) to 5%, which was the most common increase (8 respondents).

7.18 Those business respondents who disagreed to Question 1 were asked why and their responses recorded. A full record of the 74 verbatim comments is provided in Appendix D. These comments have been since been themed and a summary of the top five themes are provided in Table 4 overleaf.

Table 4: Theme summary of the comments given for disagreement to Question 1.

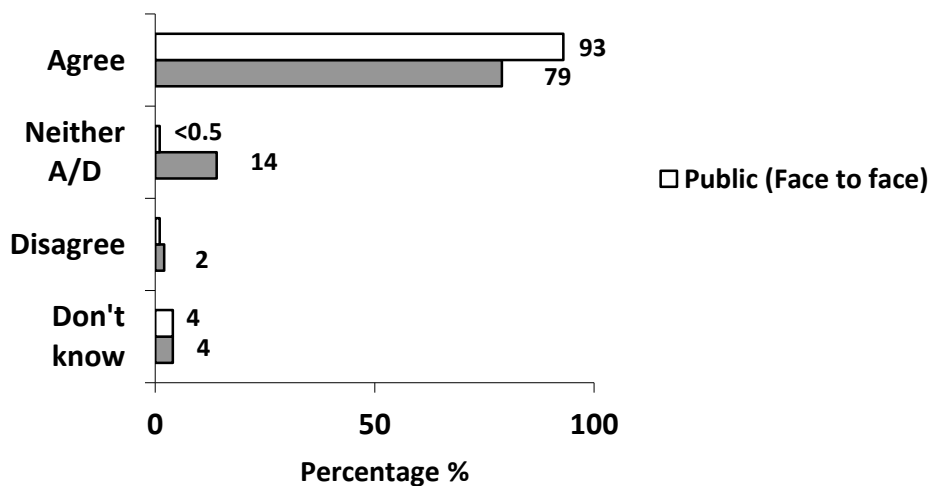
Theme	Count
The Government should not cut the funding to the fire and rescue service and should fund it better.	21
The fire and rescue service already receives reasonable funding and the tax charge is high enough without putting up Council Tax.	14
The fire and rescue service is an essential service and it would not be wrong to put up council tax. (Comments in support recorded)	10
Efficiencies in the local and national organisation of the fire and rescue service should come before increasing Council Tax.	9
General costs are increasing enough as it is and wages have not increased for an increase in Council Tax to be affordable, everyone else is having cut backs	8

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

- 7.19 Chart 4 below shows that business respondents agreed that the Service provides value for money. The level of agreement from businesses (79%) was similar to that recorded in the 2015 survey (81%).
- 7.20 For members of the public, 93% agreed that the Service provides value for money. This result is slightly lower than the 99% agreement recorded in the 2015 survey, but is the same result as achieved in the 2014 survey.

Chart 4 – How strongly do you agree or disagree that the Service provides value for money?

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



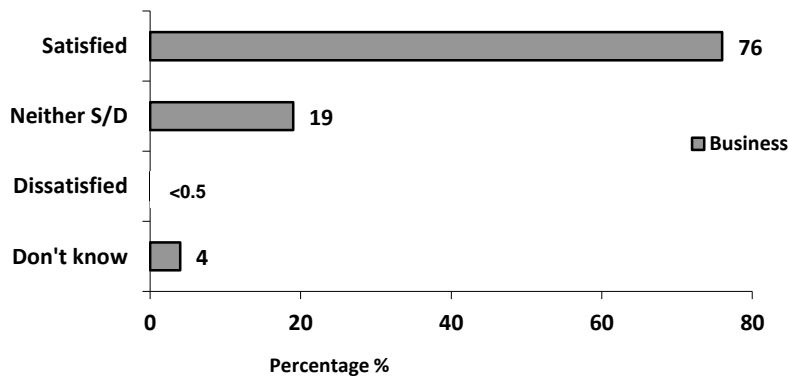
Count (unweighted)

Business responses 400, Public responses street 249

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

7.21 Chart 5 below shows that the majority of respondents were satisfied with the service provided by the Service. Levels of satisfaction appear fairly consistent over the last three years with results of 78% satisfaction recorded in 2014 and 74% in 2015. Only one respondent expressed dissatisfaction but provided no explanation as to the reason. This question was not put to members of the public in order to reduce the time taken to complete the survey.

Chart 5: Question 4 results of satisfaction with Service.



Count (unweighted)

Business responses 400.

CONCLUSION

7.22 The results of the consultation indicate that a significant majority of businesses and members of the public feel it would be reasonable for the Authority to consider increasing its precept for 2016/17. Those who agreed that it would be reasonable to consider an increase in the Council Tax precept were predominantly in favour of a 2% increase (72% of business respondents and 76% of public respondents who agreed it was reasonable to consider an increase).

7.23 Business respondents agreed that the Service provides value for money, at around £46 per head of the population per year and were satisfied by the service provided by Devon and Somerset. Members of the public also agreed that the Service provided value for money.

7.24 Compared with the surveys conducted in 2014 and 2015 there appears to be an increasing sentiment from both business and public respondents that the Authority should consider increasing the Council Tax precept. There also appears to be increasing sentiment to increase the level of Council Tax by 2% when compared to the 2015 survey results.

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

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

9. SUMMARY

- 9.1 The Authority is required to set its level of revenue budget and council tax for 2016-17 by 1 March so that it can meet its statutory obligation to advise each of the fifteen billing authorities in Devon and Somerset of the required level of precept. This report provides Members with the necessary background information to assist them in making decisions as to the appropriate levels for Devon and Somerset FRA.
- 9.2 The Resources Committee, at its meeting held on the 10 February 2016, considered the implications of each of the two options contained within this report and subsequently resolved to recommend Option B (increase in council tax of 1.99%) for approval by the Authority.

KEVIN WOODWARD
Treasurer

LEE HOWELL
Chief Fire Officer

APPENDIX A TO REPORT DSFRA/16/1

DRAFT REVENUE BUDGET REQUIREMENT 2016-17 (BASED UPON OPTION B FOR ILLUSTRATIVE PURPOSES)

	2016/2017		
	£'000	£000	%
Approved Budget 2015-16		74,710	
<u>Provision for pay and prices increase</u>			
Uniformed Pay Award (assume 1.0% from July 2016)	431		
Non-uniformed Pay Award (assume 1% from April 2016)	102		
Prices increases (assumed 2% CPI from April 2017)	16		
Pensions inflationary increase (2% from April 2017)	0		
		549	0.7%
<u>Removal One-off Provisions for 2015/16 only</u>			
Change and Improvement Programme	(323)		
Remove transfer to NNDR Reserve	(434)		
		(758)	
<u>Inescapable Commitments</u>			
Increase in debt charges emanating from agreed capital programme	202		
National Insurance end of contracted out rebate	953		
Increased Medical costs as a result of Asbestos testing	102		
Other ongoing commitments	50		
		1,308	
<u>New Investment</u>			
Transfer to Reserve for Capital	625		
Revenue Contribution to Capital	930		
		1,555	
<u>Income</u>			
Reduce Red One Contribution target	99		
Remove one off National Procurement income	379		
Investment income due to high yields/cash	(37)		
NNDR/ Sparsity/ Transition Section 31 grant	(607)		
		(166)	
<u>Savings in 2016-17</u>			
Implementation of staffing reductions linked to IRMP	(1,421)		
Reduction in Retained activity levels	(302)		
Support staff reductions	(511)		
Reduction in lease charges	(516)		
Reduction to pension charges for IHR/ Injuries	(101)		
Training/ Seminars	(101)		
Estates (Property Maintenance)	(129)		
Light vehicles/ travel/ subs/ mileage	(141)		
		(3,222)	
CORE BUDGET PROPOSAL		73,977	

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

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

THE ROBUSTNESS OF THE 2016-17 BUDGET

The net revenue budget requirement for 2016-17 has been assessed as £73.977m (Option B in report). In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Corporate Plan. It should be emphasised that these assessments are being made for a period up to the 31st March 2017, in which time external factors, which are outside of the control of the authority, may arise which will cause additional expenditure to be incurred. For example, the majority of retained pay costs are dependent on the number of call outs during the year, which can be subject to volatility dependent on spate weather conditions. Other budgets, such as fuel are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 overleaf, along with details of the action taken to mitigate each of these identified risks.

Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium Term Financial Plan (MTFP) provides forecasts to be made of indicative budget requirements over a four year period covering the years 2016-17 to 2019-20. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.

TABLE 1 – BUDGET SETTING 2016-17 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO VOLATILE CHANGES

Budget Head	Budget Provision 2016-17 £m	RISK AND IMPACT	MITIGATION
Retained Pay Costs	12.3	A significant proportion of costs associated with retained pay is directly as a result of the number of calls responded to during the year. The level of calls from year to year can be volatile and difficult to predict e.g. spate weather conditions. Abnormally high or low levels of calls could result in significant variations against budget provision.	In establishing a General Reserve for 2016-17, allowance has been made for a potential overspend on this budget.
		In 2008 the Part-Time Workers (less than favourable working conditions) tribunal ruled in favour of retained firefighters having the same conditions of service in relation to pension and sickness benefits as wholtime firefighters. The next Government Actuarial Valuation (due during 16-17) of future pension costs will include these retained firefighters for the first time, which may significantly change the rate of employer's pensions contributions payable from 2017-18.	An Earmarked Reserve of £1.5m has been set aside for the impact of the ruling from the Part Time Workers tribunal. However, until final valuations are complete the full extent of the impact to rates and therefore the Service budget cannot be quantified.
Fire-fighter' s Pensions	2.8	Whilst net pension costs funded by the government through a top-up grant arrangement, the Authority is still required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme.	In establishing a General Reserve for 2016-17 an allowance has been made for a potential overspend on this budget
Insurance Costs	0.8	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority.	In establishing a General Reserve for 2016-17 an allowance has been made for a potential overspend on this budget
Fuel Costs	0.8	Whilst the budget has made some allowance for further increases in fuel costs during 2015-16, due to current low fuel costs it is highly possible that inflationary increases could be in excess of the budget provided.	In establishing a General Reserve for 2016-17 an allowance has been made for a potential overspend on this budget
Treasury Management Income	(0.2)	As a result of the economic downturn in recent years, and the resultant low investment returns, the ability to achieve the same levels of income returns as in previous years is diminishing. The uncertainty over future market conditions means that target investment returns included in the base budget could be at risk.	The target income for 2016-17 has been set at a prudent level of achieving only a 0.4% return on investments. Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Income	(0.6)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £1.0m of external income whilst reducing the reliance on the Service budget for Red One Income to £0.2m. Due to economic uncertainty this budget line may be at risk.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Capital Programme	5.1	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.
Business Rates	(0.4)	There is a high degree of uncertainty over levels of Retained Business rates income and the method of allocation between funding and revenue grants in future years.	There is a specific reserve of £0.5m set up for NNDR smoothing in future years although this is not expected to be utilised in 2016-17.

THE ADEQUACY OF THE LEVEL OF RESERVES

Total Reserve balances for the Authority as at April 2015 is £23.8m made up of Earmarked Reserves (committed) of £18.5m, and General Reserve (uncommitted) of £5.3m. This will increase by the end of the financial year as a result of projected underspend against the current year's budget. A General Reserve balance of £5.3m is equivalent to 7.1% of the total revenue budget, or 26 days of Authority spending.

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

It is pleasing that the Authority has not experienced the need to call on reserve balances in the last five years to fund emergency spending, which has enabled the balance, through budget underspends, to be increased to a level in excess of 5%. The importance of holding adequate levels of general reserves has been highlighted on a number of occasions in recent times. For instance the impact of the deterioration of the banking system and in 2008 exposed some authorities to potential loss of investments held e.g. Northern Rock and some Icelandic banks. On the back of this deterioration the Chartered Institute of Public Finance and Accountancy (CIPFA) immediately introduced a new Local Authority Accounting Principle in November 2008 (LAAP 77) bulletin to provide further guidance to local authority chief finance officers on the establishment and maintenance of local authority reserves and balances, which should be followed as a matter of course. Whilst this bulletin 'stopped short' of advising of a minimum level of reserves, it acted as a further reminder that it is for the authority, on the advice of the chief finance officer, to make their own judgements on such matters based upon local circumstances

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

It should also be emphasised that a reserve level at 7.1% compares to an average reserve balance of 8.7% for all fire and rescue authorities, which places this Authority in the middle quartile for all FRAs.

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

CONCLUSION

It is considered that the budget proposed for 2016-17 represents a sound and achievable financial plan, and will not increase the Authority's risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

KEVIN WOODWARD
Treasurer

Lee Howell
CHIEF FIRE OFFICER

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

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

Your ref : Date : 15th January 2016 Telephone : 01392 872200
Our ref : Please ask for : Mr Woodward Fax : 01392 872300
Website : www.dsfire.gov.uk Email : kwoodward@dsfire.gov.uk Direct Telephone : 01392 872317

Dear Shafi,

CONSULTATION – PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2016-17

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

The Authority welcomes the opportunity to provide a response to the provisional settlement and provides at Annex A responses to those specific questions included in the document that have an impact to fire and rescue authorities.

In addition to responses to the specific questions, the Authority would also like to take the opportunity to raise some general comments below, some of which we have raised on previous occasions but disappointingly not had any feedback from your department.

- We are very concerned as to the disproportionate impact that the cuts are having on the more rural fire and rescue services which rely heavily on the Retained Duty System (RDS) to provide fire and rescue cover over a large geographical area. In his independent report **FACING THE FUTURE: Findings from the review of efficiencies and operations in fire and rescue authorities in England**, Sir Ken Knight found that there were efficiencies to be released by increasing the proportion of retained (or 'on call') fire fighters. Given that 87% of the Authority's stations are already crewed by on call firefighters we have limited scope to make significant savings in this area.
- The Authority is disappointed that the findings of the report commissioned by the CLG in 2014 "Research into Drivers of Service Costs in Rural Areas" found that whilst it recognises that there is a positive relationship between sparsity and unit costs, it is not considered statistically significant to merit recognition in the formula settlement. Whilst we welcome the fact that additional funding has been allocated to the most rural local authorities, an allocation of just £104k for the Authority in 2016-17 is very disappointing and does very little to redress the inequitable distribution, which is currently in favour of the more urban areas. The Authority does not feel as though the rural arguments are being taken seriously enough.

- The Authority supports the All Party Parliamentary Group on Rural Services which has asked for the 50% gap in grant funding between urban and rural areas to be reduced in stages to 40% by the year 2020.
- We are disappointed that the 2016-17 settlement has removed the capital grant allocations previously made available to fire and rescue authorities. Whilst the Authority received no allocation from the bidding process in 2015-16, previous years has seen annual allocations of up to £2m, which has provided very helpful financial support to our capital investment programmes. Given that the Authority has a substantial asset base, second only to London in terms of numbers of fire stations and vehicles, the removal of this grant places increasing financial pressure on our capital spending plans at a time that the Authority is very reluctant to incur further external debt given the affordability of the resultant revenue debt charges.
- The Authority is also disappointed that there has been no change in the council tax referendum rules to apply a different approach to fire and rescue authorities. We have asked that rather than a percentage limit that a cash sum e.g. £5 be applied. The fact remains that because of the relatively low Band D council tax figures for a fire authority, typically only 4% of the total council tax bill for any area, the cost of holding the referendum would be totally disproportionate to the additional amount of precept to be possibly achieved, meaning that no fire and rescue authority could possibly justify such a course of action. For this Authority, which has 15 billing authorities across Devon and Somerset, the cost of holding the referendum has been estimated at £2.3m (equivalent to a 6% increase in council tax).

Yours sincerely

Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority

RESPONSE TO QUESTIONS

We provide below our responses to the specific questions raised in the consultation document. **Please note that we are not responding to all of the Consultation Questions, just those that we consider to be especially relevant to fire and rescue authorities.**

Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

Response – No, we cannot agree with this methodology which results in a shift of government funded resources away from the Shire Counties to the Metropolitan areas. An analysis of the changes in Government Funded Spending Power (Core Spending Power less Council Tax - which we consider to be the correct comparator as Council Tax is, on average, higher in rural areas than urban areas due to the historic underfunding of rural areas) highlights that metropolitan fire and rescue services are facing a 15% reduction (2015-16 compared to 2019-20) compared to a 23% reduction to predominantly rural services.

We cannot agree with the principle behind this methodology that those Authorities most reliant on government funding should be protected. This principle fails to reflect the fact that, Council Tax is, on average, already significantly higher per head of population in rural areas compared to urban due to historic underfunding of rural services by successive governments. We feel that it is therefore unfair to protect those more urban areas at the expense of the more rural areas.

Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

Response – Yes, the proposal to use individual authority 2015-16 council tax requirement figures would provide the most accurate assessment, and provide the incentive to improve the base figure through new housing developments.

Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

Response – Yes.

Question 4: Do you wish to propose any transitional measures to be used?

Response – No.

Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

Response – Whilst we agree with the proposed methodology it is of concern that we are being asked to agree to a further hold back of £50m without any detail as to how much of previously agreed hold backs have actually been called on. We would propose that further information be made available of any surplus/deficit on previous hold backs with proposals of how any balance is to be redistributed.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

Response – Yes. As a beneficiary of this funding (£104k in 2016-17 rising to £340k by 2019-20) we naturally welcome the proposal for it to continue and be increased. However, it has to be said that an increase of just £23k in 2016-17 over 2015-16 pales into insignificance when compared to the shift in government funded resources away from the Shire counties towards the Metropolitan areas (as highlighted in response to Question 1). The Question implies there is £20m extra funding in 2016/17 when, in fact, there is just a £4.5m increase to bring the 2015/16 level up to £20m.

It is also extremely disappointing that the extra £50m (by 2019/20) over and above the £15.5m paid in 2015/16 is to be “back-end loaded”.

We also challenge the perceived impression given by the Secretary of State's Statement “by which time (2019/20), when 100% business rate retention has been achieved, we can consider what further correction is due”, that this may be sufficient. It is not. The Consultation Document shows that 77.5% of the additional funding is in respect of Adult Social Care. This means that £14.74m (of the 2019/20 £65.5mm) is for all other local government services across all tiers of Principal Councils. This is woefully inadequate and does very little to redress, what we see, as the inequitable distribution of funding which sees the most urban areas having 50% more grant funding per head than rural areas.

We continue to be very concerned about the disproportionate impact that the current approach to funding reductions is having on the most rural fire authorities, which has resulted in most urban authorities having 50% more grant funding per head than rural authorities. We support the All Party Parliamentary Group on Rural Services which has asked for the 50% gap to be reduced in stages to 40% by the year 2020.

Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Support Grant funding in the settlement and with the methodology set out in paragraph 3.3?

Response – Yes.

Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

Response – Yes.

Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?

Response – It is difficult to comment on the specific proposal to adjust tariff/top ups to deliver the intended principle before we have more detail (consultation document, due to be published in the summer of 2016) relating to the major move to a 100% locally retained business rates system. All fire and rescue authorities fall into the category of “Top Up” and need assurance that the move to 100% retention will not have a detrimental impact to overall control totals to 2019-20 and beyond.

As highlighted in our response to Question 1, we strongly object to the new methodology which supports the principle that shifts government funded resources away from the Shire Counties towards the Metropolitan areas.

Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?

Response – As stated in our response to the previous Question 15, it is difficult to make too much comment without more detail on the impact of the move to a 100% local business rates system.

Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

Response – Yes. As we have already stated in our response to Q7, we not believe that the amount of additional funding to rural areas goes anywhere near far enough to protect the most rural areas from the impact of the funding reductions. In addition, we do not agree with the strong protections provided to those authorities more dependent on grant funding, which is not provided from new money but is provided at the expense of a different group i.e. those authorities less dependent on grant funding.

REPORT REFERENCE NO

Prepared for: [Type the document subtitle]

Prepared by: Lys Coleman, Research Director

Date: January 2016



Produced by BMG Research
© Bostock Marketing Group Ltd, 2016
www.bmgresearch.co.uk

Project: 9884

Registered in England No. 2841970

Registered office:

BMG Research
Beech House
Greenfield Crescent
Edgbaston
Birmingham
B15 3BE
UK
Tel: +44 (0) 121 3336006

UK VAT Registration No. 580 6606 32

Birmingham Chamber of Commerce Member No. B4626

Market Research Society Company Partner

British Quality Foundation Member

The provision of Market Research Services in accordance with ISO 20252:2012

The provision of Market Research Services in accordance with ISO 9001:2008

The International Standard for Information Security Management ISO 27001:2013

Investors in People Standard - Certificate No. WMQC 0614

Interviewer Quality Control Scheme (IQCS) Member Company

Registered under the Data Protection Act - Registration No. Z5081943

The BMG Research logo is a trade mark of Bostock Marketing Group Ltd

Table of Contents

<u>1</u>	<u>Introduction</u>	- 2 -
1.1	<u>Background and method</u>	- 2 -
<u>2</u>	<u>Survey Findings</u>	- 3 -
2.1	<u>Whether it is reasonable for the Authority to consider increasing its element of the Council Tax charge for 2015/16</u>	- 3 -
2.2	<u>Level of increase that would be reasonable</u>	- 4 -
2.3	<u>Reasons for disagreeing that it is reasonable for the Authority to increase its element of the Council Tax charge for 2015/16</u>	- 5 -
2.4	<u>Agreement or disagreement that the Authority provides value for money</u>	- 6 -
2.5	<u>Reasons for disagreeing that the Authority provides value for money</u>	- 6 -
2.6	<u>Satisfaction with the service provided by the Authority</u>	- 7 -
2.7	<u>Services used</u>	- 8 -
<u>3</u>	<u>Appendix 1: Overview of verbatim responses</u>	- 9 -
3.1	<u>Reasons for disagreeing that it is reasonable for the Authority to increase its element of the Council Tax charge for 2015/16</u>	- 9 -
<u>4</u>	<u>Appendix 2: Profile Information</u>	- 12 -
<u>5</u>	<u>Appendix 3: Call outcomes</u>	- 14 -

1 Introduction

1.1 Background and method

In December 2015, Devon and Somerset Fire and Rescue Service (DSFRS) commissioned BMG Research to undertake a survey amongst 400 businesses. The purpose of the survey was to assess the opinions of business decision makers on how DSFRS should approach setting its budget for 2016/17 and on whether the Service is currently deemed to be providing value for money.

The questionnaire for the survey was provided by DSFRS. The contacts for the survey were purchased by BMG Research from a commercial database provider. To ensure the survey was broadly representative, quotas were set by local authority district (LAD), number of employees and broad industry sector. The data has been weighted (adjusted) by these characteristics to correct for any under or over-representation in the final data set.

In total, 400 interviews with businesses were completed during January 2016. Details of the profile of the sample can be found in appendix 2, and a breakdown of call outcomes can be found in appendix 3.

On a sample of 400 the confidence interval at the 95% level is +/- 4.3%. This means that if a statistic of 50% was observed, we can be 95% confident that the true response among the total population lies between 45.7% and 54.3%.

This report summarises the main findings from the survey.

Survey Findings

1.2 Whether it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2016/17

Respondents were provided with the following contextual information regarding DSFRS:

'Devon and Somerset Fire and Rescue Authority is committed to maintaining a professional service across the two counties whilst addressing the funding cuts passed down by the Government. The service provides 85 local fire stations across Devon and Somerset and employs approximately 2,200 staff, helping to keep safe a population of 1.7 million. On average the service attends around 18,000 incidents each year, which includes flooding, road traffic collisions, fires and other emergencies. The Authority would like your feedback about its level of Council Tax precept for the coming year and how satisfied you are with the service it provides.'

They were then informed of the following:

'Devon & Somerset Fire & Rescue Authority is considering its Council Tax charges for 2016/17. The current charge is £78.42 a year for a Band 'D' property. Over the last few years the Government has been reducing the Authority's funding, which means that by 1 April 2016 its funding will have been reduced by approximately £5.5million since 1 April 2013. A further £7.3million reduction is anticipated by 2019/20.'

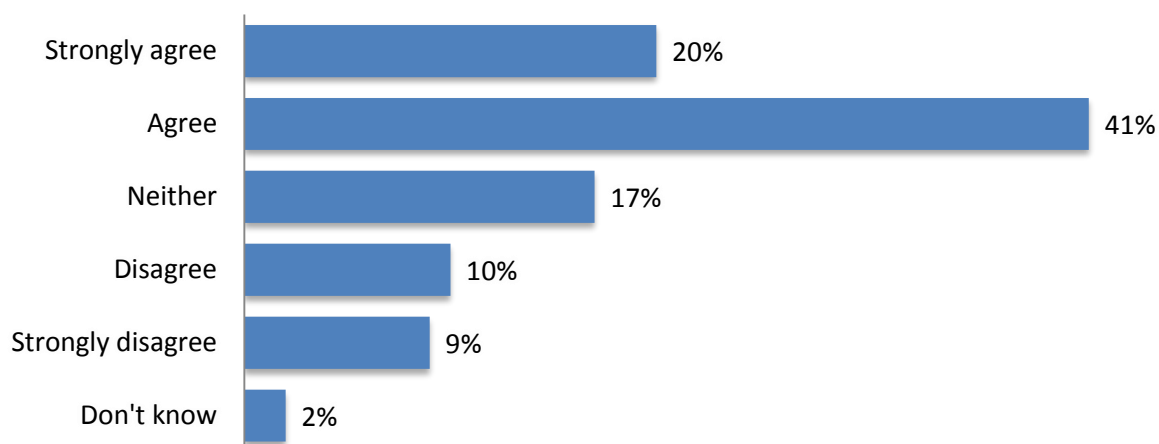
Respondents were asked how strongly they agree or disagree that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2016/17 in order to lessen the impact of the funding cuts.

Over three in five (62%) of businesses agreed that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2016/17, while less than a fifth (19%) disagreed that it is reasonable for them to do so, resulting in a net agreement¹ of +43%.

Agreement was consistent by industry sector, gender and age, although respondents in Somerset were somewhat less positive (53% agreed it is reasonable for DSFRS to consider increasing its Council Tax charge).

¹ Net agreement = the proportion who strongly agree/agree minus the proportion who disagree/strongly disagree.

Figure 1: Agreement or disagreement that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2016/17 (All respondents)



Unweighted sample base: 400

1.3 Level of increase that would be reasonable

Those respondents who agreed that it is reasonable for DSFRS to consider increasing its Council Tax Charge for 2016/17 were asked at what level the increase should be;

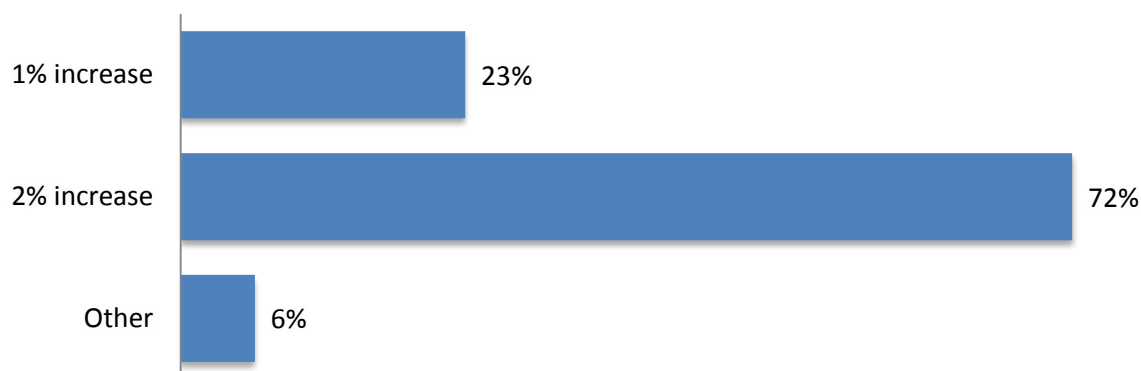
- 1 1%, this would be an increase of 78p per year
 - Equals a total charge of £79.20 for a Band 'D' property

- 2 2%, this would be an increase of £1.57 per year
 - Equals a total charge of £79.99 for a Band 'D' property

- 3 Some other level of increase

The largest proportion of respondents opted for a 2% increase (72%), and this was consistent by industry sector, gender and age, although again the response in Somerset was directionally lower (63% felt there should be a 2% increase).

Figure 2: Level of increase that would be reasonable (Those respondents agreeing that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2016/17)



Unweighted sample base: 248

Where respondents offered an 'other' response (14 respondents), the majority suggested an increase greater than 2% (8 respondents), with figures ranging from 3% up to 15%. The most common suggestion was an increase of 5% (4 respondents).

Other comments provided include the following:

'I would rather them charge an extra fiver for everyone.'

'It depends how much it would make a difference overall.'

1.4 Reasons for disagreeing that it is reasonable for DSFRS to increase its element of the Council Tax charge for 2016/17

Those respondents who disagreed that it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2016/17 (19%) were asked why they disagreed. Typical comments made by respondents are highlighted below, and the full list of comments is available in appendix 1 of this report.

'I don't think they should be asking businesses. They should be going to the Government and make an effort to stop the lack of effort of the Tory party.'

'I think there is a lot of wastage within the fire service. The current funding can be better used. They should look to see if the shortfall can be made elsewhere before raising council tax.'

'The council tax should be coming centrally.'

'Pay too much council tax already.'

'They should be getting it from Government not from us. Public service cuts have gone too far. There is always an area to reduce some overheads but not all. Some savings are there, for example joint purchasing of equipment, but when it comes to providing services to the public, that's crazy.'

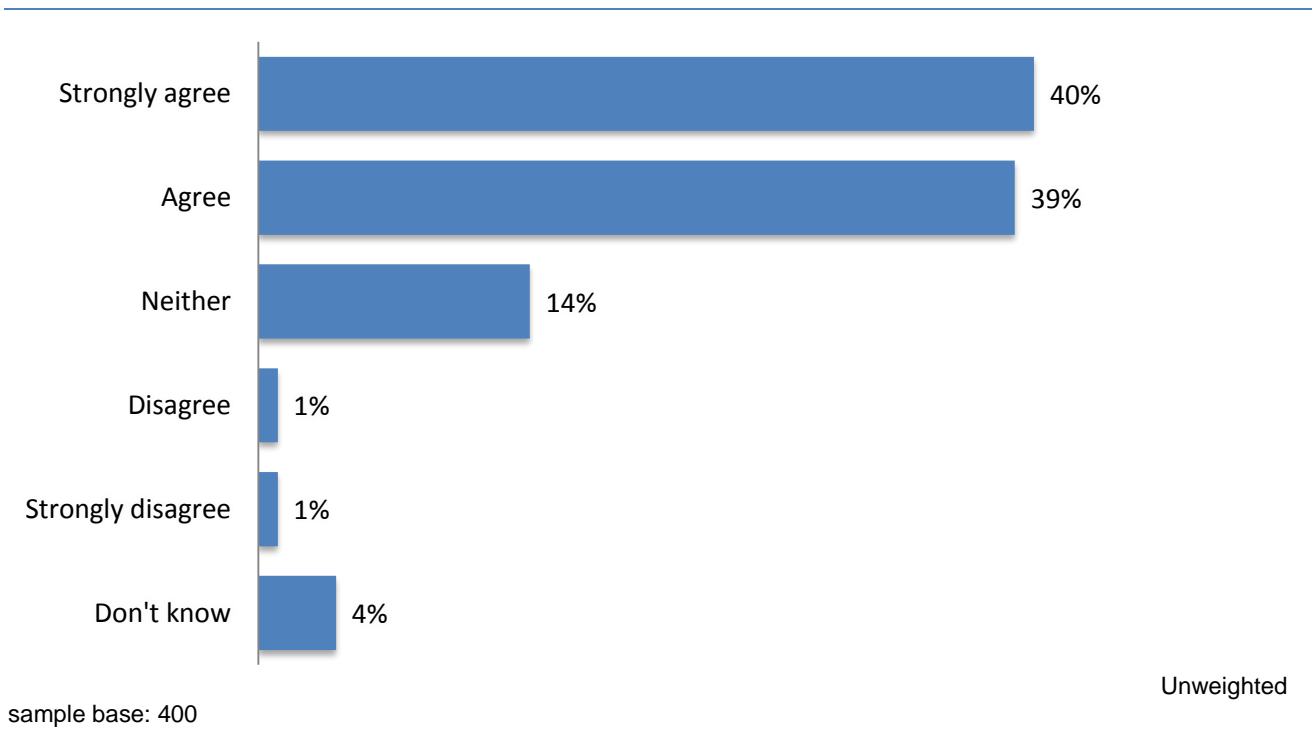
'If you were to have a fire, they wouldn't come because we are a farm, also it wouldn't get to us on time. Only way to get to us quick is by air ambulance.'

1.5 Agreement or disagreement that DSFRS provides value for money

All respondents were asked if they agree or disagree that DSFRS provides value for money.

Four in five (79%) of businesses agreed that DSFRS does provide value for money, with only a small proportion of respondents disagreeing (2%), resulting in a net agreement of +77%.

Figure 3: Agreement or disagreement that DSFRS provides value for money (All respondents)



1.6 Reasons for disagreeing that DSFRS provides value for money

The 10 businesses who disagreed that DSFRS provides value for money were asked why they disagreed, and, where provided, their reasons for this are listed below.

Dealt with them on various occasions, believe they waste money.

I have a couple of friends in the fire brigade and I've heard they spend a lot of time playing sports and in the gym. Their time should be used better. For me to pay more for the service is outrageous. It's poor, very poor.

Same reason - if you was to have a fire, they wouldn't come because we are a farm, also it wouldn't get to us on time. Only way to get to us quick is by air ambulance.

When I see them in action, they all do the same job, slow response, a lot of duplication.

I don't do their job so don't know if they provide value for money or not.

With the cuts they make they have to keep cutting back.

By virtue that the cost is £46 and we're being charged £65. Why am I not getting better value and I'm being charged £65. That difference doesn't make sense to me. I expect more value for money.

Waste of money due to them spending on things like a building which they do not use.

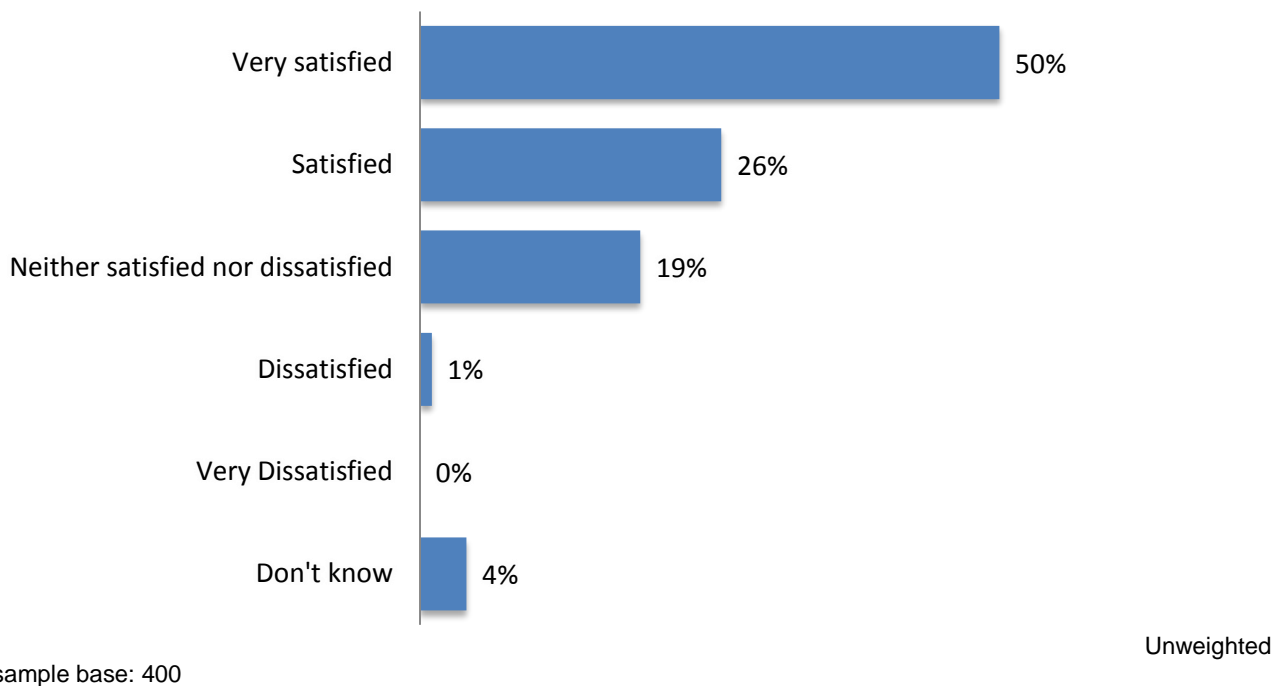
Because they don't turn up on time.

Because they make multiple visits which are unnecessary.

1.7 Satisfaction with the service provided by DSFRS

All respondents were asked how satisfied or dissatisfied they are with the service provided by DSFRS. Three quarters (76%) of businesses were satisfied with the service provided, and only three respondents expressed dissatisfaction, yielding a net level of satisfaction of +75%.

Figure 4: Satisfaction with the service provided by DSFRS (All respondents)



1.8 Services used

To contextualise the findings reported above, all respondents were asked if they had used any of ten specific services provided across Devon and Somerset.

Overall, over three in five (59%) reported using at least one of the services, most commonly a fire safety audit (27%) at a business.

Respondents in Torbay were more likely than those elsewhere to report having used any of the services (78%, compared to 49% in Plymouth, 59% in Devon and 59% in Somerset).

Table 1 Services used

	Businesses
Fire safety audit/ check in a business	27%
Community event	22%
Home fire safety visit / smoke alarm fitting	19%
Other fire safety advice	13%
Emergency response - house fire	10%
Community use of fire stations	10%
Youth education	10%
Emergency response - other rescue	6%
Emergency response - co-responder	6%
Emergency response - road traffic collision	6%
Emergency response - flooding	3%
Other service (please specify)	2%
Unweighted sample base: 400	

2 Appendix 1: Overview of verbatim responses

2.1 Reasons for disagreeing that it is reasonable for DSFRS to increase its element of the Council Tax charge for 2016/17

I think the fire and rescue are still too many individual authorities, too many seniors, the number of authorities, the fire pensions and age too low, pensions too high. More opportunities nationally. Also the fire and rescue too brief what the public expect. Under the fire reform of 2005 the cost of fire could be claimed from business and insurer. It is both an enforcement authority and the service, that's a conflict of interest!

Because I don't think the funding would be cut in the first place.

Costs are going up.

Charge is high enough, the government have enough money and they should use it wisely.

Fire and rescue don't effect council tax, don't see why we should pay more on council tax, should come through government. I would like answers in regards to where the money is going that I'm paying.

I don't think they should be asking businesses. They should be going to the Government and make an effort to stop the lack of effort of the Tory party.

Because it's an essential service that everyone needs.

It would put my council tax up by a lot.

Don't know.

I think there is a lot of wastage within the fire service. The current funding can be better used. They should look to see if the shortfall can be made elsewhere before raising council tax.

Because the government should be funding it not the general public.

Wages are not being increased.

Government should not be reducing its costs.

I don't think it's wrong to increase council tax. I think the fact that the government are taking away from important services is wrong.

Government should be putting more money into it.

Paying enough tax already.

The amount of houses being built are getting more revenue as well from that.

The council tax should be coming centrally.

Providing a service which is necessary.

They get enough as it is.

The government are offered money by the council to raise money by building. We are being penalized.

It's a very important service

Doesn't seem to be a burden for a single person

Don't think they should make cuts, much worth spending on fire.

We need to invest more money in it obviously.

The Government should raise the money for the fire and rescue service, like NHS and military, instead of sending money abroad.

It should be totally government funded.

Because the local authority should discuss it with the people first.

My council tax is high enough.

They should get government funding.

Because they're reasonably funded anyway. Funding should be centralised anyway and don't see the funding coming for them anyway.

Pay too much council tax already.

They should be getting it from Government not from us. Public service cuts have gone too far. There is always an area to reduce some overheads but not all. Some savings are there, for example joint purchasing of equipment, but when it comes to providing services to the public, that's crazy.

We pay enough on council tax as well as business rates.

The rates we pay are astronomical.

The government should not take money from council tax, government nor the police because it is a form of additional taxation, some people who may not have pay rises and not enough pay to eat.

Fire and Rescue Authority have run on low budgets in the past. They should use their experience of working on low budgets now.

It is because if they increase the charge it will increase tax for tax payers.

We are a small company and we are struggling with paying out at the moment.

Because you need more funding to do what you need for your job.

Because everyone keeps on putting the council tax up and people can not afford to pay it.

Because mismanagement and poor organization. They should look at themselves before looking elsewhere.

We need these services and do not want these services to be put under pressure. Not fair to have decreased funding by government.

We as xxxx traders are on managed margin, and if they cut our pay we can't make that money up from anywhere, so why should we have to pay more council tax. I think the government need to become more commercial.

I disagree because we still get flooding on our road and they're building more houses which means the flooding is going to get worse.

The council should find other ways of saving money.

Fire and Rescue should cut its costs by restructuring and reengineering

They should come out of central funds.

People in the force retire too early.

Not value for money.

They should cut funds accordingly, cut fire and police budget.

They keep the same money for what they are putting into it now. Why do they need to increase council tax charge, why do they need to reduce funding.

It's important to keep the emergency services going - they are essential.

When they arrive it's exceptional. I'm situated far from town and when we call for emergencies I have to wait 45 minutes. I wouldn't pay more council tax when the service is not provided in the first place.

If you were to have a fire, they wouldn't come because we are a farm, also it wouldn't get to us on time. Only way to get to us quick is by air ambulance.

I believe they can do it, the fire service and don't believe in the fat cats. That's the local councils.

As well as the police, we should give all the funding they need. They provide a good service.

There's too many managers and not enough people on the ground.

The Government should pay.

They shouldn't increase it because our council tax charges are going up anyway. Why do government allow themselves to be paid more, so if to compare wages and the ability to pay for these services.

They should have more funding but it should come from the council. The council doesn't do the job the council tax pays for.

It is because of the efficiency made in the industry and proposed government cuts.

The council tax going up.

Majority of firemen have a double lifestyle, they are paid for the work they do and then have a second job.

Could be more efficient in man power.

Fire and Rescue service should be reduced, most of the call outs are for businesses and flooding. National issue for flooding and business call outs should be funded through business rates. The whole thing shouldn't be taken from council tax, nationally funded.

Pay enough on revenue and taxes.

Because we pay enough in tax already. Millions are wasted with things like the Fire centre in Taunton and nobody uses it. Absolute disgrace.

The Fire service did not do their job properly when they could have used another fire brigade to put out the fire.

Because they have been called here twice and I've put the fire out before they arrived. Not getting the money's worth for the service we are paying for. On one incident they went to the wrong location. There's a guaranteed time they should arrive by and this was doubled and another time they were an hour late. Unfair tax as well, based on someone's opinion what the house was worth.

The government should not play economic games with the fire service.

Everyone is having cut backs. Things should be maintained at the current level of expenditure.

The government should be able to find more efficient for value for money themselves.

Keeps going up and we don't get anything for it.

Appendix 2: Profile Information

The following tables outline the unweighted and weighted demographic profiles of the sample.

Table 2 – Local authority district

Local authority district	Unweighted		Weighted	
	%	Number	%	Number
Torbay	10%	41	7%	26
Plymouth	12%	46	9%	35
Devon	48%	192	53%	211
Somerset	30%	121	32%	128

Table 3 – Respondent age

Age	Unweighted		Weighted	
	%	Number	%	Number
16 – 24 years	3%	11	3%	12
25 – 34 years	11%	44	11%	44
35 – 44 years	14%	55	13%	51
45 – 54 years	33%	133	33%	133
55– 64 years	27%	106	27%	107
65+	13%	50	13%	52
Prefer not to say	<0.5%	1	<0.5%	1

Table 4 – Respondent gender

Gender	Unweighted		Weighted	
	%	Number	%	Number
Male	65%	259	65%	260
Female	35%	141	35%	140

Table 5 –Industry sector

Industry Sector	Unweighted		Weighted	
	%	Number	%	Number
A to F	26%	103	27%	106
G to N, R + S	74%	297	73%	294

Table 6 –Industry size

Industry Sector	Unweighted		Weighted	
	%	Number	%	Number
1 to 49	95%	380	98%	392
50 to 249	5%	20	2%	8

Table 7 – Respondent ethnic origin

Ethnic Origin	Unweighted		Weighted	
	%	Number	%	Number
White – English/Welsh/Scottish/Northern Irish/ British	94%	376	95%	379
White Irish	<0.5%	1	<0.5%	1
White Other	2%	9	2%	7
Black British - African	1%	2	1%	2
Chinese	1%	3	1%	2
Asian – Other	<0.5%	1	<0.5%	1
Other	<0.5%	1	<0.5%	1
Refused	2%	7	2%	7

3 Appendix 3: Call outcomes

The following table shows a breakdown of call outcomes.

	Outcome	Contacts	% of total	% of in scope
In scope	Complete	400	10%	17%
	Refusal	392	10%	16%
	Respondent busy	1,632	42%	67%
	Sub-total	2,424	62%	100%
Out of scope	Unobtainable (modem, fax etc)	158	4%	11%
	Ineligible	70	2%	5%
	No contact made	1,254	32%	85%
	Sub-total	1,482	38%	100%
	Total	3,906		

Appendix: Statement of Terms

Compliance with International Standards

BMG complies with the International Standard for Quality Management Systems requirements (ISO 9001:2008) and the International Standard for Market, opinion and social research service requirements (ISO 20252:2012) and The International Standard for Information Security Management ISO 27001:2013.

Interpretation and publication of results

The interpretation of the results as reported in this document pertain to the research problem and are supported by the empirical findings of this research project and, where applicable, by other data. These interpretations and recommendations are based on empirical findings and are distinguishable from personal views and opinions.

BMG will not be publish any part of these results without the written and informed consent of the client.

Ethical practice

BMG promotes ethical practice in research: We conduct our work responsibly and in light of the legal and moral codes of society.

We have a responsibility to maintain high scientific standards in the methods employed in the collection and dissemination of data, in the impartial assessment and dissemination of findings and in the maintenance of standards commensurate with professional integrity.

We recognise we have a duty of care to all those undertaking and participating in research and strive to protect subjects from undue harm arising as a consequence of their participation in research. This requires that subjects' participation should be as fully informed as possible and no group should be disadvantaged by routinely being excluded from consideration. All adequate steps shall be taken by both agency and client to ensure that the identity of each respondent participating in the research is protected.

1.0 BACKGROUND

- 1.1 The results in this appendix were obtained from face to face surveys conducted with members of the public on the proposed level of Council Tax precept in Exeter, Plymouth, Taunton and Torquay between 8 and 20 January 2016.
- 1.2 The statutory requirement in Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on proposals for expenditure. Although there is no statutory requirement, members of the public have been consulted as it is deemed appropriate to include the public's views on the option of increasing Council Tax at a time of economic difficulty.
- 1.3 This approach was agreed by Members of the Authority at their meeting on 14 December 2015 when it was resolved (Minute DSFRA/42 refers):
- that Option C as set out in report DSFRA/15/30 (consulting the business community via telephone survey and with the public via street level face to face surveys) be undertaken in relation to the Authority's proposed expenditure and level of council tax precept for 2016-17.
- 1.4 The questions used closely followed the format used for the business telephone survey.
- 1.5 Face-to-face surveys with members of the public were conducted by Devon & Somerset Fire & Rescue Service staff in Plymouth, Torquay, Exeter and Taunton on 8, 13, 15 and 20 January 2016 respectively.

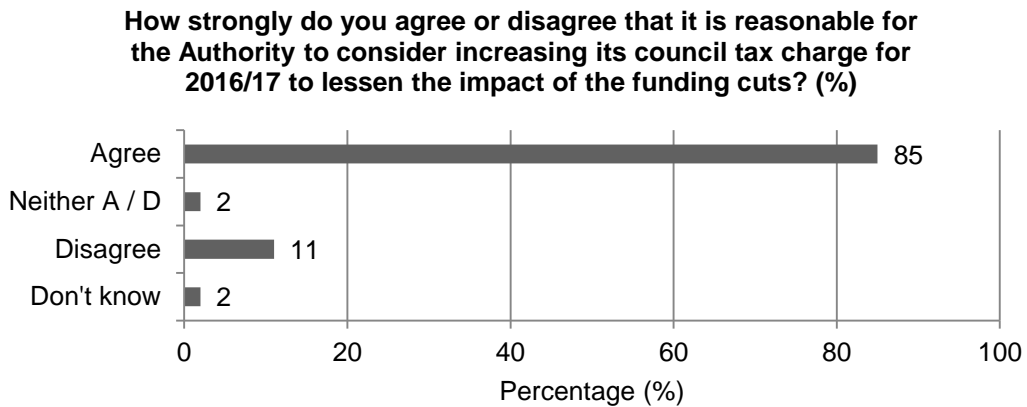
2.0 RESULTS

- 2.1 A total of 253 responses were obtained in 2016, up from 212 in 2015.
- 2.2 Due to rounding, the percentages shown in the graphs may equal 100% + or – 1%.

Question 1a: How strongly do you agree or disagree that it is reasonable for the Authority to consider increasing its council tax charge for 2016/17 to lessen the impact of the funding cuts?

- 2.3 The results for Question 1, shown in Chart 1, show that the majority of public respondents agreed that it would be reasonable for the Authority to consider increasing the precept to lessen the impact of funding cuts, despite Government's suggestion that local authorities do not increase council tax charges for 2015/16.

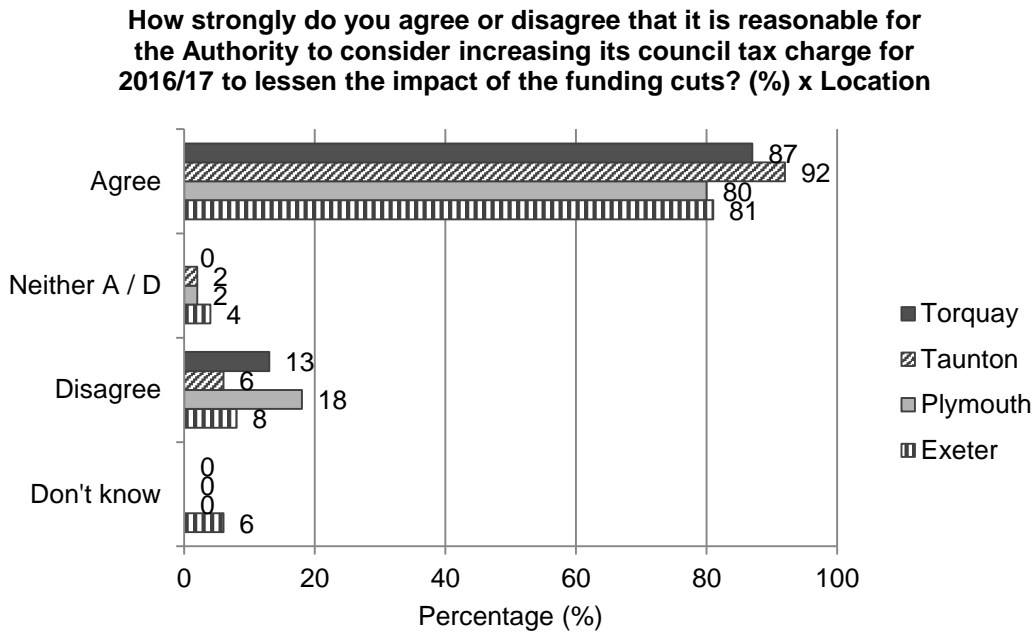
Chart 1: Results of Question 1a



Count (unweighted): 252

2.4 Results of the public street survey gave a 6% increase (79% to 85%) in agreement over the 2015 results, which were themselves a 5% increase over the 2014 figure. The increase in agreement appears to have come mainly from a reduction in the numbers of those responding 'Neither agree nor disagree', as the reduction in 'Disagree' responses was minimal (2%).

Chart 2: Results of Question 1a by location



Count (unweighted): 252 (Torquay: 55 Taunton: 52 Plymouth: 50 Exeter 95)

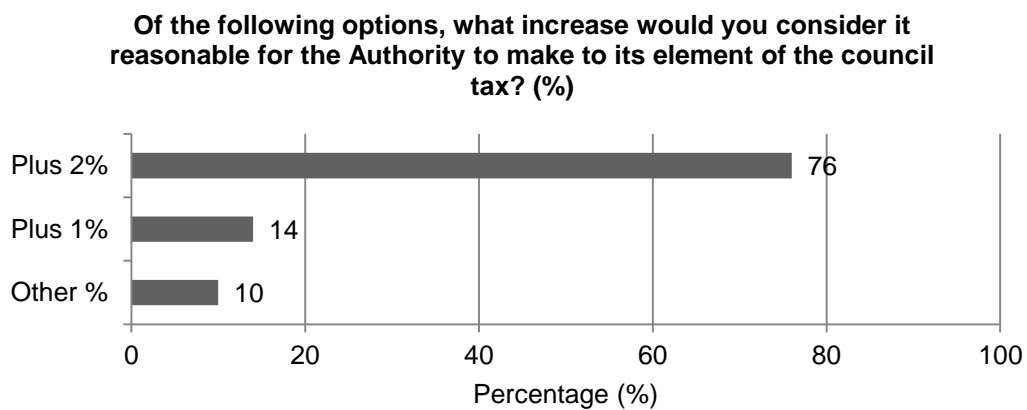
2.5 Broken down by location, the highest level of agreement was achieved in Taunton, while the lowest was seen in Plymouth. Relatively stable neutral responses meant that the level of disagreement was proportionate to the positive results.

2.6 Respondents who agreed that the Authority should consider increasing the precept were asked an additional question:

Question 1b: Of the following options, what increase would you consider it reasonable for the Authority to make to its element of the council tax?

2.7 The majority of public respondents (76%) were in favour of a 2% increase to the precept, as seen in Chart 3 below. This result shows a marked increase over the 2015 results, where 67% were in favour of a 2% increase.

Chart 3: Results of Question 1b



Count (unweighted): 214

2.8 The 'other' percentages suggested in response to Question 1b are shown in Table 1 below.

Table 1: 'Other' percentage increases suggested

	Suggested % percentage increase (number)				
	0.1	2.9*	3.0	4.0	5.0
Count	1	1	2	5	8

* 2.9% was suggested as part of a longer comment, which is included in the list below.

2.9 Six text responses were also received. These suggested the following:

- 2.9%: Should be the same as the Council (1)
- More: need as much as possible (3)
- Not sure (1)
- As long as it gives to right area ie. Fire Service (1)

(The final entry above was given against support for an increase of 1%)

2.10 Those who disagreed with Question 1a, and said that it was not reasonable for the Authority to consider an increase to its element of the Council Tax, were asked the following question:

Question 1c: Why do you think that it is not reasonable for the Authority to increase its element of the council tax charge?

2.11 The responses in Table 2, below, give the 31 comments received for Question 1c

Table 2: Explanations for disagreement with Question 1a

Ref	Comments
5	Landlords should meet funding requirements
11	Expensive already
21	A pensioner - do not want to see it increase
24	It is a mixed community and there are those who cannot pay. Country is being run by volunteers to take up slack. The French would do something about it - passive resistance to take action.
25	Others have been impacted by cuts, hourly rates going down etc.
26	Others have had funding cuts.
38	I'd support more but appreciate the risk & cost of organising. I'd be happy to contribute personally like I do to the Lifeboat/Lifeguards. pop@zebra.coop offered to help promote future surveys.
41	It will get to the point where people can't afford it & it is too much as it is.
42	It will get to the point where people can't afford it & it is too much as it is.
59	Expensive enough already
65	All costs are rising. Should not increase Council Tax.
72	People are struggling enough
83	Charge enough already
100	Government has to provide more funding. Wages are not increasing to support a rise.
101	Should be provided within existing funding.
124	For those who earn more increase. For those who earn less = not
125	Don't have all the data to answer
136	Spend more wisely
137	Already pay enough. Should spend it more wisely.
143	The funding should come from government
174	Pay lots already and the government shouldn't be making cuts.
175	It's a rise in council tax by the back door so the government doesn't get the

Ref	Comments
	blame.
187	Unable to afford
192	Pay enough taxes as it is.
202	Putting selves on the line, will get burnt, so disagree with cuts.
210	Because the Fire Service should lobby government to reduce the cuts, not ask the public to pay.
236	Government should fund direct
241	Already pay enough. Cuts shouldn't happen.
251	Government should cut funding!
252	Government should cut funding!
253	Should stay the same

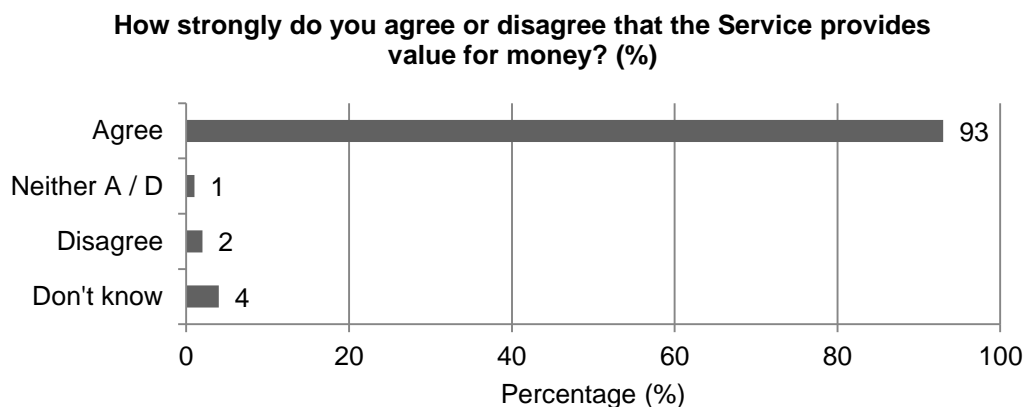
Note: Some surveys were reflective of the views of more than one person (for example, husbands and wives). Their responses were taken as more than one response, meaning that some of the comments in the list above appear to be duplicates.

Question 2a: How strongly do you agree or disagree that the Service provides value for money?

2.12 93% of respondents to this question, 232 people, agreed that the Service provides value for money, while three said that they 'neither agreed nor disagreed' and four people disagreed. Ten people said that they didn't know.

2.13 93% is lower than the 99% agreement achieved in the 2015 survey, but is the same as the result achieved in the 2014 survey.

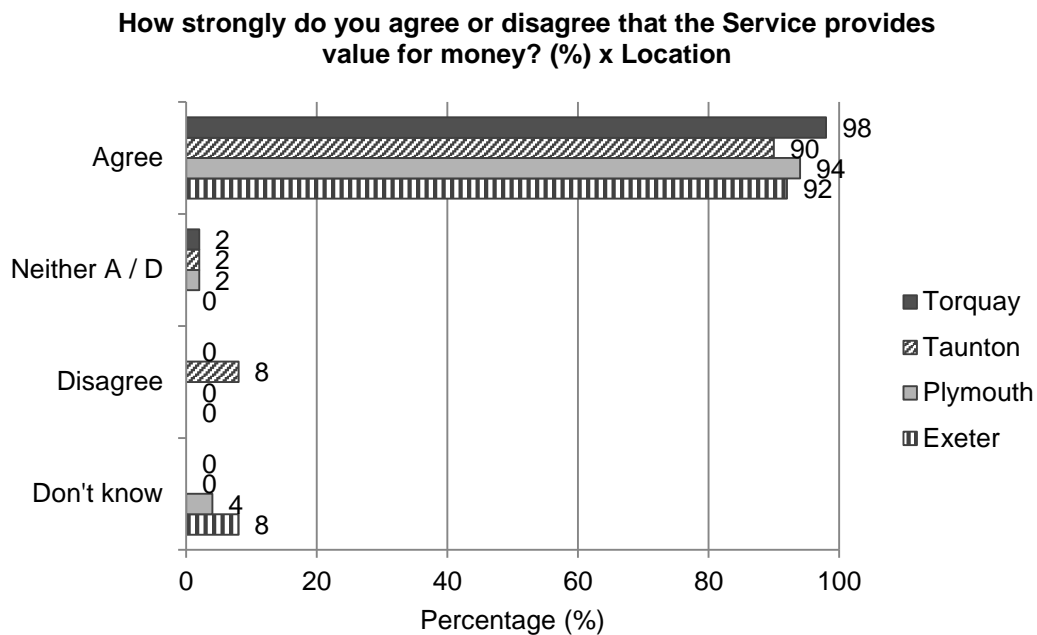
Chart 4: Results of Question 2a



Count (unweighted): 249

2.14 Broken down by location, the highest levels of agreement came from Torquay and most negative responses were taken in Taunton.

Chart 5: Results of Question 2a by location



Count (unweighted): 249 (Torquay: 55 Taunton: 52 Plymouth: 47 Exeter: 95)

2.15 Those who did not agree that the Service provides value for money, who answered either 'Disagree' or 'Don't know', were asked an additional question:

Question 2b: Why do you think that the Service does not provide value for money?

2.16 The responses in Table 3 below were given in response to the above question.

Table 3: Explanations for disagreement with Question 2b

Ref	Comments
38	I genuinely don't know how you spend the money - of course you provide real "value" because of the service you provide. Therefore if you need me to know then I need more info.
90	2a) How does this compare?
125	Don't have all the data to answer.
139	Have not used service
215	Never had to use the Fire Service. £46 per year is a lot for something never had to use. May feel differently if I had used it.
231	Should remain just Somerset fire brigade

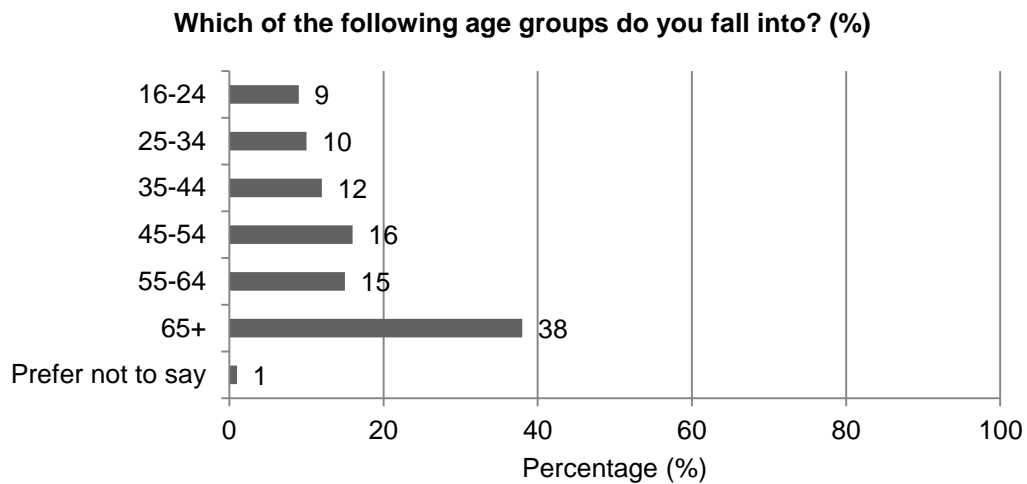
Ref	Comments
248	Do more for the same budget. Take on greater responsibility I.e. Ambulance

Note: Respondent 90 answered 'Agree' to Question 2a.

3.0 DEMOGRAPHIC RESULTS

3.1 The following charts show the demographics of respondents to the surveys:

Chart 6: The age of respondents

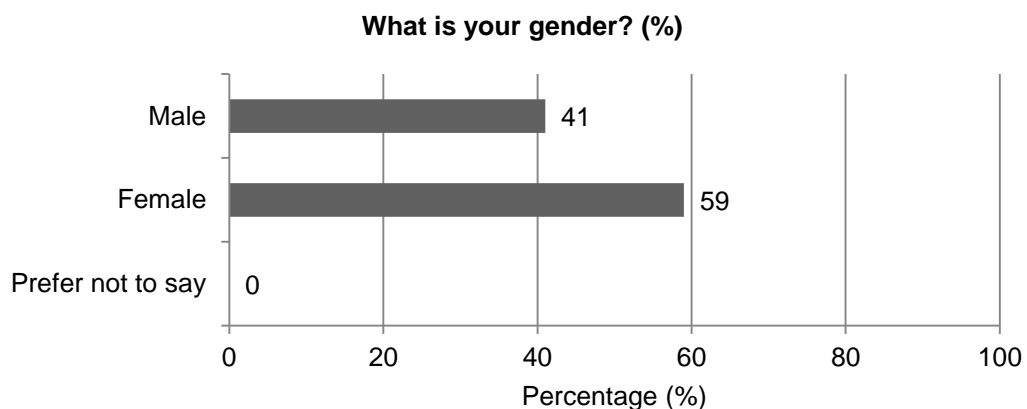


Count (unweighted): 251

3.2 The largest group of respondent were aged 65 or more, though responses were also given by those in other age groups as well. This result will, in part, have been the result of the method employed: face to face surveys conducted on weekdays between 10.00 and 15.00.

3.3 The highest proportion of respondents in the 65+ category were from Taunton, where they made up 60%, in the other locations the average was 33%, with higher levels in the younger groups.

Chart 6: The gender of respondents

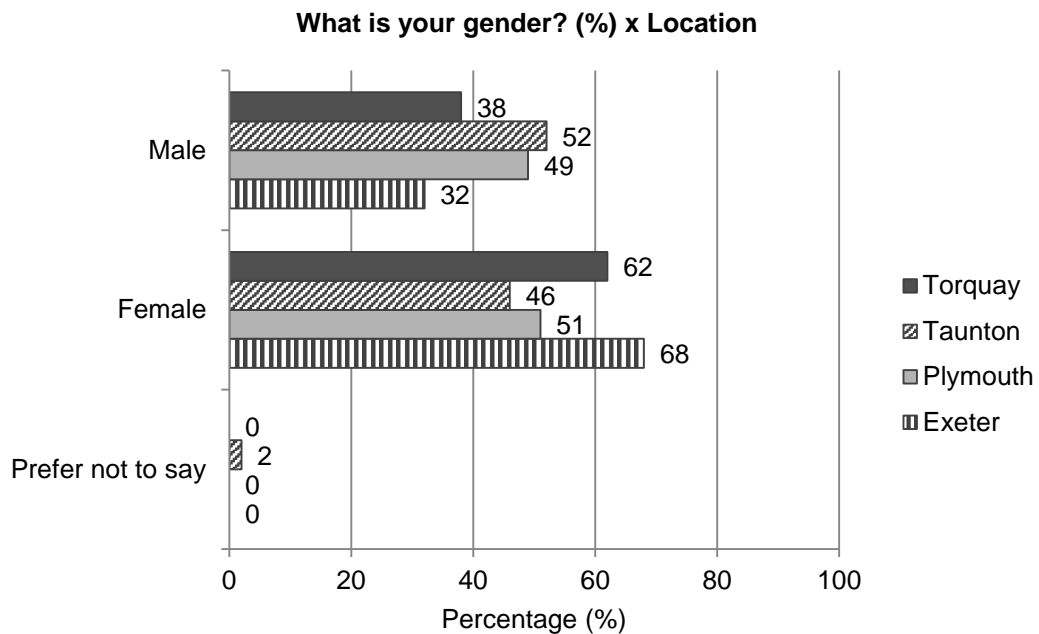


Count (unweighted): 250

3.4 59% of respondents were female and the remainder were male. There were no transgender respondents in 2016.

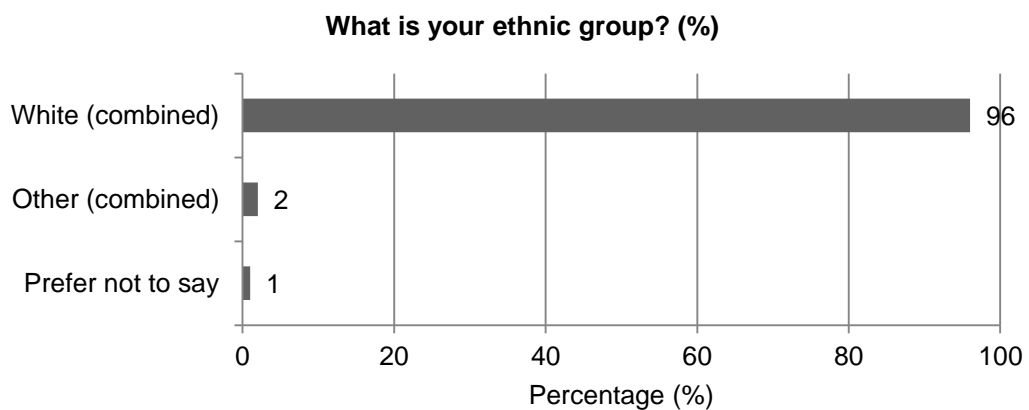
3.5 Broken down by location, below, it is possible to see that while a similar split was achieved in Taunton and Plymouth, far higher proportions of female respondents gave their opinions in Torquay and Exeter.

Chart 7: The gender of respondents by location



Count (unweighted): 250 (Torquay: 55 Taunton: 52 Plymouth: 49 Exeter: 94)

Chart 8: The ethnicity of respondents



Count (unweighted): 250

3.6 The majority of respondents were 'White - English / Welsh / Scottish / N. Irish / British'. Though responses were also received from the following groups:

- White - Gypsy or Irish Traveller (included in White (combined))
- Asian / Asian British - Indian

- Black / African / Caribbean / Black British - African
- Mixed / multiple ethnic group - White and Asian
- Other ethnic group - Other ethnic group / group not listed (Not specified by respondent).

3.7 96% 'White' compares with an average across Devon and Somerset of 98%. Respondents in Plymouth and Exeter were 98% 'White', despite 96% and 93% 'White' populations respectively, while respondents in Taunton were 94% 'White' from a 97% 'White' population.

4.0 CONCLUSION

4.1 The results of the consultation indicate that members of the public feel it would be reasonable for the Authority to consider increasing its precept for 2016/17. 76% of those who agreed that it would be reasonable to consider an increase in the Council Tax precept were in favour of a 2% increase.

4.2 93% of public respondents believed that, at around £46 per head of the population per year, the Service provides value for money.

REPORT REFERENCE NO.	DSFRA/16/2
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	CAPITAL PROGRAMME 2016-17 TO 2018-19
LEAD OFFICER	Chief Fire Officer and Treasurer
RECOMMENDATIONS	<p>(a). <i>that, in accordance with the recommendations made by the Resources Committee at its meeting on 10 February 2016 (Minute RC/12 refers):</i></p> <p style="padding-left: 20px;">(i). <i>the draft Capital Programme 2016-17 to 2018-19 as detailed in the report and summarised at Appendix A to this report;</i></p> <p style="padding-left: 20px;">(ii). <i>the associated Prudential Indicators as summarised at Appendix B be approved; and</i></p> <p style="padding-left: 20px;">(iii). <i>that a minimum revenue contribution of £2.769m be made from the 2016-17 revenue budget towards financing of the capital 2016-17 to 2018-19 capital programme;</i></p> <p>(b). <i>that, pending the decision of the 2016-17 revenue budget and associated council tax levels, a further revenue contribution of £0.904m be made from the 2016-17 revenue budget towards financing of the capital 2016-17 to 2018-19 capital programme (also as recommended by the Resources Committee by virtue of recommending Option B [1.99% council tax increase] in relation to the proposed 2016-17 revenue budget (Minute RC/13 refers);</i></p> <p>(c). <i>that the forecast impact of the proposed Capital Programme (from 2019-20 onwards) on the 5% debt ratio Prudential Indicator, as indicated in this report, be noted.</i></p>
EXECUTIVE SUMMARY	<p>This report sets out the proposals for a three year Capital Programme covering the years 2016-17 to 2018-19 and also outlines the difficulties in meeting the full capital expenditure requirement for this Authority, given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced.</p> <p>All aspects of the capital requirement have been considered and the programme has been constructed based on the principle that debt charges emanating from external borrowing are kept within the 5% Prudential Indicator limit (debt charges as a percentage of the Revenue Budget) set by the Authority.</p>

	<p>The Authority has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator against a reducing revenue budget and has supported the Treasurer's recommendation that the Authority should seek alternative sources of funding other than external borrowing to support future capital investment.</p> <p>Elsewhere on the agenda for this meeting is a separate report "2016-17 Revenue Budget and Council Tax Levels" which makes provision for a revenue contribution towards capital of £2.769m; potentially rising to £3.673m should the Authority be minded to approve Option B within that report (1.99% increase in Council Tax).</p> <p>To inform longer term planning the Prudential Indicator has been profiled for a further three years beyond 2018-19 based upon indicative capital programme levels for the years 2019-20 to 2021-22</p>
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY IMPACT ASSESSMENT	The contents of this report are considered compatible with existing human rights and equalities legislation.
APPENDICES	<p>A. Summary of Proposed Capital Programme 2016-17 to 2018-19 (and indicative Capital Programme 2019-20 to 2021-22).</p> <p>B. Prudential Indicators 2016-17 to 2018-19 (and indicative Prudential Indicators 2019-20 to 2021-22).</p>
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

- 1.1 Each year the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme. In constructing the programme, considerable effort is made to ensure that the impact of borrowing is maintained below the 5% ratio of financing costs to net revenue stream – one of several Prudential Indicators previously agreed by the Authority. However, the capital investment demands of the Service, coupled with the impact that a reducing revenue base has on the Authority's ability to borrow whilst maintaining debt charge below the 5% ceiling, has made the allocation of funds between the main capital cost centres of fleet and estates increasingly difficult.
- 1.2 As part of the provisional settlement announcement on 17 December 2015, it was confirmed that there will be no grant for Capital funding available to fire authorities in the four years to 2019-20.
- 1.4 Up until 2013-14, Devon and Somerset Fire and Rescue Authority (the Authority) capital funds have predominantly been directed towards specific estates projects culminating in the Training Academy build at Exeter Airport. This reduced the available budget for the vehicle replacement programme, thereby creating a significant backlog. From 2013-14 the estates programme was significantly reduced to accommodate the reinstatement of the fleet programme and to fund the introduction of smaller type appliances into the Service as soon as possible.
- 1.5 Given the loss of government grant funding in 2015-16 (from £2.0m in 2011-12) and to support the need to keep external borrowing within affordable limits, it is proposed that a revenue contribution be made from the 2016-17 revenue budget to support capital spending.
- 1.6 The Authority has set a strategy to reduce reliance on external borrowing and therefore the proposed Capital Programme 2016-17 to 2018-19 and indicative Capital Programme 2019-20 to 2021-22 have been produced on the basis that no new borrowing will occur in the 6 year period.
- 1.7 In order to support this strategy, it is recommended that members approve a minimum revenue contribution to Capital of £2.769m in 2016-17 and that a minimum of £2m is included as a direct revenue contribution to Capital in the base budget for future years.
- 1.8 This report is, in essence, the same as that considered by the Resources Committee at its budget meeting on 10 February 2016. The Committee resolved to commend to this Authority approval of the capital programme and associated prudential indicators as set out in this report and summarised at Appendices A to B of this report, a minimum contribution in 2016-17 from revenue to capital of £2.769m and (by virtue of the recommendation of a 1.99% council tax increase in relation to the revenue budget for 2016-17) a further revenue contribution of £0.904m, £0.625m of which will be transferred directly to an Earmarked Reserve to fund Capital in future years. (Minutes RC/12 and RC/13 refer). It should be noted that, since reporting to Resources Committee on 10 February, the figures for Revenue Contribution to Capital and the transfer to Earmarked Reserves have been revised to reflect updated Council Tax and Business Rates income from billing authorities, as advised verbally at that meeting.

2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

- 2.1 In 2008, a report (8 December 2008 - RC/08/10) "Affordable Capital Investment Plans for 2009-2010 to 2011-12" was submitted to the Resources Committee. This report was regarding the instigation of a principle that debt charges be kept below 5% of the total revenue budget (Minute *RC/15 refers). This may well be breached in future years for two reasons:
- as a consequence of the need for additional capital investment, and;
 - as a result of future revenue budgets being lower than originally forecast as a consequence of the government austerity measures - now anticipated to continue to at least 2019-20.
- This, along with the removal of government grant, has a direct impact on the Capital Programme going forward.
- 2.2 The tests of affordability are measured by compliance with the Chartered Institute of Public Financial Accountants (CIPFA) Prudential Code for Capital Financing for Local Authorities. Under this code, the Authority is required to set a suite of indicators to provide assurance that capital spending is prudent, affordable and sustainable. The indicators are reviewed annually, although set for the three year period. They also include setting maximum borrowing limits to provide assurance around prudence and the setting of maximum debt ratios to provide assurances in relation to affordability and sustainability.
- 2.3 The issue of affordable capital spending has been the subject of several reports to both this Committee and the Authority in recent years. The most recent report was considered by the Authority on 20 February 2015 (Minute DSFRA/45 refers) when setting the existing capital programme.
- 2.4 The proposed programme and funding, as contained in this report, decreases the external borrowing requirement to £25.5m by 2018-19, and ensures that the debt ratio is maintained below 5% (forecast to be 4.10%). This compares to a current external borrowing of £25.8m as at 31 March 2016. Looking further ahead the external borrowing requirement is forecast to reduce to £24.8m by 2021-22.
- 2.5 The focus of this Authority over many years has been to control spending within the 5% limit. To achieve this, the Service has reduced the spend on the appliance replacement programme to support estates projects and has utilised revenue funding wherever possible through allocation of budget or revenue underspends. This approach has been successful because neither the 5% prudential indicator has been breached nor has external borrowing increased.
- 2.6 With increasing pressure on revenue budgets, the revised programme has been prepared on the basis that a strategy of long term affordability will be followed, with the indicative programme showing that no new external borrowing will be required over the 6 year period to 2021-22.
- 2.7 Due to current interest rates it is not economically viable for the Authority to repay loans early. This means that whilst no new borrowing will be required, existing loans will be applied to the current capital programme until repayment is made in order to avoid an over-borrowed situation. The debt portfolio and interest rates will be regularly reviewed with a view to early repayment if this option becomes more affordable.

- 2.8 Elsewhere on the agenda for this meeting is a separate report “2016-17 Revenue Budget and Council Tax Levels” which makes provision for a revenue contribution towards capital of £2.769m; potentially rising to £3.673m should the Authority be minded to approve Option B within that report (1.99% increase in Council Tax).
- 2.9 It is proposed that the Capital reserve is used to smooth funding requirements for the Capital programme and therefore, because only £3.048m revenue contribution to capital is required in 2016-17 to meet the programme, the difference of £0.625m from the 1.99% increase in Council Tax will be budgeted as a transfer to the Capital Reserve.
- 2.10 It should also be noted that in order that the programme can be achieved without the need to increase borrowing then a revenue contribution to Capital will be required to be built into revenue base budget beyond 2016-17. The programme has been constructed to include a £2m base contribution from 2017-18. This figure will need to reviewed annually as part of the budget setting process.

3. **ESTATES**

- 3.1 After a period of significant investment, the Estates programme was reduced from 2013-14 to accommodate other capital programmes. Now, with the twin challenges of the removal of the capital grant and a property portfolio that continues to mature, it has been identified that an alternative strategy to providing a fit for purpose Estate is required.
- 3.2 An Estates Development review was therefore commissioned and is presently in its early stages to identify any ‘latent’ value or development opportunities that can be released from our existing portfolio either through disposal of a site, development of a site or moving a site to a new location. Early indications are that some opportunities may exist although it is presently anticipated that the total capital receipts that may be generated would be required to release the opportunity. However, it is anticipated that the outcome of any development would result in new or improved assets that meet modern standards, are far more efficient in their layout and operation and are consequently lower in cost to maintain.
- 3.3 Whilst the outcome of that review is awaited, a reduced programme of expenditure has been implemented on sites that may be within the scope of possible opportunities for development. As such some sites are planned to receive only minor works whilst their future is determined and this is reflected in the programme with no major projects planned to commence in 2016-17.
- 3.4 However, feasibility studies will be undertaken where required on sites identified as having development potential (possibly with other Blue Light partners) or where there is a new requirement such as at the new towns of both Cranbrook and Sherford.
- 3.5 It should be noted that the increasing co-operation between Bluelight partners in the region may also generate other co-location or development opportunities and it is anticipated that 2016-17 will be the period where much of the feasibility planning on these will be undertaken with subsequent years seeing a return of significant capital demands.

4. **OPERATIONAL ASSETS**

Vehicle Replacements/Equipment

- 4.1 The Authority has the second largest fleet of all fire and rescue services in England. In recent years the budget had been reduced in support of the Estates programme, whilst evaluating new vehicles, creating a significant backlog in vehicle replacement. The programme was reinstated in 2014-15 providing the necessary funding for the investment in the Light Rescue Pump programme, which will be largely completed in 2016-17.
- 4.2 During the course of this year (2015-16) the Service commenced pilots to evaluate a range of new vehicles, engaging and involving staff and trade unions in the process and this work will directly inform future capital requirements for our fleet. These pilots were based around the principle of matching 'resources to risk' and included assessment of the Rapid Intervention Vehicle concept, which is integral to the future fleet arrangements within Tier 1. Subject to the outcome of the pilots, it is proposed to commence procurement of the preferred solution in 2016-17 with a view to introducing this vehicle in 2017-18, thereby reducing the future fleet costs further.
- 4.3 The Light Rescue Pump programme, together with the Rapid Intervention Vehicle programme, remains the bedrock of the Authority's future fleet replacement strategy for introducing 'Tiered Response'; meeting future service delivery arrangements with more cost effective vehicles, improved service to local communities, along firefighter safety. The capital programme has been adjusted to support delivery of this programmes.

Breathing Apparatus Replacement Programme

- 4.4 The harmonisation of breathing apparatus equipment between Somerset (was Scott Sabre) and Devon (InterSpiro) has now been completed and the InterSpiro sets are now used across the Service.
- 4.5 A Respiratory Protection strategy is now being developed that will consider all aspects of respiratory protection for operational staff. This will also consider the use of telemetry. Previously, it was estimated that an amount of £1.4m would be required for the Breathing Apparatus harmonisation/replacement but this figure has been revised to £0.884m in the light of the latest information on indicative costs.

5. **REVISED CAPITAL PROGRAMME FOR 2016-17 to 2018-19**

- 5.1 Appendix A provides an analysis of the proposed programme for the three years 2016-17 to 2018-19 as contained in this report. This programme represents a net decrease in overall spending of £2.5m over the previously agreed programme as illustrated in Figure 1 overleaf

	Estates £m	Fleet & Equipment £m	Total £m
EXISTING PROGRAMME			
2015-16	2.1	6.1	8.2
2016-17	2.9	4.5	7.4
2017-18 (provisional)	2.0	3.3	5.3
2018-19 (provisional)	1.8	1.8	3.6
Total 2015-16 to 2018-19	8.8	15.7	24.5
PROPOSED PROGRAMME			
2015-16 (forecast spending)	1.4	6.0	7.5
2016-17	1.8	3.3	5.1
2017-18 (provisional)	2.4	2.6	5.0
2018-19 (provisional)	1.5	3.0	4.5
Total 2015-16 to 2018-19	7.1	14.9	22.0
PROPOSED CHANGE	(1.7)	(0.8)	(2.5)

Figure 1

- 5.2 The decrease of £1.7m spending for estates relates to the current strategic review of the estate requirement and therefore the postponement of any major projects until completed. If major projects are identified through this process, the Authority will be asked to consider an amendment to the Capital Programme at that point
- 5.3 The fleet and equipment replacement programme has decreased by £0.8m as a result of the strategy to match resources to risk and the resultant use of lighter vehicles throughout Devon & Somerset, pending the outcome of the pilot for Rapid Intervention Vehicles.
- 5.4 Appendix A also provides indicative capital requirements beyond 2018-19 to 2021-22. The estimated debt charge emanating from this revised spending profile is illustrated in Figure 2. These figures, which already include the impact of the proposed revenue contribution of a minimum of £2.769m from the 2016-17 revenue budget, on the basis that the proposal is agreed, are reflected in the draft 2016-17 revenue budget and Medium Term Financial Plan (MTFP) forecasts.

Summary of Estimated Capital Financing Costs

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Base budget for Capital Financing costs	3.974	3.721	3.646	3.582	3.614	3.609
Debt charges and operating leasing rentals						
Change over previous year		(0.252)	(0.075)	(0.064)	0.032	(0.006)
Debt ratio	4.19%	4.19%	4.10%	4.10%	4.09%	4.06%

Figure 2

5.5 The forecast figures for external debt and debt charges beyond 2018-19 are based upon the indicative programmes as included in Appendix A for the years 2019-20 to 2021-22. The affordability of these programmes will need to be subject to annual review based upon the financial position of the Authority.

6. **PRUDENTIAL INDICATORS**

6.1 Appendix B provides a summary of the Prudential Indicators associated with this level of spending over this period. It is forecast that Capital Financing Requirement (the need to borrow to fund capital spending) will have reduced from current levels of £25.8m to £24.8m (including impact of proposed revenue contributions) by 2021. Figure 3 below provides further analysis of forecast borrowing for each year and a comparison borrowing requirement if the strategy to implement revenue contributions is not implemented.

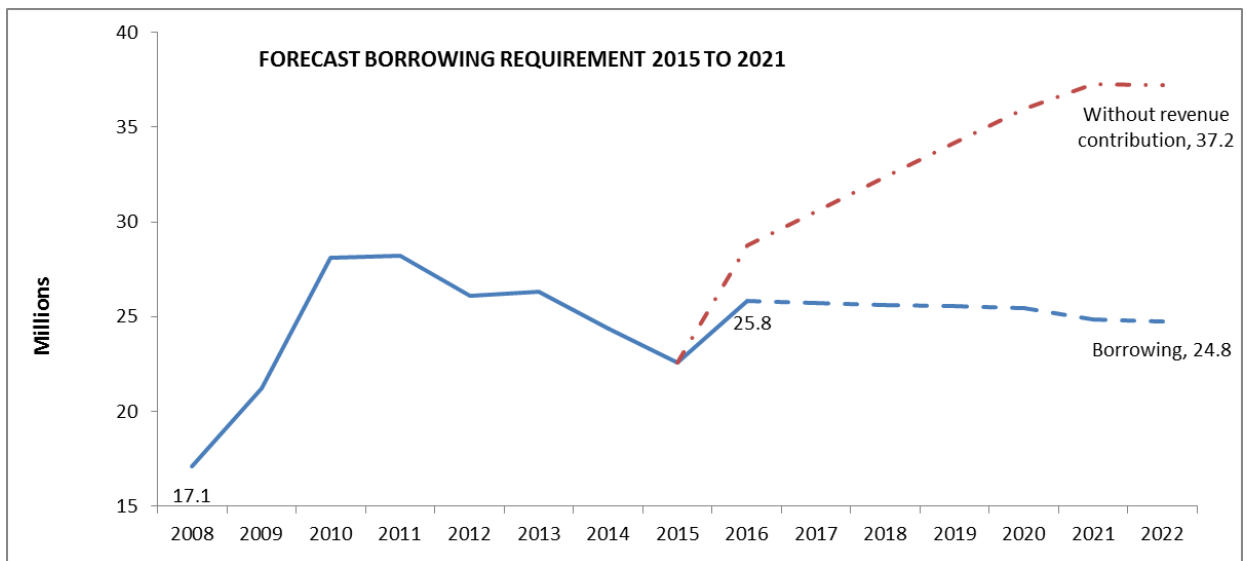


Figure 3

6.2 The reducing revenue budget impacts significantly upon the borrowing capacity of this Authority. Whilst the programme now presented maintains borrowing within 5% to 2021-22, this will only be possible with regular revenue contributions to the capital programme (both from base budget and in year underspends) to maintain an affordable and sustainable Capital Programme.

7. **CONCLUSION**

7.1 This report emphasises the difficulties in meeting the full capital expenditure requirement for the Service, given the geographical size, number of fire stations and fire appliances required to be maintained and eventually replaced, and also keeping debt charges within the 5% limit.

7.2

Given the government decision to withdraw any direct grant funding from 2016-17 (£2.0m for this Authority in 2011-12) the capital programme has been constructed on the basis that the revenue budget includes a base contribution to capital which if approved will avoid the need for any new borrowing over the next 6 years. However, the programme proposed in this report does not commit any spending beyond 2018-19. Decisions on further spending will be subject to annual review based upon the financial position of the Authority. The programme is therefore recommended for approval.

LEE HOWELL
Chef Fire Officer

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT DSFRA/16/2

2015/16 £000		2015/16 £000		2016/17 £000		2017/18 £000		2018/19 £000		2019/20 £000		2020/21 £000		2021/22 £000	
Budget	Forecast Outturn	Item	PROJECT	Budget	Budget	Budget	Budget	Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget
421	421	1	Estate Development Major Projects	0	0	0	0	0	0	0	0	0	0	0	0
1,620	1,015	2	Minor improvements & structural maintenance	1,768	2,412	1,505			1,115	785	1,750				
2,041	1,436		Estates Sub Total	1,768	2,412	1,505			1,115	785	1,750				
			Fleet & Equipment												
4,502	4,502	3	Appliance replacement	1,350	2,220	2,220			2,530	2,740	2,740				
0	0	4	Community Fire Safety	0	0	0			0	0	0				
344	219	5	Specialist Operational Vehicles	125	0	200			200	0	0				
953	953	6	Equipment	1,019	351	570			210	200	200				
245	251	7	ICT Department	800	0	0			0	0	0				
93	93	8	Water Rescue Boats	0	0	0			0	0	0				
6,137	6,018		Fleet & Equipment Sub Total	3,294	2,571	2,990			2,940	2,940	2,940				
8,178	7,454		Overall Capital Totals	5,062	4,983	4,495			4,055	3,725	4,690				
			Programme funding - 1.99% increase in CT												
1,047	463		Earmarked Reserves:	47	1,094	680			212	388	860				
2,134	1,994		Revenue funds:	3,048	2,000	2,000			2,000	2,000	2,000				
			Capital Receipts:	0	0	0			0	0	0				
4,997	4,997		Application of existing borrowing	1,967	1,889	1,815			1,843	1,337	1,830				
8,178	7,454		Total Funding	5,062	4,983	4,495			4,055	3,725	4,690				
			Programme funding - 0% increase												
1,047	463		Earmarked Reserves:	688	1,094	680			212	388	860				
2,134	1,994		Revenue funds:	2,407	2,000	2,000			2,000	2,000	2,000				
			Capital Receipts:			0									
4,997	4,997		Application of existing borrowing	1,967	1,889	1,815			1,843	1,337	1,830				
8,178	7,454			5,062	4,983	4,495			4,055	3,725	4,690				

APPENDIX B TO REPORT DSFRA/16/2

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS 2017/18 to 2020/21		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m	£m
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Capital Expenditure						
Non - HRA	5.062	4.983	4.495	4.055	3.725	4.690
HRA (applies only to housing authorities)	-	-	-	-	-	-
Total	5.062	4.983	4.495	4.055	3.725	4.690
Ratio of financing costs to net revenue stream						
Non - HRA	4.19%	4.19%	4.10%	4.10%	4.09%	4.06%
HRA (applies only to housing authorities)	-	-	-	-	-	-
Capital Financing Requirement as at 31 March						
	£000	£000	£000	£000	£000	£000
Non - HRA	25,724	25,630	25,537	25,444	24,851	24,757
HRA (applies only to housing authorities)	-	-	-	-	-	-
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
Total	27,098	26,929	26,747	26,556	25,861	25,665
Annual change in Capital Financing Requirement						
	£000	£000	£000	£000	£000	£000
Non - HRA	(162)	(169)	(183)	(191)	(695)	(197)
HRA (applies only to housing authorities)	-	-	-	-	-	-
Total	(162)	(169)	(183)	(191)	(695)	(197)
Incremental impact of capital investment decisions						
	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	(£0.04)	(£0.26)	(£1.07)	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	26,824	26,726	26,128	26,030	29,044	31,243
Other long term liabilities	1,278	1,177	1,071	963	841	701
Total	28,101	27,902	27,199	26,993	29,885	31,944
Operational Boundary for external debt						
	£000	£000	£000	£000	£000	£000
Borrowing	25,537	25,444	24,851	24,757	27,802	30,005
Other long term liabilities	1,209	1,112	1,010	907	791	656
Total	26,747	26,556	25,861	25,665	28,592	30,661
Maximum Principal Sums Invested over 364 Days						
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000	5,000

This page is intentionally left blank

REPORT REFERENCE NO.	DSFRA/16/3
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS REPORT 2016-17 TO 2018-19)
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p>(a) that the following be approved:</p> <p>(i). the Treasury Management Strategy and the Annual Investment Strategy;</p> <p>(ii). the Minimum Revenue Provision (MRP) statement for 2016-17, as contained as Appendix B; and</p> <p>(iii). that the Treasurer be delegated authority to effect movements between the separately agreed prudential limits for borrowing;</p> <p>(b) that the statement at paragraph 3.3 of this report that borrowing limits and the debt management strategy have been set to ensure that net borrowing remains below the Capital Financing Requirement (CFR) for 2016-17 to 2018-19, in line with the requirements of the CIPFA Prudential Code, be noted.</p>
EXECUTIVE SUMMARY	This report sets out a treasury management strategy and investment strategy for 2016-17, including the Prudential Indicators associated with the capital programme for 2016-17 to 2018-19 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2016-17 is also included for approval.
RESOURCE IMPLICATIONS	As indicated in this report
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing human rights and equality legislation.
APPENDICES	<p>A. Prudential and Treasury Management Indicators 2016-17 to 2018-19.</p> <p>B. Minimum Revenue Provision Statement 2016-17</p>
LIST OF BACKGROUND PAPERS	<p>Local Government Act 2003.</p> <p>Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code.</p>

1. **INTRODUCTION**

Background

1.1 Treasury management is defined as:

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

Statutory requirements

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

1.3 The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 4 of this report); this sets out the Authority’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

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

CIPFA requirements

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

1.6 The primary requirements of the Code are as follows:

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

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

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

Treasury Management Strategy for 2016-17

1.8 The suggested strategy for 2016-17 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury advisor, Capita Asset Services (Capita).

1.9 The strategy for 2016-17 cover two main areas:

Capital Issues

- capital plans and prudential indicators
- the Minimum Revenue Provision (MRP) strategy

Treasury Management Issues

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

- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers

Balanced Budget Requirement

- 1.10 The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.11 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning, to ensure that the Authority can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

CAPITAL PRUDENTIAL INDICATORS FOR 2016-17 TO 2017/18

- 2.1 It is a statutory duty for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.
- 2.2 The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Authority tax levels is 'acceptable'.
- 2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in paragraph 3.5 of this report.
- 2.4 The capital expenditure plans which inform the indicators, as proposed in the Capital Programme report considered elsewhere on the agenda, are shown in Table 1 overleaf. Other long term liabilities such as PFI and leasing arrangements which already include borrowing instruments are excluded.

TABLE 1 Capital programme	2015-16 Predicted outturn £m	2016-17 Budget £m	2017-18 Budget £m	2018-19 Budget £m
Land and buildings	1.436	1.768	2.412	1.505
Vehicles, Plant and Equipment	6.018	3.294	2.571	2.990
TOTAL CAPITAL EXPENDITURE	7.454	5.062	4.983	4.495

2.5

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

TABLE 2 Capital programme financing	2015-16 Predicted outturn £m	2016-17 Budget £m	2017-18 Budget £m	2018-19 Budget £m
Programme per Table 1	7.454	5.062	4.983	4.495
Financed by:				
Borrowing	4.997	1.967	1.889	1.815
Revenue	2.457	3.095	3.094	2.680
Grants	-	-	-	

The Authority's Borrowing Need (Capital Financing Requirement)

2.6

The Capital Financing Requirement (CFR) represents the authority's underlying need to borrow for capital purposes. The forecast CFR for 2016-17 to 2018-19, based on the spending plans are shown in Table 3 overleaf.

TABLE 3 Capital Financing Requirements (CFR)	2015-16 Estimate £m	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m
Capital Financing Requirement as at 31 March – borrowing	25.817	25.724	25.630	25.537
Capital Financing Requirement as at 31 March – other long term liabilities	1.444	1.374	1.299	1.209
Total Capital Financing Requirement as at 31 March	27.261	27.098	26.929	26.746

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

TABLE 4 CFR projections	2015-16 Estimate £m	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m
Total CFR 1 April	24.091	27.261	27.098	26.929
Financing need for the year	4.997	1.967	1.889	1.815
Less MRP	(1.827)	(2.130)	(2.058)	(1.998)
Total Capital Financing Requirement as at 31 March	27.261	27.098	26.929	26.746
Movement in CFR	3.170	(0.163)	(0.169)	(0.183)

Minimum Revenue Provision (MRP) Strategy

- 2.8 The Authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).
- 2.9 CLG regulations have been issued which require the full Authority to approve **an MRP Statement** in advance of each year. A variety of options are provided under which MRP could be made, with an overriding recommendation that the Authority should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.
- 2.10 Although four main options are recommended (as below), there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

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

Option 1 – Regulatory Method

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

Option 2 – CFR Method

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

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

Option 3 – Asset Life Method

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

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

Option 4 – Depreciation Method

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

- 2.11 It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the regulations. Whilst options 1 and 2 are available for unsupported borrowing before 1 April 2008, authorities are able to use options 3 and 4 if they choose to do so.
- 2.12 As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- 2.13 A draft MRP statement for 2016-17 is attached as Appendix B for Authority approval. The financing of the approved 2016-17 capital programme, and the resultant prudential indicators, have been set on the basis of the content of this statement.

Prudential Indicators for Affordability

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

- 2.15 A key indicator of the affordability of capital investment plans is the ratio of financing costs to the net revenue stream; this indicator identifies the trend in the cost of capital financing (borrowing costs net of investment income) against the Authority's net budget requirement. Annual capital financing costs are a product of total debt outstanding, the annual repayment regime and interest rates. The forecast ratios for 2016-17 to 2018-19 based on current commitments and the proposed Capital Programme are included in Table 5.

TABLE 5 Financing v Net revenue	2015-16 Estimate %	2016-17 Estimate %	2017-18 Estimate %	2018-19 Estimate %
Ratio of Financing Costs to Net Revenue Stream	3.76	4.19	4.19	4.10

- 2.16 The estimate of the incremental impact of capital investment decisions proposed in the recommended Capital Programme over and above capital investment decisions that have previously been taken by the Authority are given in Table 6 overleaf. These figures do not represent the total impact on the Authority tax over and above 2015-16 as a consequence of the total capital programme, only the incremental impact over and above previous decisions made on capital investment. The figures given represent the incremental impact for a Band D property.

TABLE 6	2016-17 Estimate £ p	2017-18 Estimate £ p	2018-19 Estimate £ p
Element of Authority tax for New Capital Spending	(£0.04)	(£0.26)	(£1.07)

3. BORROWING

- 3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Current borrowing position

- 3.2 The Authority's treasury portfolio position at 31 March 2015, with forward projections are summarised below in Tables 7 & 8. Table 7 overleaf shows the actual external debt (the treasury management operations). Table 8 shows the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

TABLE 7	2015/16	2016-17	2017-18	2018-19
Gross debt	£m	£m	£m	£m
	Estimate	Estimate	Estimate	Estimate
External Debt (1 April)	25.944	25.818	25.724	25.630
New Borrowing	-	-	-	-
Replacement debt	-	-	-	-
Repaid debt	(0.127)	(0.094)	(0.094)	(0.093)
External debt (31 March)	25.818	25.724	25.630	25.537
Other long-term liabilities (OLTL) (1 April)	1.509	1.443	1.374	1.299
Expected in year changes to OLTL	(0.066)	(0.069)	(0.075)	(0.090)
OLTL (31 March)	1.443	1.374	1.299	1.209
Total Gross debt at 31 March	27.261	27.098	26.929	26.746

TABLE 8	2015-16	2016-17	2017-18	2018-19
Capital Financing Requirement	£m	£m	£m	£m
	Estimate	Estimate	Estimate	Estimate
Total Gross Debt from Table 7	27.261	27.098	26.929	26.746
Capital Financing Requirement 31 March from Table 4	27.261	27.098	26.929	26.746
Under / (over) borrowed 31 March	-	-	-	-

- 3.3 Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is to ensure that over the medium term, net borrowing will only be for capital purposes i.e. net external borrowing does not exceed the total Capital Financing Requirement in the preceding year plus the estimates for the current year and the next two years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The Treasurer is able to report that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report. This is demonstrated by the fact that the operational boundary for external debt borrowing in 2016-17 of £26.746 million (Table 10) does not exceed the CFR for 2018-19 of £26.746 million (Table 3).

Limits to Borrowing Activity

- 3.4 Two Treasury Management Indicators control the level of borrowing. They are:
- **The authorised limit** - this represents the maximum limit beyond which any additional borrowing is prohibited until the limit is revised by the Authority. Revision may occur during the year if there are substantial and unforeseen changes in circumstances, for example, a significant delay in achieving forecast capital receipts. In normal circumstances this limit will not require revision until the estimate for 2016-17 is revised as part of the 2016-17 budget process.
 - **The operational boundary** – this indicator is based on the probable external debt during the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year.

- 3.5 Tables 9 and 10 detail, respectively:

- the recommended Authorised Limits for 2016-17 and the medium term; and
- the recommended Operational Boundaries for 2016-17 and the medium term.

TABLE 9 Authorised limits	2015-16 Estimate £m	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m
Authorised limit for External Debt				
- External Debt	29.477	26.824	26.726	26.128
- Other long term liabilities	1.516	1.443	1.364	1.270
TOTAL AUTHORISED LIMIT FOR EXTERNAL DEBT	30.993	28.267	28.090	27.398

TABLE 10 Operational boundary	2015-16 Estimate £m	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m
Operational Boundary for External Debt				
- External Debt	28.186	25.537	25.444	24.851
- Other long term liabilities	1.444	1.209	1.112	1.010
TOTAL OPERATIONAL BOUNDARY FOR EXTERNAL DEBT	29.630	26.746	26.556	25.861

3.6 It is estimated that the actual external debt at 31 March 2016 will be £25.818 million.

Prospects for interest rates

3.7 The Authority has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Table 11 gives our central view.

TABLE 11

	NOW	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
BANK RATE	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
3 month LIBID	0.52	0.50	0.50	0.60	0.80	0.90	1.00	1.10	1.30	1.40	1.50	1.60	1.80	1.90
6 month LIBID	0.66	0.70	0.70	0.80	0.90	1.00	1.20	1.30	1.50	1.60	1.70	1.80	2.00	2.20
12 month LIBID	0.98	1.00	1.00	1.10	1.20	1.30	1.50	1.60	1.80	1.90	2.00	2.10	2.30	2.40
5 yr PWLB	1.92	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00	3.10	3.20
10 yr PWLB	2.58	2.60	2.70	2.80	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.60	3.70
25 yr PWLB	3.36	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10	4.10
50 yr PWLB	3.18	3.20	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.90	3.90	4.00	4.00	4.00

3.8 **UK.** UK Gross Domestic Product (GDP) growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before weakening again to +0.4% (2.1% y/y) in quarter 3.

- 3.9 The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that Consumer Prices Index (CPI) inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK.
- 3.10 The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel and commodity prices will delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% by the end of 2016 and not get to near 2% until the second half of 2017, though the forecasts in the Report itself were for an even slower rate of increase. However, more falls in the price of oil and imports from emerging countries in early 2016 will further delay the pick up in inflation. There is therefore considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the Monetary Policy Committee (MPC) will decide to make a start on increasing Bank Rate.
- 3.11 The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 4 of 2016. There is downside risk to this forecast i.e. it could be pushed further back.
- 3.12 **USA.** The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.0% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 prepared the way for the Federal Reserve to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.
- 3.13 **EZ.** In the Eurozone, the European Central Bank (ECB) fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected Eurozone (EZ) countries. This programme of €60bn of monthly purchases started in March 2015 and it was intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its Quantitative Easing (QE) programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

3.14 **Greece.** During July, Greece finally capitulated to European Union (EU) demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

3.15 **Portugal and Spain.** The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost their majority of seats. An anti-austerity coalition has won a majority of seats in Portugal while the general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

Borrowing strategy

3.16 As reported in the separate report on this agenda “Capital Programme 2016-17 to 2018-19”, it is the strategic intent of the Authority not to increase its exposure to external borrowing during the next six years. To achieve this a recommendation has been made in that report to make provision in the 2016-17 revenue budget for a revenue contribution to capital (minimum of £2.8m). It is also planned for future revenue budgets to include a revenue contribution of £2m.

3.17 This being the case there is no intention to take out any new borrowing during 2016-17. Should this position change then the Treasury Management Strategy will need to be reviewed to reflect any change to the borrowing strategy and would be subject to a further report to the full Authority.

Treasury management limits on activity

3.18 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Authority’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. .

Table 12 overleaf provides the following treasury indicators and limits for Authority approval:

TABLE 12 – Treasury management Indicators 2016-17

£m	2016/17	2017/18	2018/19
Interest rate exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity structure of fixed interest rate borrowing 2016/17			
	Lower	Upper	
Under 12 months	30%	0%	
12 months to 2 years	30%	0%	
2 years to 5 years	50%	0%	
5 years to 10 years	75%	0%	
10 years to 20 years	100%	50%	

Policy on borrowing in advance of need

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

Debt rescheduling

- 3.20 As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the authority's maturity profile as in recent years there has been a skew towards longer dated PWLB.
- 3.21 Consideration will also be given to identify if there is any potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 3.22 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings,
 - helping to fulfil the adopted borrowing strategy, and
 - enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 3.23 All rescheduling will be reported to the Resources Committee, at the earliest meeting following its action.

4. ANNUAL INVESTMENT STRATEGY

Investment Policy

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

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

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

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

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

Creditworthiness Policy

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

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings

4.6 This Investment Strategy incorporates an amendment recommended by the Resources Committee at its meeting on 20 November 2014 and approved by the Authority at its meeting on 20 February 2015 (Minute RC/9) to reflect changes to credit agencies ratings to cease monitoring the Viability and Strength standalone ratings as a consequence of the eventual removal of implied Government support to banks. As a result of these rating agency changes, it was agreed that the credit element of the Authority's future methodology will focus solely on the Short and Long Term ratings of an institution.

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

4.8 The selection of counterparties with a high level of creditworthiness will be achieved by selecting institutions down to and including the durational band of no more than three months within Capita's weekly credit list of worldwide potential counterparties. These will be referred to as highly credit rated institutions.

- 4.9 CIPFAs TM Code removed the requirement to have regard to the “lowest” credit rating from the credit rating agencies of Fitch, Moodys and Standard and Poors. Historically, this Authority chose to follow the Capita colour matrix credit assessment as it gave a more balanced approach. With the removal of this lowest common denominator requirement from CIPFA the Authority’s will continue to use a combination of the Capita colour matrix and any additional information available locally on which to base investment decisions.
- 4.10 All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority’s minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority’s lending list.
- 4.11 Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.
Approved Instruments for Investments
- 4.12 Investments will only be made with those bodies identified by the authority for its use through the Annual Investment Strategy.
- Non-specified Investments***
- 4.13 Non specified investments are those which do not meet the Specified Investment Criteria and covers those counterparties where there is either no recognised credit rating and/or an anticipation that an investment will be for greater than one year in duration.
- 4.14 The Authority had not previously placed non-specified investments as a result of its prudent approach to place security and liquidity over yield. However from April 2015 it was agreed that the strategy be amended to include investments with maturity of longer than 364 days. The maximum duration limit on any non-specified deposit will be determined by the colour assigned to the Counterparty on the Capita Asset Services credit list on the date the investment is placed, but typically will be for no longer than 24 months. Where such investments are placed via the Secondary Market i.e. buying the remaining term of an existing instrument, then the term will be for 24 months.
- 4.15 A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories outlined in Table 12 below.
- 4.16 The maturity limits recommended will not be exceeded. Under the delegated powers the Section 112 Officer (equivalent to the Section 151 Officer) can set limits that are based on the latest economic conditions and credit ratings.
- 4.17 At the meeting of Resources Committee held on the 10 February 2016 consideration was given to the diversification of the investment portfolio to include higher return investments such as Property Funds and Peer-to-Peer lending. It was agreed that further information would be required, including potential risks, associated with this type of investment before inclusion within the Annual Investment Strategy, and that a further report be considered at the next meeting of Resources Committee to be held on the 17 May 2016. Any recommendation to include such type of investment would require a variation to the Annual Investment Strategy to be approved by the full Authority before any transactions can be made.

4.18 Table 13 below shows those bodies with which the Authority will invest.

TABLE 13	
Specified Investments	Non Specified Investments
Deposits with the Debt Management Agency Deposit Facility	
Term Deposits with UK government, UK local authorities, highly credit rated banks and building societies (including callable deposits and forward deals)	Term Deposits with UK government, UK local authorities, highly credit rated banks and building societies (including callable deposits and forward deals) Non-credit rated building societies. <i>The total amount of non-specified investments will not be greater than £5m in value.</i>
Banks nationalised/part nationalised or supported by the UK government	Banks nationalised/part nationalised or supported by the UK government
Money Market Funds	
Non UK highly credited rated banks	
UK Government Treasury Bills	
Certificates of Deposit	
Corporate Bonds	
Gilts	

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

Investment Strategy

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

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

Capita Bank Rate forecast for financial year ends (March)

2016 0.50%

2017 0.75%

2018 1.25%

2019 1.75%

4.22 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

2016/17 0.60%
2017/18 1.25%
2018/19 1.75%
2019/20 2.25%
2020/21 2.50%
2021/22 2.75%
2022/23 2.75%
2023/24 3.00%
Later years 3.00%

4.23 The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

4.24 **Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 364 days			
	2016/17	2017/18	2018/19
Principal sums invested > 364 days	£5m	£5m	£5m

End of year investment report

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

Policy on the use of external service providers

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

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

Treasury Management Scheme of Delegation

Full Authority;

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy

- Approval of/amendments to the Authority's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Approving the selection of external service providers and agreeing terms of appointment.
- Reviewing the treasury management policy and procedures and making recommendations to the Authority.

Resources Committee;

- Receiving and reviewing regular monitoring reports and acting on recommendations

Role of the Section 112 (Section 151) officer

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

5. SUMMARY AND RECOMMENDATIONS

- 5.1 The Authority is required to consider and approve the treasury management strategy to be adopted prior to the start of the financial year. This strategy must also include proposed prudential indicators and a minimum provision statement (MRP). Approval of the strategy for 2016-17 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice.

KEVIN WOODWARD
Treasurer

PRUDENTIAL INDICATORS			INDICATIVE INDICATORS 2017/18 to 2020/21			
	2016/17 £m Estimate	2017/18 £m Estimate	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate
Capital Expenditure						
Non - HRA	5.062	4.983	4.495	4.055	3.725	4.690
HRA (applies only to housing authorities)	-	-	-	-	-	-
Total	5.062	4.983	4.495	4.055	3.725	4.690
Ratio of financing costs to net revenue stream						
Non - HRA	4.19%	4.19%	4.10%	4.10%	4.09%	4.06%
HRA (applies only to housing authorities)	-	-	-	-	-	-
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	25,724	25,630	25,537	25,444	24,851	24,757
HRA (applies only to housing authorities)	-	-	-	-	-	-
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
Total	27,098	26,929	26,747	26,556	25,861	25,665
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	(162)	(169)	(183)	(191)	(695)	(197)
HRA (applies only to housing authorities)	-	-	-	-	-	-
Total	(162)	(169)	(183)	(191)	(695)	(197)
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	(£0.04)	(£0.26)	(£1.07)	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	26,824	26,726	26,128	26,030	29,044	31,243
Other long term liabilities	1,278	1,177	1,071	963	841	701
Total	28,101	27,902	27,199	26,993	29,885	31,944
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	25,537	25,444	24,851	24,757	27,802	30,005
Other long term liabilities	1,209	1,112	1,010	907	791	656
Total	26,747	26,556	25,861	25,665	28,592	30,661

MINIMUM REVENUE STATEMENT (MRP) 2016-17

Supported Borrowing

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

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

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

Finance Lease and PFI

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

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

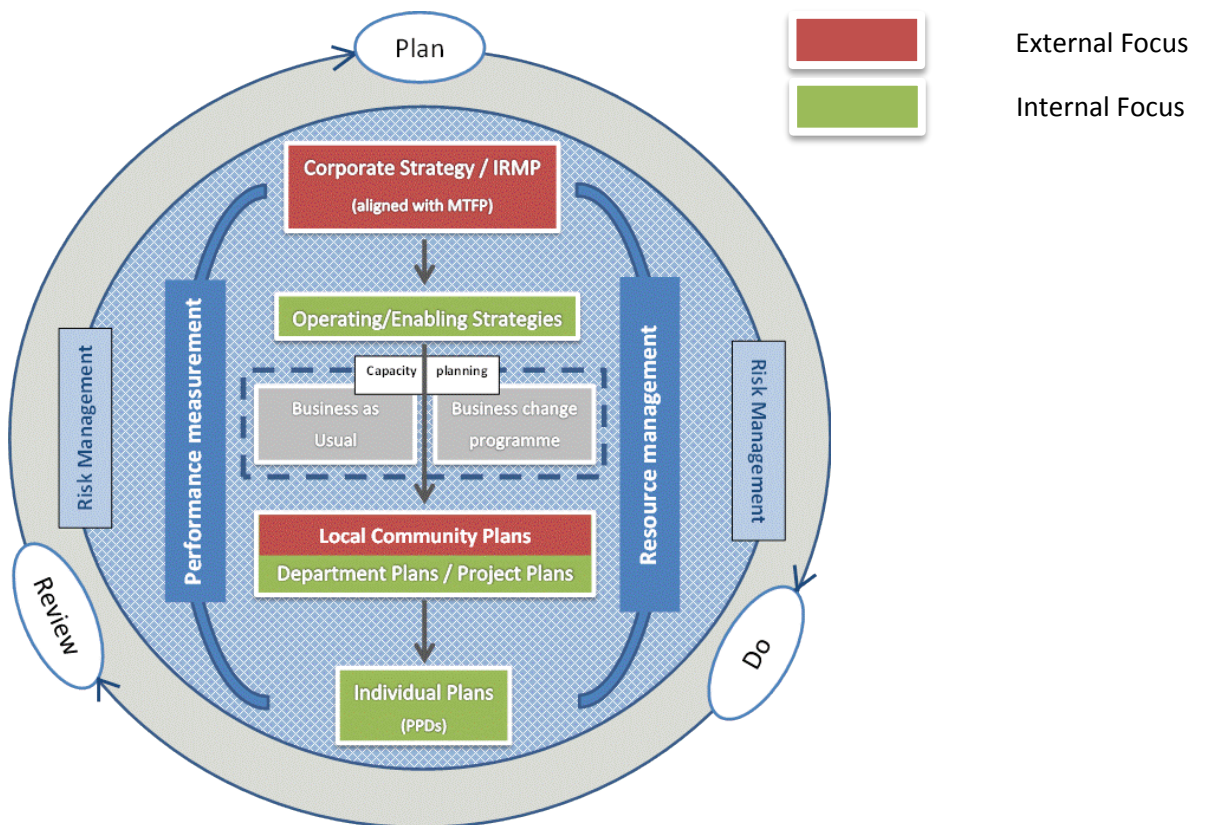
Agenda Item 9

REPORT REFERENCE NO.	DSFRA/16/4
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	STRATEGIC PLAN 'OUR PLAN 2016 – 2021'
LEAD OFFICER	CHIEF FIRE OFFICER
RECOMMENDATIONS	<i>That the Authority Strategic Plan 'Our Plan 2016-2021', as appended to this report, be approved.</i>
EXECUTIVE SUMMARY	<p>This report presents the draft of the next Strategic Plan. The Plan will cover the five year time period 2016 to 2021. Its contents will be an evolution of Our Plan 2015 to 2020. This flexible approach allows the underlying strategy to be reviewed as part of the annual planning cycle and any changes accommodated as necessary.</p> <p>The 2016 to 2021 Plan represents the key strategic planning document for the Service. It details the corporate strategy and planning principles.</p> <p>The strategic direction aligns with the medium term financial plan to address the anticipated funding requirements. The Plan also incorporates the requirements of Integrated Risk Management Planning and presents the Service's approach for delivering its prevention, protection and response services by aligning its resources to risk.</p> <p>A key concept embedded within the Plan is that of continuous improvement. Whilst it is recognised that there are funding challenges, this must not be at the expense of maintaining or improving service standards. To achieve the necessary savings, the Service must change and improve the way it works so that it becomes both more effective and efficient.</p> <p>The draft Plan has been accredited with the Crystal Mark for clarity and plain English. It was considered by the Community Safety & Corporate Planning Committee at its last meeting which resolved to commend the Plan to the Authority for approval.</p>
RESOURCE IMPLICATIONS	As met by the Medium Term Financial Plan
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The draft Plan has been subject to the Service Equality Risks and Benefits Analysis process. A copy of the outcome is annexed to this report.
APPENDICES	A. Draft Our Plan 2016 – 2021 (page numbered separately)
LIST OF BACKGROUND PAPERS	Nil

1. **BACKGROUND**

1.1 The draft strategic plan ‘*Creating safer communities: our plan 2016 to 2021*’, provided in Appendix A, sets the direction that the Service is striving to achieve through implementing improvements and fulfilling its business as usual activities. The significance of the plan is illustrated by the top red box in the organisational governance model set out in Diagram 1 below. The model illustrates the way the Service works, achieving an alignment between strategic direction and activity and how that is managed through performance measurement, resource and risk management. This model will help guide the Service’s approach to improving the way we work.

Diagram 1: Organisational governance model



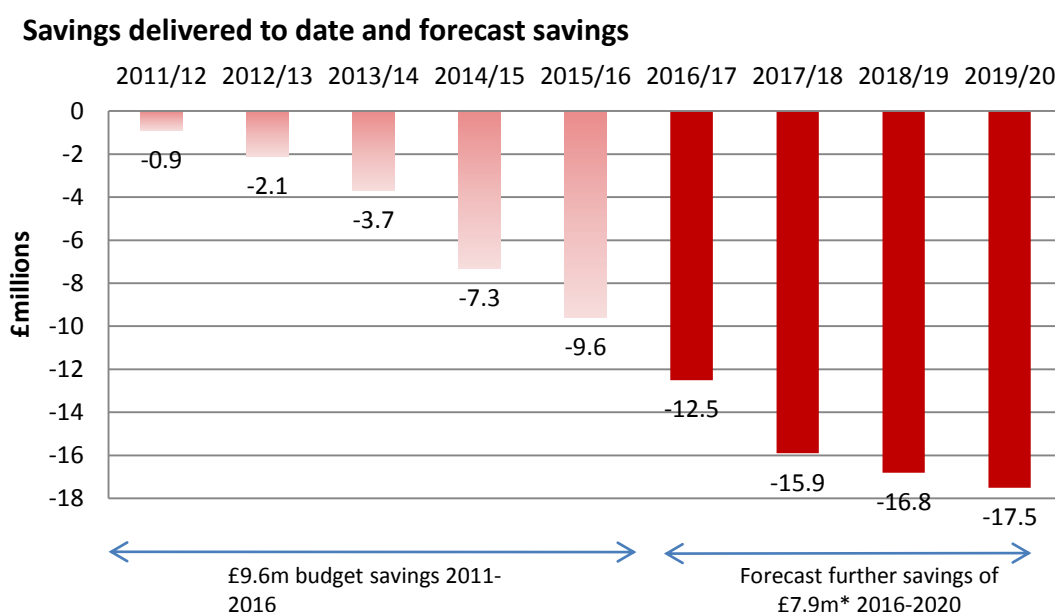
1.2 The requirements to produce a publically available Integrated Risk Management Plan are contained within the Fire and Rescue National Framework England 2012. In summary these requirements are that each fire and rescue authority plan must:

- Demonstrate how prevention, protection and response activities will be used to mitigate the impact of risk on communities;
- Set out its management strategy and risk based programme for enforcing the provisions of the Regulatory Reform (Fire Safety) Order 2005 in accordance with the principles of better regulation set out in the Statutory Code of Compliance for Regulators and the Enforcement Concordat;
- Reflect the provision to respond to incidents such as fires, road traffic accidents and emergencies within their area and in other areas in line with their mutual aid agreements;
- Be easily and publically available;

- Reflect effective consultation throughout its development and at all review stages with the community, its workforce and representative bodies, and partners. Cover at least a three year time span and be reviewed and revised as often as it is necessary to ensure that fire and rescue authorities are able to deliver the requirements of the National Framework;
- Reflect up to date risk analyses and the evaluation of service delivery outcomes.

2. PLANNING CONTEXT

2.1 The Service's financial forecast, based on current knowledge, suggests that it is required to achieve a further £7.9m of on-going savings over the next four years to the end of 2019-20. The forecast, which considers spending and income, is illustrated in the Graph below.



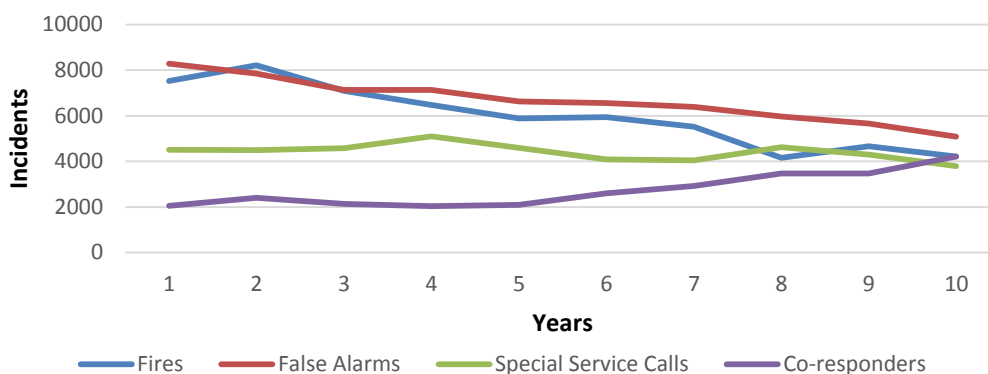
* Forecast at 21/12/15 and subject to confirmation of Council Tax and Business Rate income from billing authorities.

2.2 The graph also shows that the Service has to date secured £9.6million savings since 2010-11, details of which are set out in the table below:

Budget savings	£m
Budget Management Savings	-3.13
Business Support Efficiencies	-0.23
Retained Activity	-0.15
Corporate Plan Savings (operational)	-3.25
Corporate Plan Savings (support)	-0.89
Vacancy management	-0.92
Amalgamation of control rooms	-0.50
Senior Management Restructure/ Regional management board	-0.34
Changes to co-responder/ Automatic Fire Alarm response	-0.18
TOTAL BUDGET SAVINGS (£m)	-9.59

2.3 The demand for the emergency services provided by Devon & Somerset Fire & Rescue Service is changing and consequently the role of the Service is evolving. The graph below demonstrates this through the decline of fires, false alarms and special service calls over the last ten years and the increase in co-responder calls over the same period.

Service Demand over 10 years (2005/06 to 2014/15)



2.4 In 2013, the Authority approved, following extensive public consultation, a new design of service delivery model called the ‘Integrated Approach’. This model, which forms the foundation of this Plan, is based on the following principles:

- Improved availability
- Improved flexibility
- Resources matched to risk
- Tiered response

2.5 The national promotion of blue light collaboration between the three emergency services is also an important context for the plan. The purpose of this collaboration is to become more effective and efficient for the benefit of the tax payer so that costs are reduced and services improved.

3. **STRATEGY**

3.1 The plan presents the Service’s strategy and it is structured around its Vision, Mission and three strategic priorities. The three priorities are:

- Public safety
- Staff safety
- Effectiveness and efficiency

3.2 New strategic outcomes have been identified for each of the three priorities as part of the development of the 2016 to 2021 plan. These new outcomes will improve the Service’s ability to measure its performance against its strategy; the outcomes may be updated over time to reflect changes in this strategy.

3.3 Each of the priorities is supported by an expanded list of expectations. Some of these expectations continue current ways of working whilst others set the direction for change.

- 3.4 The three priorities form the structure against which all the Service's activities are aligned. This enables the Service to check that its resources contribute positively to activities that support the strategy.
- 3.5 The strategy has the target of achieving the estimated £7.9million savings by 31 March 2019-20. It aims to do this by delivering a balance of changes to service delivery and service support arrangements. This will include changing the way support services are provided, working closer with partners (e.g. through the Strategic Alliance with Devon & Cornwall and Dorset Police), better procurement, other non-operational efficiencies, rationalising the operational middle management structure and adopting the most up to date technologies to support Service response capabilities.

4. INTEGRATED RISK MANAGEMENT PLANNING

- 4.1 The Service continues to adopt the approach that its strategic or corporate plan is also its Integrated Risk Management Plan (IRMP). This approach means that the strategy needs to meet the Integrated Risk Management Plan requirements described in Para. 1.2.
- 4.2 The Integrated Risk Management Plan changes shown in the table below have been introduced since 2013/14. These changes cover those actions identified within the 2013/14 to 2014/15 Corporate Plan and Our Plan 2015 to 2020. A timeline of the Service's wider achievements over the last year is provided in Appendix B.

Summary of Integrated Risk Management Plan changes since 2013/14

PLAN	IRMP CHANGES	PROGRESS
2013/14 - 2014/15	Light rescue pumps introduced to the fleet	✓
2013/14 - 2014/15	Attendance reduced to automatic fire alarms	✓
2013/14 - 2014/15	Savings achieved following changes to mobilising arrangements for co-responder incidents	✓
2013/14 - 2014/15	On-call status introduced to three Plymouth appliances	✓
2013/14 - 2014/15	Aerial appliance in Plymouth dual crewed with 'on call' firefighters	✓
2013/14 - 2014/15	Crewing arrangements at Yeovil fire station harmonised with other similar fire stations	✓
2013/14 - 2014/15	On-call status introduced to the second appliance at Taunton fire station	✓
2013/14 - 2014/15	On-call status introduced to the fire appliance at Ilfracombe	✓
2013/14 - 2014/15	Additional investment of £450,000 into Community Safety is continuing	✓
2015 to 2020	Commence Rapid Intervention Vehicle pilot including new firefighting technology as its equipment	✓
2015 to 2020	A greater number of Home Fire Safety Visits completed as part of a target of increasing the number tenfold by 2020. *	✓
2015 to 2020	The provision and position of our stations is being kept under review	✓

2015 to 2020	Operational staffing arrangements are being reviewed	✓
--------------	--	---

*Year to date (1 April to 30 November 2015) Home Fire Safety Visit comparisons with 2014 and 2013.

4.2 Looking forward, the Service's draft of Our Plan 2016 to 2020 remains focused on its Priority of Public Safety. By continuing the work of matching resources to risk, the Service will protect the public through prevention, protection and response arrangements. This work will always be ongoing to ensure that it has the right resources in the right place at the right time. The key improvements in the draft of 'Our Plan 2016 to 2020', for the Priority of Public Safety, are listed below:

- improve the process for home fire safety checks and visits;
- develop road safety strategies with partners to improve education and intervention;
- develop a new resilient networked Fire Control solution;
- investigate the potential to introduce different response vehicles which use the latest firefighting technological advancements;
- improve our operational staffing arrangements; and,
- develop appropriate fire and non-fire response arrangements in collaboration with other blue light and voluntary sector agencies.

4.3 There are no current plans to close fire stations or having fewer fire appliances.

4.4 An Equalities Risks and Benefits Analysis will be undertaken when the development of the plan has been completed.

5. **CONSULTATION**

5.1 The draft Plan contains no major proposals for implementation that will affect the service received by members of the public during 2016/17.

5.2 The key improvement activities that may affect the future service are based on reviewing parts of the Service. When these reviews are complete then, subject to there being proposed changes for implementation, proportional stakeholder consultation will be undertaken as appropriate and necessary.

5.3 The Plan also describes broad areas of improvement within the Service that do not impact on the service received by the public. These include changes to the way service delivery is supported. If and when these changes are considered to provide the necessary benefits the Service will proceed with implementation.

6. **PLAIN ENGLISH**

6.1 The language in corporate documents can often slip into the use of jargon and be written in a management style that can make it more difficult for a member of the public to understand. To improve the comprehension of the Plan it has been submitted to the Plain English Campaign for review. The Service is pleased to report that it has been successful in being accredited with the Crystal Mark for clarity and plain English.

7. **CONCLUSION**

- 7.1 Our Plan 2016 to 2021 plan is an evolution of the previous plan with its contents being updated to reflect changes. The format has been refreshed and the language accredited with the Crystal Mark for clarity by the Plain English Campaign. As a result, it is hoped that readers will find Our Plan 2016 to 2016 easier to understand and it will be another step forward in the Service improving its communications.
- 7.2 The draft was considered by the Community Safety & Corporate Planning Committee at its last meeting when it was resolved to commend the Plan to the Authority for approval (Minute CSCP/ refers)

LEE HOWELL
Chief Fire Officer



Equality Risks and Benefits Analysis form

Community and Workplace Equalities (CWE)

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

1. Name of activity:	Corporate Plan 2016 to 2021 'Our Plan – Creating Safer Communities'
2. Main purpose of activity:	To provide strategic direction to the Service
2a. Project manager/process owner	Pete Bond
2b. Project/process linked to	Corporate Planning
3. List the information, data or evidence used in this analysis:	Our Plan 2016 to 2021 Creating Safer Communities

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



Equality Risks and Benefits Analysis form
Community and Workplace Equalities (CWE)

			<p>reflect a new risk and consequently a different group of people.</p> <p>Our approach to analysing risk extends beyond the consideration of single characteristics and instead looks at the effect of the combination of multiple variables and how they may identify those most at risk e.g. age, gender, health, disability, living arrangements, home location.</p> <p>The plan highlights the planned key improvement actions. As these improvements are developed the appropriate assessments will be undertaken to identify if there are any impacts, positive or negative, on the protected characteristics. Consultation and mitigating actions will be identified and undertaken as necessary.</p>
--	--	--	---

**see EA:RB2 guidance*

5. Results

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

6. Consultation, decisions and actions

If medium or high range results were identified who was consulted and what recommendations were given?

Describe the decision on this activity

List all actions identified to address/mitigate negative risk or promote positively

Action	Responsible person	Completion due date
Carry out an ERBA on each identified project within the plan	Project leads	

When, how and by whom will these actions be monitored?

7. Signatures



Equality Risks and Benefits Analysis form
Community and Workplace Equalities (CWE)

ANNEX TO REPORT DSFRA/16/4
ERBA 1

Assessor	
Name: Ralph Howle	Signature**
Validated by (Line manager)	
Name: Pete Bond	Signature**
Forward to CWE	
Equalities team/monitoring group member name:	
Signature** Sheila Meades	ERBA number: 1141
Assessment date: 03/02/2016	Review date: Further ERBAs to be developed for each project

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



Creating safer communities Our plan 2016-2021





Contents

Glossary	4
Creating safer communities	5
Our vision and mission	6
Our journey towards creating safer communities	6
Priority 1: Public safety	8
Priority 2: Staff safety	12
Priority 3: Effectiveness and efficiency	15
Our financial future	18
Measuring our success	20
Have your say	21

Glossary

We hope this glossary helps you to understand some of the terms used in the fire and rescue service.

Co-responders – on-call firefighters based in their community who work in partnership with the ambulance service to provide a quick medical response.

Prevention – our community-safety work which aims to reduce fire and other incidents by providing advice and education.

Protection – our work with businesses and organisations to make sure they keep to the Fire Safety Order and keep you safe when you visit businesses for work or pleasure.

Tiered response – using the most appropriate vehicles and equipment depending on the calculated risks, and firefighters and command officers with the right skills to deal with each emergency.

Partners – other organisations we work with to deliver our services. This could be other public-sector organisations such as councils, police or other fire and rescue services, private-sector or voluntary-sector organisations, or charities.

Integrated Risk Management Plan – integrated risk-management planning is designed to give individual fire and rescue services (FRS) the flexibility to provide the right resources at the right time in the right place and to improve community safety and make a more effective use of FRS resources. Our Integrated Risk Management Plan sets out how we do this.

Home fire safety check – you call us or speak to us at one of our events to discuss your safety. This may result in us giving you advice or, if we feel you are at risk, we will carry out a home fire safety visit.

Home fire safety visit – we come to your home to talk to you about how to keep safe. We will also install safety equipment if necessary.

Aerial appliance – an appliance with a hydraulic platform usually used for incidents at height.

Water carriers – appliances which carry high volumes of water when extra supplies are needed.

Incident command unit – specialist vehicle used to co-ordinate larger incidents.

Environmental protection unit – used for incidents which affect the environment, often working with the Environment Agency.

Light rescue pump – smaller, more responsive appliance, typically used in rural locations.

On-call firefighter – a firefighter who carries a pager and responds to the station when needed. They usually have another job as their main employment.

Wholetime firefighter – a firefighter who works full-time for our service and works a shift pattern.

Operational licence – our operational licence is the minimum standard a firefighter has to reach to be considered available to respond to incidents. Without a licence they cannot carry out their role. The licence means they have kept up to date with their training and skills.

Support function – these are all the support departments that help to keep the service operating. This includes mechanics, breathing-apparatus technicians, HR, administration, health and safety and much more.

Operational staff – our staff who deal with emergencies, emergency calls and rescues.

Creating safer communities

It is a privilege to be part of Devon & Somerset Fire & Rescue Service, an organisation with the responsibility for protecting 1.7 million people living in rural and urban communities as well as the many visitors to the two counties each year.

Our focus is on creating safer communities, for which we have a successful record. Our Community Safety strategies, targeted approach to preventing fires and adapting to changes in society, such as the reduced number of smokers, the introduction of regulations relating to foam-filled furnishings, and an increase in the number of smoke detectors, have all contributed to a 50% reduction in the number of fires, people killed in fires and fire-related injuries in recent years. This is great news and could not be achieved without our operational and support staff, who are dedicated to improving your safety.

Unfortunately, despite our best efforts, emergency incidents will still happen. When they do, we must be able to respond with the skills and resources needed to deal safely and effectively with the range of incidents and challenges we meet.

All public services will have to operate with less money and we are no exception.



Lee Howell QFSM FIFireE
Chief Fire Officer/Chief Executive

Significant financial pressures mean we must review every part of our business to make sure that it meets our objective of creating safer communities. At the same time, we must make sure our staff's skills are used effectively to support communities in becoming stronger, improving their own safety and reducing the demand on public resources.

We will continue to develop a more adaptable service that is even better equipped to respond. We will match our resources to local risks and be innovative in using new and emerging approaches and technologies.

This document sets out 'our plan' to make the people who live in, work in and visit our area safer from fire, road collisions and other emergency incidents, while reducing costs and increasing income.

There are plenty of opportunities for communities and people to get involved in our work. These opportunities include volunteering, working as a part-time or on-call firefighter or joining our staff, who support our front-line crews in making the public safer. Get in touch – there may be a role for you.



Councillor Mark Healy
Chairman
Devon & Somerset Fire & Rescue Authority

Our vision and mission

Our vision is to make Devon and Somerset a 'safer place to live, work and visit'.

Our mission is to 'Act to Protect and Save – to prevent emergencies, create safer communities and respond, when required, in order to save life.'

Our journey towards creating safer communities

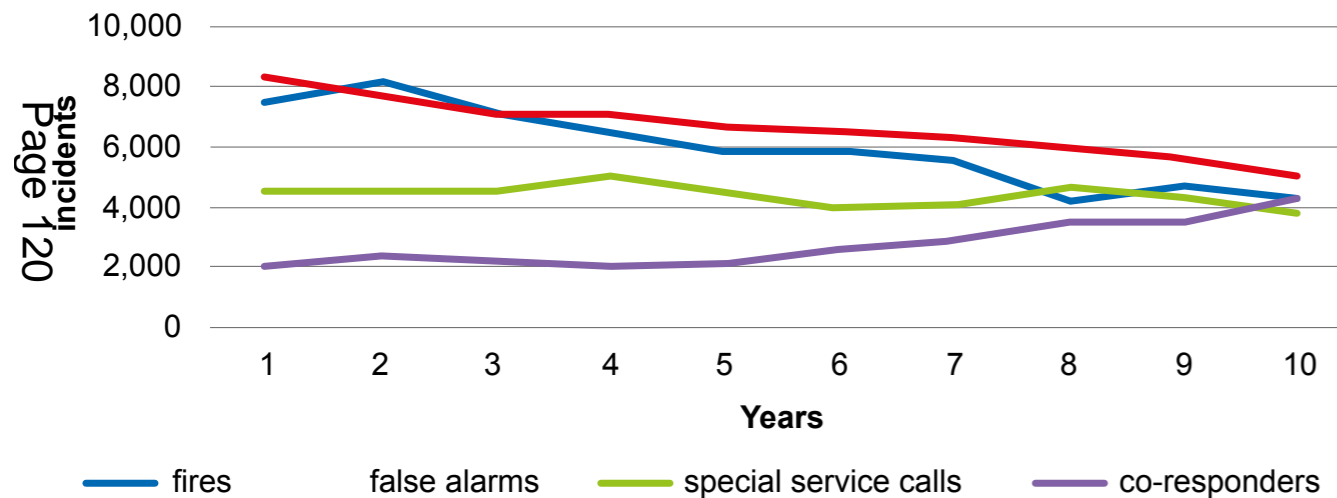
As a public service we continue to face budget reductions, just like other public-sector organisations. To adapt to these budget reductions we will continue with our plan of changing the way we work to match local risk.

emergencies through our co-responder service - see note below. At the same time, we need to make sure we are able to deal with new and different challenges such as those related to severe weather, complex non-fire-related rescues, the threat of terrorism and the changing population of our communities.

The service will need to reflect the changes in the types of incident we attend. It is good news that the number of fire-related incidents has reduced significantly, as this means our communities are safer from fire. However, we now attend more medical

The graph below shows how demand for our services has changed over the last 10 years.

Service demand over 10 years (2005/2006 to 2014/2015)



'The future service will need to reflect the changes in the types of incident we attend'

Note 1: our co-responders work in partnership with the ambulance service providing a quick medical response.

We have already made changes that have created significant financial savings, for example in recent years we have changed the crewing arrangement at a number of our fire stations, but we need to make substantial further savings.

Our values guide us in the way we approach these challenges. Our values are honesty, clarity and accountability, respect for each other, working together to improve, and a 'can do' attitude. We understand that change creates uncertainty for both our staff and our communities, but we also know that some of this uncertainty comes from a lack of understanding of how the environment in which we operate has changed. By analysing in detail existing and emerging risks, communicating this effectively and making sure we have the right resources in the right place at the right time, we know we will be able to keep our communities safe.

We need to reduce any potential negative effect on our services by reviewing the changes before they are made. We are confident that we can make changes in a sensible way that will improve our service and deliver savings. We also need to increase and improve our work with communities and to understand how we can provide the best advice, support and response to make sure you live a safer life.

Our priorities

We have three main priorities. We use these priorities to guide how we use our reduced resources and assess the importance of new work.



Public safety



Staff safety



Effectiveness and efficiency

Priority 1

Public safety

‘Focused on improving public safety’



Page 121



We believe it is better to prevent an emergency from happening in the first place rather than deal with it when it does. To support this belief we work with local communities and partners to educate them in how to reduce the risk of fires and other emergencies and do all we can to help prevent crime and disorder through, for example, our work on reducing incidents of arson.

If a fire does start, we want to make sure people have the best chance of escape and that the disruption to business and the community is kept to a minimum. We will work with businesses to influence and regulate the built environment to protect people, property and the natural environment from harm.

In situations when an emergency response is needed, we will make sure that our resources are appropriately located, reflecting our Integrated Risk Management Plan, so that we have the right resources in the right place at the right time.

The outcomes we expect to see

1. A reduction in the number of emergency calls.
2. A reduction in the number of deaths and injuries from fires and other emergencies.
3. A reduction in the number of fires started deliberately (arson).
4. A reduction in economic loss and damage to property and the environment.
5. Heritage properties and items of historical value are protected from fires and other emergencies.
6. People are rescued from harm.
7. We are prepared to provide a high-quality response in an emergency.

How we will achieve our outcomes

We will provide community-safety services

Our community-safety services will continue to reduce the number of incidents and help create safer communities. We will achieve this by focusing on targeted home safety checks, educating people on the dangers of fires and other emergencies (and what they can do to make themselves safe) and working with businesses to make commercial and other non-domestic premises safe places to work and visit.

As a result of our services, communities and individuals will be able to make more informed decisions about their own safety in the home, at work or when visiting buildings.

Our community-safety work will be better targeted to the most vulnerable members of society. This targeting will help people live in safer homes where the number of preventable deaths or injuries from fires will be reduced and kept at the lowest levels possible. We know that providing advice to our communities, particularly our most vulnerable groups through home fire safety visits, is very effective and our research clearly shows this to be the case. Last year we carried out approximately 4,600 home fire safety visits and we plan to do many more in future years.

We will continue to support safer business and community sectors where fire losses are reduced to the lowest levels possible where we have seen no preventable deaths or injuries in fires in the last five years. Businesses will receive the same advice and information to help make sure they can remain open and, where issues arise, we will be consistent in how we enforce our work.

We will continue to work with partners to deliver joint road-safety education and action which result in safer roads throughout Devon and Somerset.

Our community-safety activities include:

- home fire safety checks and visits
- education packages for children and young people from early years settings through to universities aimed at developing young people who are aware of fire and road safety
- targeted action to support those at risk in our communities
- working in partnership with others to support our communities to be safer
- supporting businesses by providing safety advice, and
- making sure businesses are keeping to fire safety legislation.

We will provide an emergency response

Emergencies

We attend a wide range of emergencies to save lives, limit damage to property and protect the natural environment. The emergencies we are ready to respond to include:

- fires
- road traffic collisions
- rescues
- collapsed structures
- hazardous chemical spills
- flooding
- medical emergencies (co-responding), and
- chemical, biological, radiological and nuclear events.

Vehicles and equipment

Operating from our 85 fire stations we have 121 fire engines and 64 special appliances, including aerial appliances, water carriers, incident command units, 4x4s and environmental protection units. This is the largest vehicle fleet of any fire service outside of London.

The reduction in the number of incidents and the significant differences in calls between our stations have led to a review of how we provide our emergency response. For example, we know that 80% of our stations attend fewer than two incidents per week and 56% attend fewer than one incident per week (incidents in the area covered by the station, not including co-responding and false alarms). Most of our fire engines are broadly similar and are usually crewed by five staff who are all trained in the same way, regardless of the risks they face and the demand for their services. Last year, 72% of all incidents could have been dealt with using much smaller vehicles and some of the new technological advances in firefighting and rescue techniques.

As the community risk changes, we will consider altering the type of vehicle provided. We have already moved away from the traditional 'one size fits all' approach and are currently introducing smaller light rescue pumps into our fleet. As well as providing more vehicles, this also helps us save money, as light rescue pumps have lower running costs than traditional vehicles.

We are considering new technological developments that will further improve community and firefighter safety. We are investigating whether it is possible to introduce a new range of smaller response vehicles, which use the latest advances in firefighting technology to provide an

even more rapid and effective response to emergencies.

Taking the Tiered Response Model forward, we will continue to better match our resources to risk. Our Tiered Response Model, which was previously consulted on and agreed, allocates the most appropriate mix of vehicles and equipment together with firefighters and command officers with the necessary specialist skills to deal with each type of emergency.

Fire stations

We have 85 fire stations, which is the largest number of fire stations outside of London. At present, we believe most of our fire stations are in the right place, being centred on heavily populated areas or located to provide emergency cover across Devon and Somerset.

However, we understand that community risk may change over time, so we will continue our analysis and constantly review the position of and the service provided by our stations. Based on evidence, we may need to change the resources we have available at each fire station. With this in mind we may need to build new fire stations in better locations or close some of our existing stations, or both. If we want to propose closing some fire stations, there will be a full and separate public consultation.

Staff

We have over 2,000 members of staff in operational and support roles who work a range of shift or duty systems.

Most of our firefighters work on an on-call basis, making us the largest employer of on-call firefighters in the country. The contracts we have in place with our on-call (retained duty system) staff do not always meet our needs of maintaining emergency cover. We are currently working with a trade

union to introduce agreed changes that will reduce the cost of providing on-call cover. Our aim is to look for the best solution for improving emergency cover at a price that we can afford while meeting the needs of our on-call staff at the same time.

Staff at all our wholetime stations work the same shift pattern. This shift pattern aims to provide appropriate crewing levels 24 hours a day, seven days a week. However, we know that the current 2-2-4 system (work two days, then two nights, then have a four-day break) is inflexible and not as efficient as it could be. There are other types of shift systems, including those used by other emergency services, that we can consider. Rather than impose shift change, we hope to improve the current arrangement by asking staff to be more flexible, which will lead to significant savings. We recognise the current shift system is important to our staff but, given the scale of the financial challenges ahead, we need to make it more efficient.

We will also reduce the number of officers by not replacing staff as they leave. And we will consider alternative approaches for those officers, to provide 'out of hours' supervisory cover.

Discussions with staff and trade unions about finding solutions that we and our staff are satisfied with are ongoing. We welcome and encourage this approach.

In summary, we will:

- target our prevention activities to high-risk communities, working closely with partners to provide advice and support
- work with partners to involve the community in planning for, responding to and recovering from local emergencies
- support businesses to reduce arson and accidental fires and help make sure businesses can remain open through our risk-based audit and inspection programme
- effectively manage calls to fires and other emergency incidents
- make sure that we have the right number of stations in the right locations and the right number of vehicles, equipment and staff available to match local risk and demand, and
- work with the community and the voluntary sector to help identify and manage risk.

Our key plans for improvement include:

- improving the process for home fire safety checks and visits
- developing road-safety strategies with partners to improve education and action taken
- developing a new and resilient 999 service
- investigating whether to introduce different response vehicles which use the latest advances in firefighting technology
- improving our staffing arrangements, and
- working with other blue-light and voluntary-sector agencies to develop appropriate fire and non-fire response arrangements.

Priority 2

Staff safety

‘Passionate about improving staff safety’



Page 123



As our work evolves due to the changing demands on our service, we need to make sure that we develop our staff so they have the right skills and values to deliver our services to the community. Our staff need to operate in a safe and supportive working environment and we will provide them with the most appropriate vehicles, equipment and information relevant to the risks they are likely to face.

The outcomes we expect to see

8. A highly skilled and competent workforce.
9. A high-performing, motivated and healthy workforce.
10. A safe workforce with low rates of accidents and injuries.
11. A workforce that is representative of our communities.

How we will achieve our outcomes

We will focus on firefighter safety and training

Attending emergency incidents is dangerous, so creating a safe working environment and safety culture is at the heart of everything we do. We know that most of the equipment that we currently carry on our fire engines is rarely used. In fact, for 80% of the incidents we attend, less than half of our equipment is used. Yet we expect our staff to maintain their knowledge and skills on how to use this equipment even though we know that they will rarely, if ever, need to use it.

We also know that the time available for training at our on-call stations is very limited. Our on-call staff have, on average, only 90 hours of training time available to them each year. It is clear that training time should not be spent on equipment that is rarely used. We believe that the Tiered Response Model will have a positive effect on firefighter safety. It will make sure that our training is focused only on the risks that staff are most likely to face.

Our training of operational staff will be designed to focus on the specific risks for each area or station. We need to train staff according to risk, so some of this training will be delivered centrally at one of our training venues or at an external venue. However, we will extend local station-based training, taking our training to staff rather than expecting staff to travel to training.

At the same time, we will make sure that risk information is up to date, and that crews train against site-specific risks and plans. The way that the information from fire control is made available to operational staff is a key part of supporting safety.

We have recently carried out a full firefighter safety audit which identified improvements to better manage the safety of our firefighters. We will use the results of this audit to target improvements in our procedures.

In summary, we will:

- follow best practice when recruiting and retaining the right people
- provide a joint approach to workforce planning, succession planning (recruiting and developing employees to fill key roles) and career development
- make sure safety is at the heart of everything we do, and
- train in a realistic way that reflects the risks our staff face and allows them to use the skills they will need at emergency incidents.



Our key plans for improvement include:

- aligning our competency-based training to the Chief Fire Officers Association Fire Professional Framework (our 'operational licence'), which is the minimum standard we expect our operational staff to be trained to in order to be available for action
- using the results of the firefighter safety audit to prioritise improvement work
- looking into opportunities for more locally based training
- developing a detailed organisational development framework that will apply to all staff
- introducing a new system for recording all training activities using a competency-based approach
- reviewing the process for making sure our staff maintain their training and skills across the range of activities we expect them to carry out
- reviewing the support and ongoing development that we provide for our officers who are expected to take control of emergency incidents
- reviewing the way we gather and provide information relating to risk, which our staff need to be able to make correct and informed decisions at emergency incidents, and
- improving working arrangements to support a flexible, adaptable and responsive workforce which meets the operational and non-operational demands on our service.



Priority 3

Effectiveness and efficiency

'Continuously improve the organisation's effectiveness and efficiency'



We will aim to continuously improve our effectiveness and efficiency. This means that we are working to improve, while at the same time spending less money. To achieve this, we will need to transform the way we work through continuous long-term improvement. We will promote this transformation by involving staff and the community, encouraging innovation and change, and looking for opportunities to do things differently for the benefit of the community. We will learn from other high-performing organisations and focus on activities that support effectiveness and efficiency.

The outcomes we expect to see

12. A continuously improving service which provides value for money and a balanced budget in line with future financial reductions.
13. Economically strong businesses.
14. A reduction in our carbon footprint, including delivering our services in an effective way, which can be maintained over the long term.
15. A high level of satisfaction with our service.

How we will achieve our outcomes

We will transform the way we work

While our main business is to keep communities and the environment safe from fires and other emergencies, our supporting systems and processes must be fit for purpose. We need to make sure we deliver our service in a way that provides best value for taxpayers in Devon and Somerset and allows us to invest in our main services while meeting the challenges of a reducing budget.

We have already made significant changes to our support functions and we are seeing the benefits of this work. Over the coming years we will focus on continuing to improve the way we work. One option would be to cut front-line services, but we know that this would not support our priorities and would not be popular with our communities. So our approach is to improve the way our front-line and support services work. This will deliver savings and mean we can continue to offer the excellent service that our communities expect.

Transforming the service will help us to:

- move away from doing things a certain way because they've always been done that way
- reduce wasted effort and deliver efficiencies
- free up staff time to focus on our main priorities and support front-line staff
- provide a service which is led by demand and meets public safety needs, and
- release resources to help us make savings as well as redirect some resources to further support our prevention and protection activities.

We will focus on our stakeholders

The support and involvement of our staff and communities will be crucial in helping to generate ideas for driving ongoing improvement. We will continue to encourage them to work with us, to develop a culture of involvement, innovation and continuous improvement. We will be using several tools to support this priority which will help us to react to what our customers need and provide a service that supports the demand placed upon us, rather than providing a service based on what we think our customers want from us.

We will manage our assets

We have many assets within the service, ranging from fire stations, fire engines, boats, cars, rescue equipment and computers to personal protective equipment. All of our assets must meet our needs in the most cost-effective way. We will use a 'whole life cycle' approach to asset management that starts from understanding our needs, includes buying assets and managing contracts, and ends in disposing of assets when they are no longer needed. We will know our operating costs over the whole life of an asset and be clear that our maintenance and replacement timescales are fit for purpose and are flexible enough to meet both the changing demands we face and industry good practice. We will look at opportunities for reducing costs by sharing assets and, where possible, put these into practice.



We will sell our services to provide an income

Through our commercial trading company, **Red One Limited**, we are able to work with local, national and international businesses, providing fire safety support, specialist training services, consultancy and fire cover for events. We use the profits we make from this to financially support our service. We will further develop this activity across all support departments and, where appropriate, generating income will become another fundamental part of our daily working activities.

In summary, we will:

- manage our assets to make sure they are efficient and that they effectively support public and staff safety
- manage projects so we deliver them on time and within budget
- work with others to save time and money
- use advances in technology to reduce costs and improve public and staff safety
- continue our approach to buying and managing assets effectively
- work within an agreed governance framework, putting performance management at the heart of our work
- use accurate and high-quality data to drive improvements, including sharing information with partners to reduce risk
- encourage a culture of staff and community involvement when developing new approaches to managing risk, communicating clearly and effectively
- provide our services in a way that can be maintained over the long term

- generate money through commercial activities that contribute to our main objectives, and
- continue to design our service based on our customers' needs.

Our key plans for improvement include:

- improving our business processes to reduce costs without reducing public and staff safety
- reviewing our properties to make sure we are making the most of the value of our property assets
- refining our financial-planning, budgeting and monitoring processes to support decision-making
- making sure long-term continuous improvement is at the heart of our work
- introducing a revised performance-management framework
- introducing new performance measures to support decision-making at the appropriate level, and
- developing methods for generating income across support departments where appropriate.



Our financial future

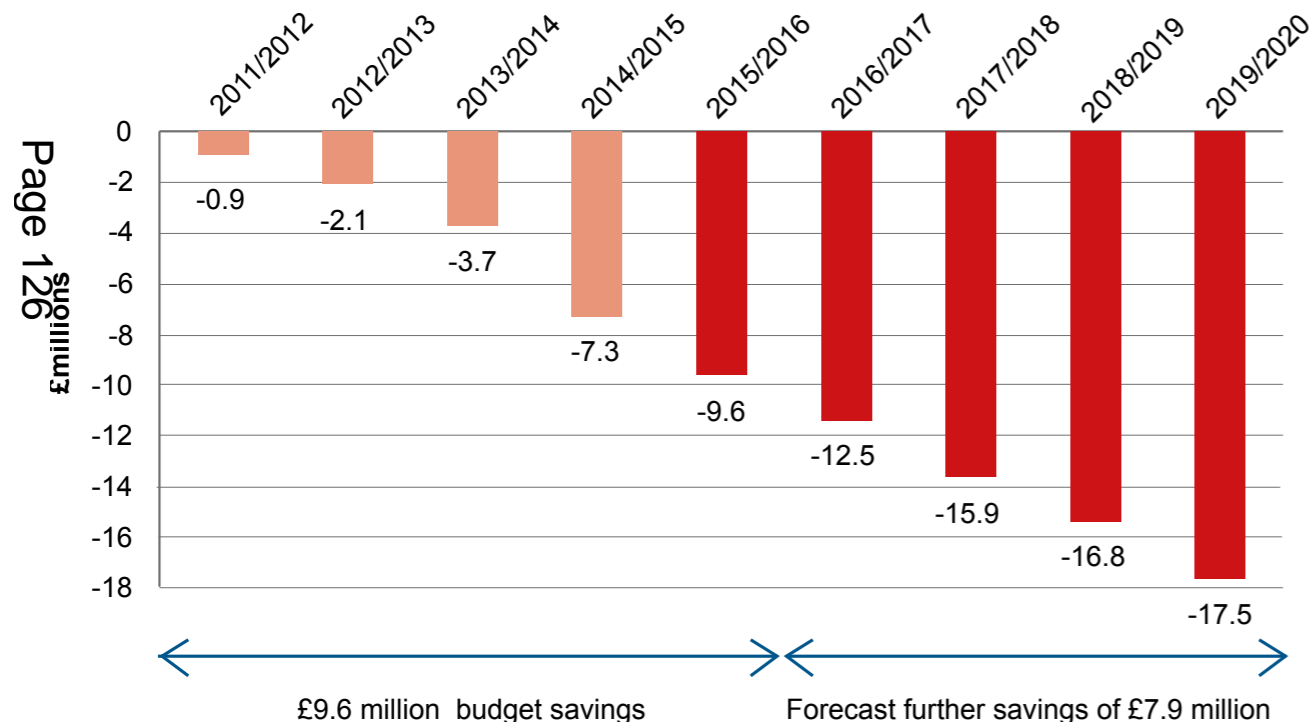
We continue to face a difficult financial future as a result of significant reductions in government funding. In the last four years, from 2012/2013 to 2015/2016, we have seen our revenue support grant reduce by 23%.

The most recent Local Government Finance Settlement in December 2015 reduced our government funding by 8.6% for 2016/2017, a reduction of £2.5million. For the three years from 2017/2018 to 2019/2020, further funding reductions of 10.2%, 4.3% and 1.8% are expected. In total, our government grant funding will

reduce by £7.3million over the next four years to 2019/2020. The service has already identified £9.6million of efficiency savings since 2011, and will continue to meet the ongoing financial challenge of reductions in funding.

The chart below provides a summary of the savings we have achieved to date (2015/2016) and the forecast savings required up to (2019/2020).

Summary of savings made to date and predicted savings



* This forecast is dated 21/12/15 and may change following confirmation of council tax and business rate income from billing authorities.

We have made some challenging decisions to reduce the number of wholetime firefighters because we recognised that it would take a number of years for natural turnover to reduce staff numbers enough to meet the budget gap. If we had waited to make these decisions, compulsory redundancies would have been more likely.

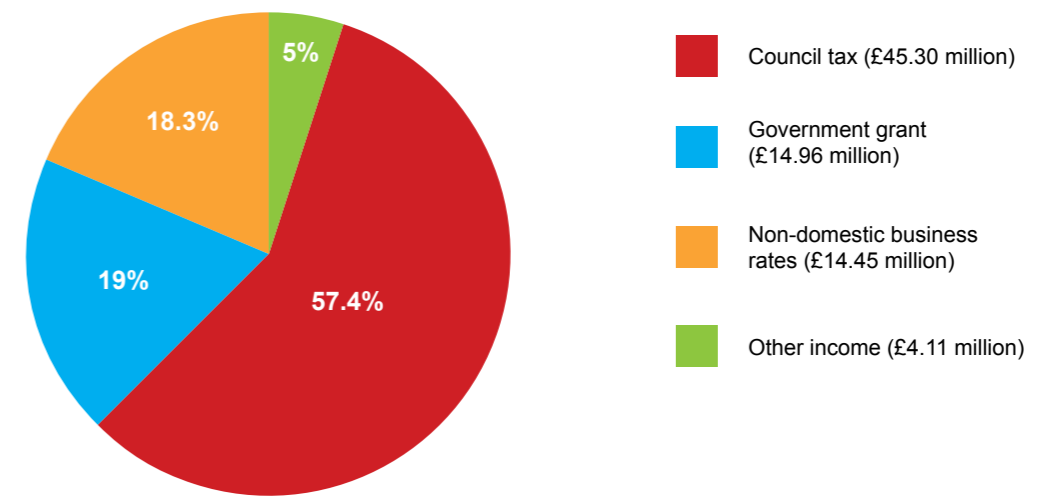
To meet the ongoing financial challenges, we know that we have to plan an approach

to make sure that savings can be maintained over the longer term. We will need to change the way we do business and the approach outlined earlier in this document will help us to do this. Decisions on council tax will continue to be taken by members of the Fire Authority, informed by public and business consultations. Using council tax, generating income and making savings are the only options we have to limit the effect of government grant reductions.

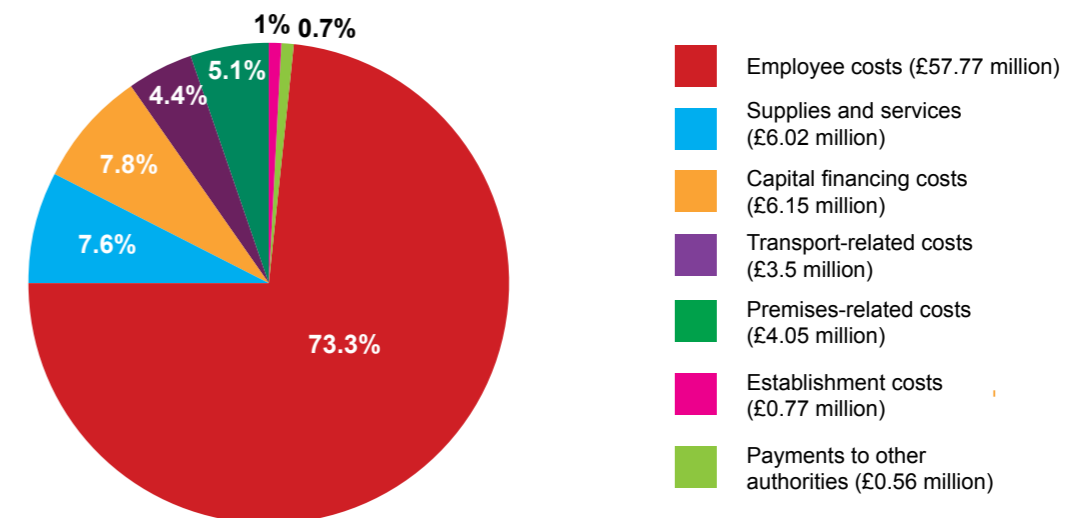
How our service is funded

Our funding for 2015/2016 is £78.82 million

For a 'Band D' property the 2015/16 council tax charge is £78.42



Our planned spending for 2015/2016



Measuring our success

We will achieve the outcomes we expect to see by effectively delivering the key services in each of our priorities – public safety, staff safety and effectiveness and efficiency. We will measure progress against these outcomes through a set of performance measures. Our performance will be reviewed each month by our Executive Board, and reported to the Fire Authority every three months. At the end of each year we will publish our Annual Report.

Page 127



Outcomes

1. A reduction in the number of emergency calls.
2. A reduction in the number of deaths and injuries from fires and other emergencies.
3. A reduction in the number of fires started deliberately (arson).
4. A reduction in economic loss and damage to property and to the environment.
5. Heritage properties and items of historical value are protected from fires and other emergencies.
6. People are rescued from harm.
7. We are prepared to provide a high-quality response in an emergency.
8. A highly skilled and competent workforce.
9. A high-performing, motivated and healthy workforce.
10. A safe workforce with low rates of accidents and injuries.
11. A workforce that is representative of our communities.
12. A continuously improving service which provides value for money and a balanced budget in line with future financial reductions.
13. Economically strong businesses.
14. A reduction in our carbon footprint, including delivering our services in an effective way, which can be maintained over the long term.
15. A high level of satisfaction with our service.

Have your say

Your opinions on our plan are important and we want to hear your views. The comments we receive from you will influence the decisions Fire and Rescue Authority Members make when they consider the various parts of the plan.

Email: Email your comments or questions to consultationofficer@dsfire.gov.uk

Fax: Fax your comments to 01392 872300. Mark your fax for the attention of the Consultation Officer.

Post: Post your comments on the proposal to:

Consultation Officer

Devon & Somerset Fire & Rescue

Service HQ

FREEPOST

Clyst St George

Devon

EX3 0NW.

Phone: You can also phone the Consultation Officer on 01392 872354.



DEVON & SOMERSET
FIRE & RESCUE SERVICE

Service Headquarters
The Knowle
Clyst St George
Exeter
EX3 0NW

Call for your free home fire safety check



Make the call!

0800 05 02 999



He's made the call.
Have you?

She's made the call.
Have you?

He's made the call.
Have you?

She's made
the call.

A third of fire deaths happen in properties without a working smoke alarm. If there is one thing you do after reading our plan, check your smoke alarm and if you don't have one, get one today.

REPORT REFERENCE NO.	DSFRA/16/5
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	DEVON & CORNWALL POLICE AND DORSET POLICE STRATEGIC ALLIANCE – OPPORTUNITIES AND OPTIONS FOR DEVON & SOMERSET FIRE & RESCUE AUTHORITY
LEAD OFFICER	Chief Fire Officer
RECOMMENDATIONS	<p><i>That the Authority considers the contents of this report with a view to approving full participation in the Strategic Alliance on the basis as set out in this report and summarised in below:</i></p> <ul style="list-style-type: none"> <i>(a) that the Authority retains full governance arrangements over changes to the number, nature and disposition of Devon & Somerset Fire and Rescue Service staff, resources and services; and</i> <i>(b) that the Chief Fire Officer be delegated authority to develop business cases to inform decision making by the Authority on proposals for Service staff, resources and services intended to come under the auspices of the Strategic Alliance, attending such meetings as deemed necessary to facilitate the production of such business cases.</i>
EXECUTIVE SUMMARY	<p>As previously advised, the government announced recently that this Authority will be required to realise additional savings of £7.5m over the next four years.</p> <p>As part of meeting this significant financial challenge, officers have been exploring options with members of the Devon and Cornwall and Dorset Strategic Alliance to explore how the resilience of the Service can be maintained and/or how further savings can be achieved as a result of joining the Strategic Alliance. Associated with this, the Authority will also be aware of the government's desire for emergency services to work better together and in this respect intends to legislate to introduce a new statutory duty to collaborate.</p> <p>Participation in the Strategic Alliance is, therefore, in-keeping with both this Authority's Medium Term Financial Plan and government expectations. Furthermore, participation in the Strategic Alliance will reduce the need for staffing savings to be made from other areas of the Service and as such, the impact on the grant reductions on the service to the public will be reduced.</p>
RESOURCE IMPLICATIONS	Will vary dependant on the option to be considered but the strategic intent is that this approach will reduce costs and maintain/improve the quality of service.

EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	This will be conducted as part of the business case for each area affected.
APPENDICES	<ul style="list-style-type: none"> A. Overarching Strategic Alliance Recommendations B. Strategic Alliance Governance Structure, Roles and Responsibilities C. Strategic Level Contribution of DSFRS to the Strategic Alliance
LIST OF BACKGROUND PAPERS	<p>Enabling closer working between emergency services www.gov.uk/government/uploads/system/uploads/attachment_data/file/495371/6.1722_HO_Enabling_Closer_Working_Between_the_Emergency_Services_Consult...pdf</p>

1. **INTRODUCTION**

- 1.1 The Authority has previously been advised that the government is committed to ensuring that emergency services work more closely together and will be introducing, subject to parliamentary approval, a new statutory duty for emergency services (Police, Fire and Ambulance) to collaborate.

www.gov.uk/government/uploads/system/uploads/attachment_data/file/495371/6.1722_HO_Enabling_Closer_Working_Between_the_Emergency_Services_Consult....pdf

- 1.2 Within the South West, the concept of formal collaborations between, in particular, police and fire & rescue is complicated somewhat by the lack of co-terminous boundaries between the individual services, for example Devon & Cornwall Police, Avon & Somerset Police and Devon & Somerset Fire & Rescue Service.

- 1.3 Acknowledging the boundary issue and to facilitate broader collaborative working between the emergency services in the South West, the South West Emergency Services Forum was proposed by the Chief Fire Officer and Chairman and has now been established. The first meeting of this group was held in November 2015 at Service Headquarters with a further meeting in February 2016.

- 1.3 In addition, early and informal discussions have been held to explore further opportunities for the Devon & Somerset Fire & Rescue Service ('the Service') to work more closely with the police and these also highlighted the potential for Devon & Somerset Fire & Rescue Authority ('the Authority') to participate in the Strategic Alliance ('the Alliance') currently in place between the Devon & Cornwall Police and Dorset Police forces. This paper will discuss the options for working more closely with this Alliance.

- 1.4 The Authority has approved a five-year strategic plan (Our Plan: 2015-2020, Creating Safer Communities) which sets out plans for the delivery of an effective and efficient fire and rescue service for the communities of Devon and Somerset whilst at the same time meeting forecast savings targets.

- 1.5 There are however, a number of additional strategic drivers that will require the Authority to look for further opportunities to work differently, not least the potential for the financial challenges to extend beyond the current Comprehensive Spending Review (CSR) period and the government's intention for all the emergency services (and particularly the police and fire and rescue service) to work more closely together.

2. **BACKGROUND**

- 2.1 Statutory reforms (the Police Act 1996) introduced duties on Chief Constables and Policing Bodies to keep collaboration opportunities under review and to collaborate where it is in the interests of the efficiency or effectiveness of their own and other police force areas.

- 2.2 The Policing and Crime Act 2009 expanded the provisions under which collaboration agreements may be made by Police Forces and Police Authorities and imposed a stronger duty than was previously the case on police authorities. Whereas previously such authorities were required only to support collaboration by their own forces, the new duties require Chief Constables and Policing Bodies to work together to review opportunities to collaborate, to engage with their prospective collaboration partners and to make a judgement as to whether those opportunities present the best option available. Where collaboration is judged to be the best option, they must collaborate.

- 2.3 These new duties allow bodies other than police forces and policing bodies to join a collaboration agreement. This will help the police service to take advantage of the opportunities available for collaborating with others in the public and private sector. It is thought the most likely partners will be other public sector organisations involved in a shared service (such as another emergency service body or a local authority sharing business support services with the police).
- 2.4 The Conservative Party has long been committed to ensuring that emergency services work more closely together and in its last manifesto stated that it “*will enable fire and police services to work more closely together and develop the role of our elected and accountable Police and Crime Commissioners*”.
- 2.5 The Spending Review and Autumn Statement (2015) announced the introduction from early 2017, subject to parliamentary approval, of a new statutory duty for emergency services to collaborate. The government has also stated that it is committed to ensuring that emergency services continue to deliver for the public and believes greater collaboration across all three services is fundamental to this ambition.
- 2.6 And at the start of this year, it was confirmed that ministerial responsibility for fire and rescue policy would transfer to the Home Office from the Department for Communities and Local Government. This, it was stated, would support a radical transformation of how the police and fire and rescue services work together and would pave the way for improvement in local fire and policing by providing clear leadership, supporting greater collaboration and delivering value for money for taxpayers. In particular the Home Office has stressed the potential for greater support service integration, highlighting areas such as procurement and information and communications technology (ICT).

3. THE DEVON & CORNWALL AND DORSET POLICE STRATEGIC ALLIANCE

- 3.1 In December 2013, the Police and Crime Commissioners for Devon & Cornwall Police and Dorset Police forces supported the creation of a joint programme team to scope the feasibility of a strategic alliance and to inform the production of a strategic outline business case. The strategic outline business case set out the different proposals for an ‘Alliance Operating Model’, the associated financial and non-financial benefits of those options and made recommendations about the viability of a strategic alliance. The strategic outline business case also outlined a recommended approach and the sequencing of the next phases of the programme.
- 3.2 The strategic outline business case was presented to the Alliance Executive Board in June 2014. It recommended a strategic alliance between the two police forces as the preferred way forward and presented ten overarching strategic alliance recommendations. These are reproduced at Appendix A to this report. The strategic outline business case and strategic alliance recommendations were formally agreed by the Police and Crime Commissioners and Chief Constables on 23 June 2014.
- 3.3 The drivers for change for the alliance programme, identified in support of this programme of work and set out below, will chime with the challenges currently faced by the Authority:
- Financial imperative to provide continued service despite reduced funding
 - Sustainability of local policing/other services
 - Strategic direction set by Government/Her Majesties Inspector of Constabulary
 - Interoperability

- Resilience
- Ability to reinvest to meet new and emerging threats

3.4 With an agreement in place to work towards a strategic alliance, the alliance programme has moved to phase two, which includes:

- The development of all detailed business cases in relevant business areas that are in scope, by 31 March 2016;
- The development of the overarching programme deliverables that support the progress of detailed business cases; and
- Where a detailed business case is approved to ensure the recommended option/model is effectively implemented and business benefits are realised in the longer term

3.5 The strategic alliance is planned to deliver savings in the region of £12m that will be apportioned on a pro-rated basis between the two forces. The programme also intends to support greater cultural alignment between the two police forces and deliver transformational change by aligning and improving business processes and other ways of working. They will also be exploring the potential to develop a single ‘top team’ which will report to the respective Police and Crime Commissioners.

4. **WHAT IS A STRATEGIC ALLIANCE?**

4.1 Within policing, and as defined by Her Majesty's Inspectorate of Constabulary (HMIC), there is a specific definition of a strategic alliance, i.e. - *an agreement between two or more forces to pursue a set of agreed objectives, while retaining separate identities.*

4.2 Within a continuum of ‘working together’, a strategic alliance sits between the desire to remain independent and the full merger of two police forces (see table 1 below).

Continuum of Working Together					
Independent	Contracted Services	Collaboration	Strategic Alliance	Strategic Alliance (Single Organisational Leadership)	Force Merger

Table 1 - Continuum of Working Together

4.3 Her Majesty Inspectorate of Constabulary’s definition of a strategic alliance is not dissimilar to any standard definition of the term and should therefore not be considered unique to policing. Considering the broader definition there would be nothing to prevent the Authority from working with the police on any of these options and this potential is further strengthened by the recent changes in government policy and legislation related to such matters.

5. **OPTIONS FOR THE AUTHORITY TO CONSIDER**

5.1 It is clear that the government agenda is to drive closer working between the emergency services and especially between police and fire and rescue. In these circumstances, an option to ‘do nothing’ and remain independent is not one that it is felt the Authority would be in position to consider. This option assumes the Authority is confident with the plans in place to meet current and future challenges, or that there are other viable options available.

- 5.2 Elsewhere on the agenda for this meeting, the Authority will be considering plans to deliver savings in 2016-17 and will be invited to consider future plans for further savings in due course. In addition, further requirements for budget savings beyond this CSR period cannot be ruled out. It is also clear that government is committed to enabling closer working between police and fire and rescue and is intending to legislate to make this happen.
- 5.3 Adopting a “do nothing” approach would therefore restrict opportunities to further develop options to work with a key partners and would also be at odds with central government policy. If a “do nothing” option is, therefore, discounted at this stage then the remaining options available to the Authority would appear to be:
- (a) **Contracting services (in or out)**
 - (b) **Collaboration across a range of functions or services**
 - (c) **Full participation in the Strategic Alliance**

These options are now explored in more detail below.

(a) Contracting Services (in or out)

- 5.5 ‘Contracting services’ would involve entering into agreements with partners (e.g. the police) or other service providers to deliver specific, usually non-core, services, e.g. payroll, ICT, estates management, etc. at a rate that is less expensive than providing the service in-house and at the same or greater quality. As well as contracting ‘out’, there would also be the potential to contract services ‘in’ which would potentially generate income for the Authority.
- 5.6 The two main areas where the Devon & Somerset Fire & Rescue Service already contracts ‘in’ are; procurement services and - through Red One Ltd - training to commercial and public sector clients. Whilst not discounting the ability for other support functions to draw in additional revenue from selling services to others, the Service size and experience may limit the extent of this offer to other (smaller) Fire and Rescue Services. It is worth stating that there is not a strong track record of effective Fire Service to Fire Service back office collaboration. In addition, other upper tier local authorities already provide support service arrangements for other organisations and so the Service would be competing with larger organisations should the Authority wish to progress this arrangement.
- 5.7 Whilst not discounting the ability to participate fully in Strategic Alliance in the future, the Service would essentially be buying in services from it rather than shaping the nature of what would essentially be a shared service from within the Strategic Alliance. It should be noted that some areas have already been fully developed by Devon and Cornwall Police and Dorset Police and are being implemented. Therefore, whilst leaving the door open for future opportunities, this option does run the risk of missing the ability to shape the future as part of the Strategic Alliance.
- (b) Collaboration across a Range of Functions or Services**
- 5.8 Short of full participation in the Strategic Alliance, the Authority could support the option to seek a commitment to much closer ‘collaboration’ with the police. Collaboration is described as working together to achieve a defined and common business purpose (which is not dissimilar to the definition of a strategic alliance as set out in sec 4.1 above) and would align with government expectations.
- 5.9 It could be argued, however, that the focus of the police would be on their preferred option of implementing their Strategic Alliance and they may be reluctant to commit resources to other areas of work not closely associated with this shared aim.

5.10 The Service has a history and good track record of working closely with the police and has developed strong working relationships across various levels, so this option could be seen as extending, and formalising, work that is already taking place but – again - may not fully maximise the opportunities for driving down costs and improving quality of service. It is also worth noting that this option was discounted by Devon and Cornwall Police and Dorset Police who favoured the full Strategic Alliance.

(c) Full Participation in the Strategic Alliance

5.11 Working with the two police forces towards a commonly agreed aim of creating a broader 'Strategic Alliance' would be innovative and has the potential to generate significant cost savings as well as improved standards and resilience.

5.12 Informal discussions have indicated that, if agreed, the Authority would be in a position to exert influence and contribute fully to work identified as being 'in scope'. It is recognised that the Authority may well lead in some areas where there is the expertise and skills to do so and would bring its spend and resources in scope to generate a greater critical mass than would otherwise have been presented by Devon and Cornwall Police and Dorset Police working alone. This should result in even greater economies of scale benefiting (pro rata) all parties.

5.13 The Alliance Executive Board would need to agree to a formal extension to include the Authority. It is anticipated that Authority would contribute to the development of relevant business cases and reserve the right to approve (or otherwise) participation in any shared service model prior to implementation.

5.14 Since agreeing to commence the alliance programme, the police have dedicated significant resources, many on a full time basis, to support the work they have done to date. The Authority would need to be mindful of this and be assured that the impact of resourcing any potential engagement with the alliance would not adversely affect current planned activity.

5.15 To support this review, an Area Manager has been seconded to scope the opportunity and ensure that effective lines of communication are maintained between respective services.

5.16 The vision, critical success factors and guiding principles of the Strategic Alliance would need to be amended to accommodate Devon & Somerset Fire & Rescue Service priorities and there would be a need for the Service to support the existing programme arrangements in place rather than establish a separate process. This already includes programme governance, management of the programme (and associated projects) and its resources, benefits tracking and benefits realisation, risk management, communications and staff (and trade union) engagement. It also has arrangements in place to monitor the on-going financial, legal and staffing implications.

5.17 Should the Authority agree to this option, more detailed work would be for each business case presented to the Authority for initial consideration prior to declaring the function "in scope" for the Strategic Alliance.

5.18 Operational staff will be out of scope for the Strategic Alliance which is primarily focused on delivering improved efficiency and quality in back office services.

- 5.19 Business cases for specific areas of focus will be jointly developed to scope the potential costs/benefits of delivering the function in a different way. Where functions are already competitive in terms of cost and quality, there will be less benefit in developing an alternative model. Each will be determined on its own merits rather than attempt a full scale evaluation of full scale integration into the Strategic Alliance which would require significant time, energy and resource and in all reality will need to be built from specific businesses case for the potential benefits to be realistic and deliverable.

6. GOVERNANCE ARRANGEMENTS

- 6.1 Due to the potential implications of insourcing, outsourcing or merging any support service function, it is proposed that the Authority will approve any proposed changes affecting its services prior to the Alliance Executive Board determining whether or not to progress any particular option. There may be occasions where the Authority determines not to participate in any particular option, leaving Devon & Cornwall Police and Dorset Police to proceed, should they chose to do so, only in so far as their services are concerned.
- 6.2 The Authority's decision making and governance arrangements would, therefore, initially remain separate to that of the Strategic Alliance but would complement the arrangements in place.
- 6.3 For a programme of this size and strategic importance, it is essential that the appropriate governance arrangements are put in place. The existing Strategic Alliance programme governance structure (see fig.1 below) has been developed to align with the police's current governance model to ensure consistency with specific projects and programmes. It is also designed to be dynamic enough to ensure the appropriate speed of decision making for the programme. It has been stated that this governance structure will remain subject to review based on the progress of the programme.
- 6.4 One of the key roles of the Alliance Executive Board is to receive detailed business cases for approval. As indicated earlier, however, this Authority would be required to approve its own business case prior to any option being presented to the Alliance Executive Board that would affect the Authority's resources or services.

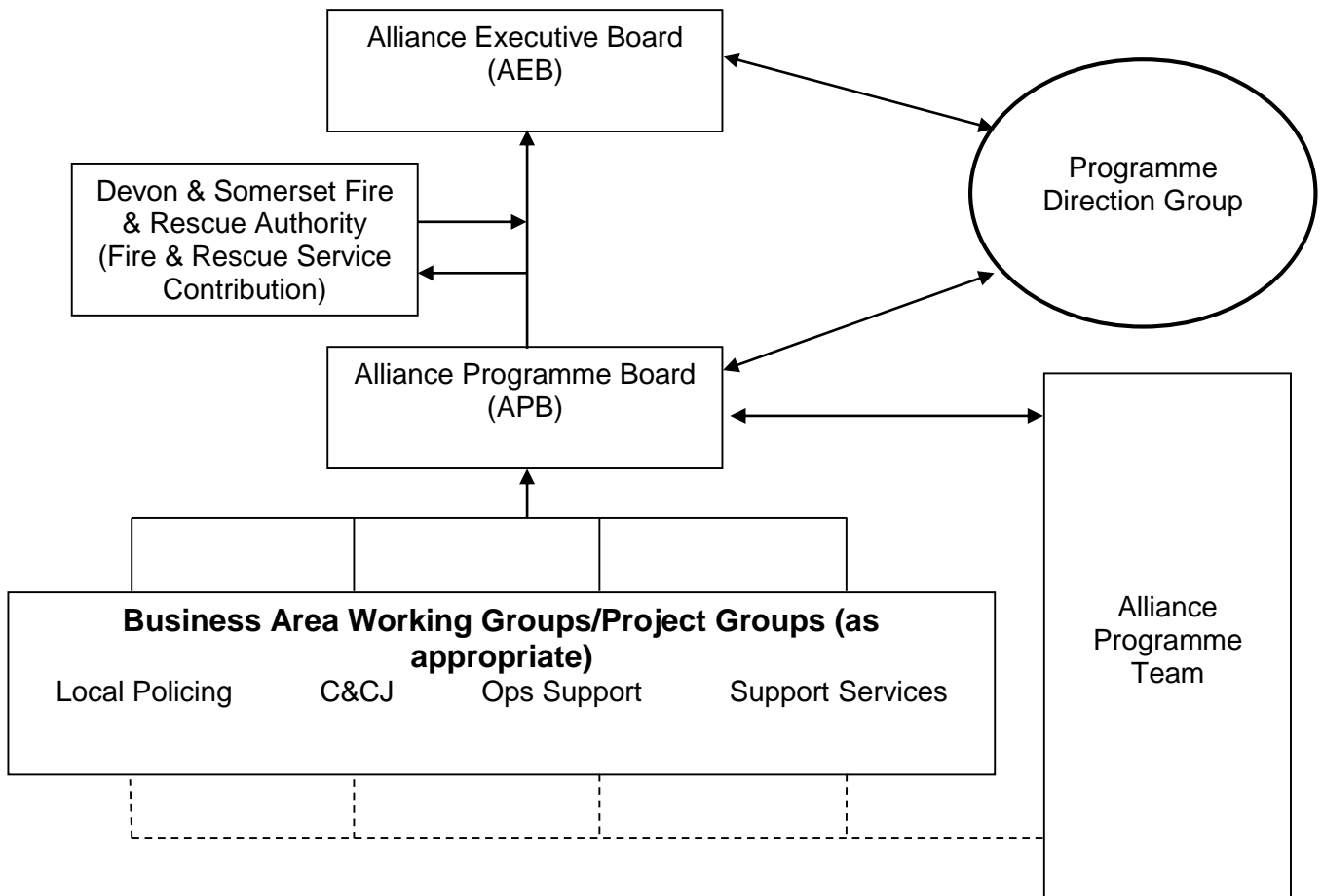


Fig. 1 Strategic Alliance Governance Structure

6.5 The meeting structure and roles and responsibilities of the various forums is set out in Appendix B to this report

7. **FINANCIAL IMPLICATIONS**

7.1 To calculate savings associated with the Strategic Alliance programme, the police have used the 2014/15 revenue budgets of each Force as means of establishing a financial baseline.

7.2 In scope budgets were split on a functional basis and not by organisational structure, to allow each to be reviewed on a “like for like” basis as far as possible. Identified savings were calculated across the two forces. A similar model could be adopted to incorporate any of the Authority’s functions.

7.3 It has been identified that the Strategic Alliance programme will require a mechanism for sharing the costs of the functions delivered through the Strategic Alliance. A principle of the Strategic Alliance is that both Forces realise financial and operational benefits from aligning services, which should be assessed across the total of the “in scope” work areas rather than on each of the work areas individually. As such, the cost sharing mechanism should support the objectives of the Strategic Alliance. The current Home Office Statutory Guidance for Collaboration (police collaboration) sets out some core principles for the funding model for any collaboration:

- The funding model should be financially sustainable and stable

- All parties should agree that the proposed sharing of costs and benefits is appropriate and equitable
- Greater financial contribution to the collaboration should not necessarily lead to greater control over the governance of the collaboration
- The parties should recognise that value for money may not be demonstrated by reconfiguration of a single funding model into individual accounting systems: they should not lose sight of the combined benefits that the collaboration brings
- The funding model should encourage participation in the collaboration
- The funding model should not stifle innovation
- The funding model should demonstrate value for money to the member organisations

7.4 There were a number of options identified for allocating the costs between the two Forces, including sharing on a simple ratio based on the proportion of total funding received, through to more complex options that consider demand and usage. Constraining the Forces were a number of issues that had to be considered before deciding the best mechanism for sharing costs. These included disparity in the Council Tax precepts, the degree of local control and flexibility required and the possibility for future changes in priorities.

7.5 Further detailed discussions would be required to assess the whole cost and benefits model should the Authority be minded to apply and be accepted as a partner in the Strategic Alliance.

8. NEXT STEPS

8.1 It is clear that the government is committed to ensuring that emergency services work more closely together and this appears particularly relevant to police and fire and rescue services. There are a range of options that the Authority could consider with participation, where a business case is made, in the Strategic Alliance appearing to be the most beneficial.

8.2 If the Authority decides to pursue participation in the Strategic Alliance, the Authority will be presented, for approval, with individual supporting business cases for each area considered "in scope". These will outline how it will add to the benefits already identified in the Strategic Alliance programme. These will need to be agreed by the Alliance Executive Board prior to being progressed. A top level strategic document is shown in Appendix C to this report.

LEE HOWELL
Chief Fire Officer

DEVON& CORNWALL AND DORSET OVERARCHING STRATEGIC ALLIANCE
RECOMMENDATIONS

- SA 1: To agree to the allocation of resources (phased as required) to the Programme Team and others to develop options for a Strategic Alliance between Devon and Cornwall Police and Dorset Police through the production of detailed business cases. In addition, external scrutiny will be provided in an assurance role to assist in the provision of challenge to the developing Business Areas.
- SA 2: That clear expectations are set for the Programme for detailed business cases to ensure targeted savings of £12m, in line with industry standards or other benchmarking
- SA 3: That a cost allocation model is produced and rolled out to the decision makers for discussion on 19th September 2014.
- SA 4: That the legal basis for any strategic alliance should be using Section 22A collaboration agreements. If a Section 22A collaboration agreement is not considered to be the most appropriate means of supporting the Strategic Alliance in any particular business area/function consideration be given to other potential legal frameworks in those areas/functions.
- SA 5: A separate report is commissioned to assess the costs of outsourcing individual business areas or a suitable combination of functions e.g. support services hub. The output of this would be to provide a market assessment of running costs for key functions delivered separately or collectively that can be used to benchmark against internal cases. The board notes the commitment of the PCCs and CCs to the delivery of in-house services moving forward and the use of the market assessment as part of providing future services as an 'at value equivalent' to other means of delivery.
- SA 6: A new governance structure is introduced to streamline current arrangements whilst allowing for regular updates of the decision makers in intervening times between major decisions.
- SA 7: To require the production of a clear people strategy to enable the successful support for a Strategic Alliance. This strategy should set out to what extent the terms and conditions of service of two organisations should be aligned for business benefit and then clearly assess the costs of achieving any changes.
- SA 8: To require the production of a clear technology strategy to enable the successful delivery for a Strategic Alliance. This strategy should set out to what extent that systems and associated processes across the two organisations should be aligned for business benefit and then clearly assess the costs of achieving any changes.
- SA 9: To prioritise necessary changes within the two ICT networks to facilitate effective project working between the two forces.
- SA 10: That the supporting vision and guiding principles contained within the Executive Supplementary paper are agreed.

STRATEGIC ALLIANCE GOVERNANCE STRUCTURE, ROLES AND RESPONSIBILITIES

To ensure the Programme delivers the required outcomes for this phase, the following meeting structure has been established.

Name	Frequency	Attendance	Role
Alliance Executive Board (AEB)	Monthly	2 x PCC 2 x CC 2 x DCC 2 x CE 2 x Treasurer SRO Programme Director 1 x Comms Manager Other COG members and Heads of Corporate Comms as and when required	The 4 Corporation Soles to make key strategic decisions regarding the overriding principles of the Strategic Alliance programme and whether to proceed to implementation including deciding on the preferred model To ensure briefing of regional colleagues To receive programme updates and Detailed Business Cases for approval
Programme Direction Group (PDG)	Weekly (Teleconference)	2 x DCC (Joint Chairs) 2 x CE SRO Programme Director	Exception reporting group to ensure the Programme delivers upon the predicted benefits and outcomes. To receive exception reports and assist in managing other issues potentially impacting on the Programme
Alliance Programme Board (APB)	Monthly	SRO (Chair) Programme Director Business Area Leads 2 x OPCC Reps All Programme Specialists 2 x Force Business Change Leads	Ensure the Programme delivers within its agreed parameters and will resolve the majority of decisions and any strategic or direction issues required for the Programme
Staff Association and Trade Union Group	Monthly	SRO (Chair) Programme Director Strategic HR Lead	A mechanism for keeping all Staff Associations and Trade Unions briefed. A forum for raising issues of concern.
Business Area Working/Project Groups	As necessary	As appropriate (at SRO and Leads discretion)	
Alliance Programme Team (APT)	Weekly (tasking and co-ordination)	All Programme Team	To support all meetings/groups and subsequent deliverables within the business areas.

**STRATEGIC LEVEL CONTRIBUTION OF DEVON & SOMESSET FIRE & RESCUE AUTHORITY
("THE AUTHORITY") TO THE STRATEGIC ALLIANCE**

- 1) It is clear that the Government is committed to ensuring that emergency services work more closely together and this appears particularly relevant to police and fire and rescue services.
- 2) To support this, responsibility for Fire and Rescue Service policy has moved from the Department for Communities and Local Government to the Home Office. The police and fire and rescue services now share the same Secretary of State and Government Minister.
- 3) At a strategic level in the South West, the Emergency Services Forum has been established to bring together the most senior emergency service political and professional leaders to explore better collaboration and opportunities to reduce costs and improve services to the public.
- 4) At a more practical level, the Devon and Cornwall Police and Dorset Police Strategic Alliance provides an attractive opportunity for the Authority to participate in a well-managed and advanced programme of efficiency and reform at a scale that is attractive.
- 5) In return, the Authority offers a strong track record in innovation in such areas as collaborative procurement (at a national level), training and commercial expertise through having established a commercial trading company, and estate expertise and advanced market engagement (including the appointment of commercial agents who are exploring opportunities to drive value through maximising the effective use of assets).
- 6) Employing 2,300 members of staff (2,000 Firefighters) with a budget of £75m, the Authority brings additional resources to the established Strategic Alliance which will deliver greater scale and in doing so, greater potential for efficiency for partners.
- 7) Accommodation on over 90 sites covering the two geographical counties of Devon and Somerset also provides a wide geographical footprint and with Devon & Cornwall Police Headquarters only 3 miles from Fire Service Headquarters, opportunities to consider co-location and shared estates is an obvious example of a potential area for further development.
- 8) Devon & Somerset Fire & Rescue Service is also making significant advances on a systems based approach to generating efficiency, maintaining a primary focus on public and staff safety and in addition is using the European Foundation for Quality Management (EFQM) Model to ensure its progress towards excellence is benchmarked against private and public sector organisations.
- 9) The Authority's continuous improvement journey is articulated in "Our Plan":
<http://www.dsfire.gov.uk/AboutUs/WhatWeDo/OurCorporatePlan/documents/CreatingSaferCommunitiesOurPlan20152020.pdf>
- 10) Areas of focus (not exhaustive) are shown overleaf:

Areas of Focus

- Audit, Risk & Insurance
 - Catering
 - Commercial Services
 - Community & Workplace Equalities
 - Community Resilience
 - Corporate Communications
 - Corporate Support
 - Emergency Planning
 - Estates
 - Finance
 - Fitness Advice
 - Fleet
 - Health & Safety
 - Human Resources (HR)
 - Information and Communications Technology (ICT)
 - Learning & Workforce Development
 - Legal Services
 - PA/Secretarial
 - Payroll
 - Performance & Analysis
 - Procurement
 - Risk/Call Reduction
 - Stores
 - Strategy & Business Change
- 11) Operational staff will be out of scope for the Strategic Alliance which is primarily focused on delivering improved efficiency and quality in back office services.
- 12) Business cases for specific areas of focus will be jointly developed to scope the potential costs/benefits of delivering the function in a different way. Where functions are already competitive in terms of cost and quality, there will be less benefit in developing an alternative model. Each will be determined on its own merits rather than attempt a full scale evaluation of full scale integration into the Strategic Alliance which would require significant time, energy and resource and in all reality will need to be built from specific businesses case for the potential benefits to be realistic and deliverable.

REPORT REFERENCE NO.	DSFRA/16/6
MEETING	DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	EMERGENCY SERVICES MOBILE COMMUNICATIONS PROGRAMME (ESMCP)
LEAD OFFICER	Chief Fire Officer
RECOMMENDATIONS	<i>that, subject to receipt of satisfactory assurances to the risks identified in paragraph 4.2 of this report, the Chief Fire Officer be delegated authority, in consultation with the Chairman of the Resources Committee, to confirm this Authority's intention to migrate to the new Emergency Services Network as part of the ESMCP.</i>
EXECUTIVE SUMMARY	<p>The existing contract for a mobile communications service (Firelink for the fire service) is due to expire between 2016 and 2020. The Emergency Services Mobile Communications Programme (ESMCP) is the preferred option of the Department for Communities and Local Government (DCLG) for replacing this contract.</p> <p>DCLG has indicated that it will meet all reasonable transition costs in moving between the contracts.</p> <p>While other options are available to fire and rescue authorities, there are significant risks in not joining the nationally preferred contract and DCLG will not provide funding for transition to any alternative selected.</p> <p>Fire and rescue authorities must indicate their intention to migrate to ESMCP or not by 25 March 2016</p>
RESOURCE IMPLICATIONS	Nil
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing human rights and equalities legislation
APPENDICES	A. Emergency Services Mobile Communications Programme (ESMCP) Financial Information and Sign-Off Pack for the Devon & Somerset Fire & Rescue Authority
LIST OF BACKGROUND PAPERS	Nil

1. INTRODUCTION

- 1.1 The purpose of this paper is to provide the Authority with the information required to make an informed decision about participation in the Emergency Services Mobile Communications Programme (ESMCP), intended to deliver a new Emergency Services Network (ESN.)
- 1.2 The Department for Communities and Local Government (DCLG) has committed to provide all reasonable transition funding for those fire and rescue authorities moving on to ESMCP. Before significant funding is provided to fire and rescue authorities, however, DCLG requires Chief Fire Officers (or appropriate individuals) to provide a signed commitment to take up the new service. This is required by 25 March 2016.
- 1.3 DCLG believes that the ESMCP provides the best solution for updating and enhancing the fire and rescue service's emergency communications system having identified the following benefits:
- cheaper overall when compared to Firelink costs, saving the fire and rescue service nationally some £80m up to 2032;
 - fire and rescue services will be able to make further efficiencies by reconfiguring data and connections to suit their specific needs and by deciding on the scale and timing of device refresh;
 - future savings are likely as the new ESN is linked to commercial providers and as such tenders will take place in a competitive environment rather than via a monopoly provider;
 - DCLG will support fire and rescue services with the cost of transition, removing a potentially costly barrier;
 - DCLG believes the new system will be more interoperable, resilient and will support data functions better than the current system
- 1.4 To assist fire and rescue authorities in deciding whether or not to commit to the ESMCP, DCLG has produced a Financial Information and Sign-Off Pack. A copy of the pack for this Authority is attached at Appendix A. This pack indicates, amongst other things, indicative net savings/costs for the Authority of adopting the ESMCP solution. It should be stressed that these figures are **indicative only**. As indicated in Section 4 of this report, this Authority would seek a number of reassurances, including that transition costs will be met in full and that the indicative operating costs are indeed realistic, prior to commitment to the ESMCP.

2. BACKGROUND

- 2.1 ESMCP is a cross-government programme to replace the existing mobile communications service for the three emergency services (Firelink for the FRS) with a new commercial system based on 4G LTE.
- 2.2 Overall the objectives of ESMCP are to be:
- Better with integrated broadband data services; public service functionality; national coverage and high availability.
 - Smarter to be more flexible, to evolve and improve over time, pay only for features required by users.

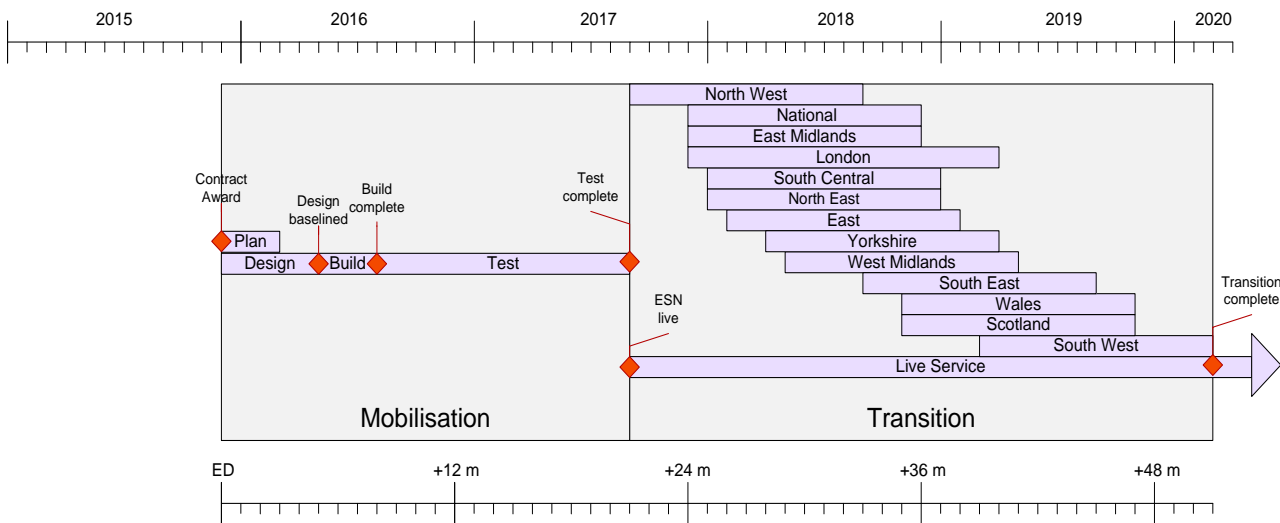
- Cheaper to address budget pressures, re-competed regularly to leverage market forces.

2.3 There are three strategic drivers that are influencing the scope and timing of ESMCP’s development. These are that:

- current contracts for the three services (provided by Airwave) expire between 2016 and 2020 and cannot readily be extended. As such there will be no Airwave Firelink service from the end of 2020 meaning that now is a good time to procure an alternative system;
- the current Airwave Firelink service is already significantly more expensive than similar public safety systems in Europe and price trends for publically available mobile telephony;
- users within the three emergency services are increasingly requiring broadband data (not just voice communications) to support operational transformation. This cannot be met by current Airwave technologies.

2.4 The delivery and realisation of the new Emergency Services Network via ESMCP will take place in two major stages. Initially there will be a transition stage whereby fire and rescue services will prepare for and undertake the switch to ESN, followed by the “steady state” stage whereby fire and rescue services will be fully utilising the ESN.

2.5 The table below provides the baseline timetable for how and when the mobilisation and transition process will operate.



2.6 As with many significant change programmes, ESMCP will incur some significant transition costs as fire and rescue services move from one communications system to another. To secure a smooth and effective transition, DCLG has made a commitment to support fire and rescue authorities in meeting the costs of transition. Details regarding the individual costs of transition will be provided over the first two quarters of 2016.

- 2.7 During their transition, fire and rescue authorities will continue to pay the costs of Firelink (and receive the associated New Burdens Grant) until the point at which they have completed transition and no longer require a connection to Airwave (except for interworking in instances of mutual aid). Once a fire and rescue authority has completed its transition fully, it will then begin paying for the ESN service, benefitting from the greater functionality this provides - in most cases at a lower cost. DCLG contends, therefore, that it is in the best interests of a fire and rescue authority to facilitate a timely completion of transition to maximise the reduced costs benefit of ESN. There will be no period when a fire and rescue authority will be paying for both Airwave and ESN.
- 2.8 DCLG has indicated it will provide funding for:
- Local Transition Support;
 - Control Rooms and Public Services Network;
 - Vehicle Installations;
 - Devices;
 - Regional Implementation Managers.
- 2.9 The figures for devices, connections and vehicle installations and fit-outs have been derived from a DCLG survey conducted in April 2014. Whilst DCLG believes that this survey gives a good indication of costs, it is understood that some changes are likely to occur. The programme will undertake a more up to date survey during Spring 2016.

3. OPTIONS

- 3.1 Whilst DCLG is currently not mandating the take up of ESMCP, it is strongly recommending that fire and rescue authorities sign up to the system both from a financial and operational perspective.
- 3.2 DCLG recognises that fire communications systems continue to be the responsibility of each individual fire and rescue authority. Central government has a strong interest, however, in ensuring that the country is fully prepared to deal with civil contingency issues. As such the Government believes it is important to have in place a communications system that enables inter-operability working across boundaries and the emergency services. Any emergency services communications must therefore be robust and resilient, using the latest technology to aid the delivery of a more effective service.
- 3.3 The Government considered a range of options for updating emergency service communications as part of the Outline Business Case for ESMCP. The result of this options analysis was that ESMCP (an enhanced commercial Long-Term Evolution network) provided a compelling case going forward. ESMCP will provide a system that is:
- robust, interoperable and contains data capabilities
 - smart in that it only charges only for what is used
 - cheaper overall than the existing system
 - contains scope for future efficiencies as it is linked to a commercial system.

- 3.4 In deciding whether to go ahead with ESMCP, the Authority should be aware that maintaining the status quo (Airwave system) will not be an option. Airwave is due to come to an end in 2019 (with scope for a further one year contractual extension until 31 December 2020). As such, a change in communication system will need to take place regardless of whether the Authority decides to sign up to ESMCP or not.
- 3.5 The table below highlights a variety of alternatives to ESMCP together with the Government's rationale as to why these are not viable when compared to the benefits that ESMCP will bring.

Economic Option	Description
Option1 – Do Nothing	Existing Airwave contracts naturally expire. No central involvement in procurement of replacement services.
Option 2– Continue with a TETRA network (Do minimum)	Procure a private TETRA network with public safety voice and narrow-band data augmented by locally-procured operational broadband data services. This requires 400MHz spectrum which is not available until 2020
Option 3 –Build a new private LTE network	Procure a private LTE network with public safety voice and broadband data services. This requires 700MHz spectrum which is unlikely to be available until 2020
Option 4 – Enhanced Commercial LTE Service*	Transition to a commercial LTE network when Airwave contracts expire. Additional procurement of necessary public safety features to enhance the network

4. NEXT STEPS

- 4.1 DCLG requires a formal response from each fire and rescue authority's Chief Fire Officer, by Friday 25 March 2016, as to whether or not they intend to migrate onto the new Emergency Services Network as part of the ESMCP. This will allow DCLG to have the assurance it needs to be able to distribute the required funding for transition in line with the Programme timescales.
- 4.2 The following risks have been identified with the proposal received from DCLG that require further clarification prior to CFO sign off:
- confirmation that absolutely all transition costs will be met and that the operating figures provided in the financial information (although indicative) are realistic; and
 - confirmation that the geographical coverage of ESMCP will be at least as good as the current Airwave provision.
- 4.3 These queries have been raised through the Regional Co-ordination Manager.

- 4.4 In light of this, it is recommended that, subject to receipt of satisfactory assurances to the risks identified in paragraph 4.2 above, the Chief Fire Officer be delegated authority, in consultation with the Chairman of the Resources Committee, to confirm this Authority's intention to migrate to the new Emergency Services Network as part of the ESMCP.

LEE HOWELL
Chief Fire Officer

**Emergency Services
Mobile Communications
Programme (ESMCP)**

**Fire and Rescue
Authorities Financial
Information and Sign Off
Pack**

Devon and Somerset FRA

CONTENTS

1.0 Introduction	3
2.0 Assumptions	4
3.0 ESMCP Background	4
4.0 The Financial Rationale	6
5.0 The Indicative Financial Figures for your FRA	9
6.0 Issues with Alternatives to ESMCP	10
7.0 FRA Required Response to DCLG	13
8.0 Next Steps	13
Annex A - Sign Off Emails for DCLG	14
Annex B - Overview of Options for Replacement of Emergency Services Communications	15

1.0 Introduction

- 1.1 The purpose of this pack is to provide Fire and Rescue Authorities (FRAs) with the information they require to make an informed decision about their participation in the Emergency Services Mobile Communications Programme (ESMCP) which will deliver a new Emergency Services Network (ESN.)
- 1.2 DCLG has committed to provide all reasonable transition funding for FRAs moving on to ESN. This process will begin with the mobilisation phase in spring 2016. As such, before significant funding is provided to FRAs, DCLG requires Chief Fire Officers (or appropriate individuals) to provide them with a signed commitment that they would like to take up the new service (see Annex A.)
- 1.3 The Pack provides summary information about the Programme rationale and its benefits for the fire service from both an operational and financial perspective. In particular this pack:
- Provides an explanation of the Programme's transition and steady states and the financial implications involved
 - Provides an indication about the likely costs for your FRA of the ESN through its steady state up to 2032
 - Highlights where there may be scope for additional efficiencies by FRAs
 - Demonstrates that the potential alternatives to participation in ESMCP carry significant risks for FRAs both from a financial and operational perspective
 - Asks FRAs to provide the Department for Communities and Local Government (DCLG) with a decision about whether your FRA intends to participate in the ESMCP going forward.
- 1.4 DCLG believes that the ESMCP provides the best solution for updating and enhancing the Fire Service's emergency communications system. From a financial perspective it is cheaper overall when compared to Firelink costs, saving the Fire Service some £80m up to 2032. In addition the ESMCP allows Fire and Rescue Services (FRSs) to make further efficiencies by reconfiguring data and connections to suit their specific needs and by deciding on the scale and timing of device refresh. Further savings are likely to be made in the future as the new ESN is linked to commercial providers and as such retenders will take place in a competitive environment rather via a monopoly provider (as is the case at the moment.) Furthermore DCLG will support FRSs with the cost of transition, removing a potentially costly barrier. From an operational perspective DCLG believes the new system will be more interoperable, resilient and will support data functions better than the current system. It will also be better able to respond to innovations in the mobile communications market as it is linked to commercial providers.

2.0 Assumptions

- 2.1 This paper uses a number of assumptions to calculate the annual costs of ESN for your individual FRA. It is important to stress that the figures within this pack are indicative. Whilst we believe that the figures in this pack provide a good representation of the likely costs involved, in reality the final figures for an FRA will depend on a range of local decisions (such as configuration of data and connections and device refresh.)
- 2.2 The assumptions within this pack (such as the timeline for transition and the costs for Airwave) derive from the Programme's Full Business Case. If you would like to discuss these assumptions, please do not hesitate to contact the DCLG Policy Team at chris.hall@communities.gsi.gov.uk.
- 2.3 The figures for devices, connections and vehicle installations and fit-outs have been derived from the As-Is2 survey which the Home Office collected in April 2014. Whilst DCLG believes that this survey gives a good indication of costs, we understand that some changes are likely to occur (or have occurred) before mobilisation begins in 2016. The Programme will undertake a more up to date survey prior during spring 2016.

3.0 ESMCP Background

- 3.1 ESMCP is a cross-government programme to replace the existing mobile communications service for the three emergency services (Firelink for the FRS) with a new commercial system based on 4G.
- 3.2 Overall the objectives of ESMCP are to be:
- **Better** with integrated broadband data services; public service functionality; national coverage and high availability.
 - **Smarter** to be more flexible, to evolve and improve over time, pay only for features required by users.
 - **Cheaper** to address budget pressures, re-competed regularly to leverage market forces.
- 3.3 There are three strategic drivers that are influencing the scope and timing of ESMCP's development. These are that:

OFFICIAL

- Current contracts for the three services (provided by Airwave) expire between 2016 and 2020 and cannot readily be extended. As such there will be no Airwave Firelink service from 2020 meaning that now is a good time to procure an alternative system.
- The current Airwave Firelink service is already significantly more expensive than similar public safety systems in Europe and price trends for publically available mobile telephony.
- Users within the three emergency services are increasing requiring broadband data (not just voice communications) to support operational transformation. This cannot be met by current Airwave technologies.

3.4 The intended scope of ESMCP will include 44 police forces, 50 fire and rescue services (including those in Scotland and Wales) and 13 Ambulance Trusts. A range of other civil contingency user organisations will also join ESMCP as second tier users. Overall this means that the system is likely to have approximately 300,000 users.

3.5 FRS transition on to the new ESN is due to begin with the mobilisation phase in 2016 and will be complete by January 2020 by which time all FRSs will be in a steady state. The steady state will last until the end of the financial year 2032 by which point a retendering of the contracts will have taken place.

3.6 DCLG recognises that Fire communications systems continue to be the responsibility of each individual FRA. However central government has a strong interest in ensuring that the country is fully prepared to deal with civil contingency issues. As such the Government believes that it is important to have in place a communications system that enables inter-working across boundaries and between the three emergency services. Furthermore the Government believes it is important to ensure that emergency services communications are robust and resilient, using the latest technology to aid the delivery of a more effective service.

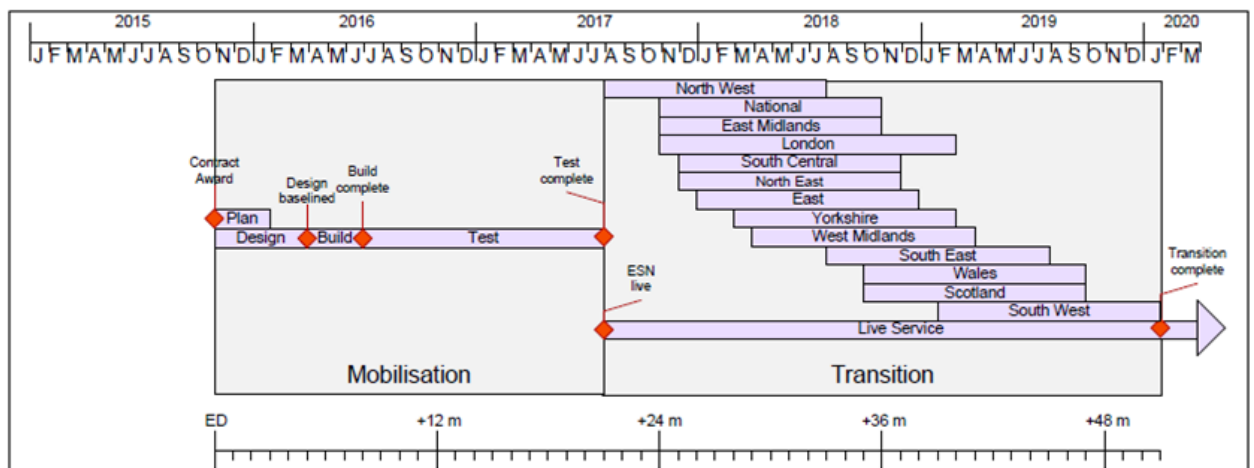
3.7 As such, whilst DCLG is currently not mandating take up of ESMCP, it is strongly recommending that FRAs sign up to the system, both from a financial perspective (the fire service as a whole stands to make significant savings of approximately £80m) but also from an operational perspective.

4.0 The Financial Rationale

4.1 The delivery and realisation of the new Emergency Services Network via ESMCP will take place in two major stages. These will be a transition stage whereby FRs will prepare for and undertake the switch to ESN and the steady state stage whereby FRs will be fully utilising the ESN.

Transition Stage

4.2 The table below provides an indicative timetable regarding how and when the mobilisation and transition process will operate.



4.3 As with many significant change programmes, ESMCP will incur some significant transition costs as Fire Services move from one communications system to another. In order to help achieve a smooth and effective transition, DCLG has made a commitment to support FRAs in the cost of transition. Whilst we are not yet in a position to confirm funding on an individual basis, a total of £50.4m will be made available to FRAs to fund transition.

4.4 Details regarding the individual costs of transition will be provided over the first two quarters of 2016. However as DCLG requires a commitment from FRAs prior to providing transition funding, it was deemed prudent provide the indicative costs at the earliest opportunity.

4.5 During their transition FRAs will continue to pay the costs of Firelink (and receive the associated New Burdens Grant) until the point at which they have completed transition and no longer require a connection to Airwave (except for interworking in instances of mutual aid.) Once an FRS has completed its transition it will then begin paying for the

OFFICIAL

ESN service, benefitting from the greater functionality this provides, and in most cases, a lower cost. It is therefore in an FRA's interest to facilitate a timely completion of transition in order to benefit from reduced costs of ESN. There will be no period when an FRA will be paying for both Airwave and ESN.

4.6 DCLG will provide funding for:

4.7 Local Transition Support – DCLG has previously agreed with Fire Customer Group the funding for Local Transition Support. This includes roles such as local project managers, control room managers and training. We would encourage local collaboration within transition regions and would welcome a lead authority model. Grant Payment would be made on an annual basis by Section 31.

4.8 Control Rooms and PSN – Due to the degree of variation in Control Room solutions, as part of the future control room scheme, and therefore the path for upgrade required for ESMCP, it is appreciated that there is not likely to be any simple, one size fits all calculation for splitting transition grant. As such, it is our intention to request bids for control room upgrades, based on quotes received following engagement with suppliers, in the new year with a view to agree funding at the appropriate stage. FRAs and Control Room Partnerships would be expected to make reasonable bids, with a focus on completing all control room upgrades required to deliver ESN functionality by commencement of transition.

4.9 Vehicle Installations – DCLG and the Programme have made an estimate on the anticipated cost for Vehicle Installations. We would propose to fund FRAs (proportionately) on the basis of the number of Fire Appliances. FRAs who intend to collaborate on vehicle installations will then have the flexibility to combine pots or appoint a lead authority.

4.10 Devices – DCLG has committed to fund ESMCP devices, however we also want to encourage flexibility for local decision making within Fire and Rescue Authorities. As such we would seek to provide funds to FRAs for the replacement of existing devices, based on the Programme's calculations. Local FRAs would have the flexibility to purchase from the Device Catalogue at the cost level and in volumes they wish. DCLG will only be providing funding for devices during the transition stage. Individual FRAs will have the flexibility to determine their own device refresh in steady state (although the indicative costs provided in this paper include a full refresh taking place over a five/six year period.)

4.11 Regional Implementation Managers – In addition to the above funding for Local Transition Support the Department will be funding a Regional Implementation Manager for each of the 10 Regions in England. They will be required to coordinate the transition

OFFICIAL

of FRS and they will be responsible for monitoring and ensuring the core elements of the programme are delivered locally, but not the Non-Core (Vehicle Fit outs, Devices, Control Room upgrades).

- 4.12 Over the next few months DCLG will put in place a process for receiving bids for Control Room and PSN upgrades, with a view to begin receiving bids in 2016. For the other elements of Transition Funding we would intend to work with the Programme and Delivery Partner to confirm how many vehicle fit-outs and replacement devices (either Handheld or Vehicle) are required.

Steady State Stage

- 4.13 Overall the Programme estimates that ESN will produce at least an £80m saving to English Fire and Rescue Authorities nationally between 2020 and 2032. This indicates a strong value for money case for ESN. Furthermore the vast majority of FRAs will make a saving on the costs they were paying for the Airwave system. As such, DCLG believes that this saving combined with the support for transition costs makes a compelling case for FRA sign up.

- 4.14 However, there are a few FRAs (usually those authorities that have enjoyed generous subsidies for Airwave) who will see their individual costs rise. In most of these cases, FRAs will only see a small rise, however for a few it may be more significant.

- 4.15 There is however scope within the programme for an FRA to make efficiencies which will reduce their individual bill – meeting a long term wish of FRSs which have had fixed-price bills under Firelink. Non-Core costs (i.e. those for connections and data usage) are locally driven. In other words, an FRA will only pay for what they use. As such there may be scope to make savings on data and connection charges by reconfiguring devices to suit the specific needs of a particular fire service. Furthermore, the scale and timing of any device refresh will be up to individual services (the model at 5.0 provides for a full refresh of devices in the steady state, the cost of which would fall to the FRS.)

- 4.16 In order to help those FRAs that will see their individual costs rise, an element of tapering has been included within the modelling/indicative costs for the Core element on a declining basis (75%, 50%, 25%) for the first 3 years of ESN. This will mean that those FRAs affected by higher costs will not see a sudden rise but rather a gradual increase.

5.0 The Indicative Financial Figures for your FRA

Indicative ESN Costs to Devon and Somerset FRA

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Core	£-	£26,995	£168,436	£173,663	£195,250	£210,268	£214,609	£219,552	£224,598	£229,748	£235,004	£240,368	£245,843	£247,627
Data	£-	£7,986	£48,291	£53,013	£52,841	£52,841	£52,841	£52,841	£52,841	£52,841	£52,841	£52,841	£52,841	£52,841
Devices	£-	£-	£-	£-	£15,131	£34,982	£8,307	£130,602	£97,080	£31,986	£38,623	£4,971	£-	£-
Total	£-	£34,981	£216,727	£226,677	£263,222	£298,091	£275,756	£402,995	£374,519	£314,575	£326,468	£298,180	£298,684	£300,469

Indicative Airwave Costs to Devon and Somerset FRA over same period – [Please note Airwave cannot continue post Dec-2020 at the latest]

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Airwave	£-	£70,504	£511,150	£521,373	£531,801	£542,437	£553,285	£564,351	£575,638	£587,151	£598,894	£610,872	£623,089	£635,551

Indicative Net Saving/Cost to Devon and Somerset FRA

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Net Saving / Cost of ESN	£-	£(35,523)	£(294,423)	£(294,696)	£(268,578)	£(244,346)	£(277,529)	£(161,356)	£(201,119)	£(272,576)	£(272,426)	£(312,691)	£(324,405)	£(335,082)

6.0 Issues with Alternatives to ESMCP

6.1 Whilst DCLG is currently not mandating the take up of ESMCP, it is strongly recommending that FRAs sign up to the system both from a financial and operational perspective.

6.2 The Government considered a range of options for updating emergency service communications as part of the Outline Business Case for ESMCP (these are summarised at **Annex B.**) The result of this options analysis was that ESMCP (an enhanced commercial Long-Term Evolution network) provided a compelling case going forward. ESMCP will provide a system that is:

- Robust, interoperable and contains data capabilities
- Smart in that it only charges only for what is used
- Cheaper overall than the existing system
- Contains scope for future efficiencies as it is linked to a commercial system.

6.3 In deciding whether to go ahead with ESMCP, FRAs will need to be aware that maintaining the status quo Airwave system will not be an option. Airwave is due to come to an end in 2019 (with scope for a further one year contractual extension until 31 December 2020) As such a change in communication system will need to take place regardless of whether an FRA decides to sign up to ESMCP or not.

6.4 Furthermore it will be important in making a decision about ESMCP that FRAs which have a formal relationship with other FRAs (such as the sharing of a Control Room) ensure that they have regard to what their partner organisations intentions are and the potential impact that this might have on future working relationships.

6.5 DCLG believes that ESMCP offers the best communications system going forward. As such DCLG will only contribute to transition costs for FRAs moving onto ESMCP as a Tier 1 user. It will not provide any support to FRAs wishing to choose alternative methods of communications.

6.6 The table below highlights a variety of alternatives to ESMCP and an explanation regarding why the Government believes they are not viable when compared to the benefits that ESCMP will bring.

Option	Potential Issues
<p>Do Nothing (Continuation of Airwave)</p>	<ul style="list-style-type: none"> • DCLG’s current contract with Airwave runs out at the end of 2019 (with a possible extension to end of 2020) • As such the Fire Service will need to re-procure a communications service whether or not they are part of ESMCP. • Even if we could continue with Airwave, we would have to incur the higher costs associated with a monopoly provider. • In addition the Airwave system is becoming increasingly outdated – as it is based on voice rather than data communications which are increasingly used by Fire Services.
<p>Procure own 4G Network for your FRA</p>	<ul style="list-style-type: none"> • Likely to be more expensive than joining ESMCP which provides a 4G network and has gained cost efficiencies by negotiating on behalf of a wide range of users. • If provided by an organisation that is different to the ESMCP provider, the network is unlikely to be interoperable with other ESMCP users • The FRA would be responsible for its own procurement and delivery. This risks not having completed the transition to a new system by the time Airwave Firelink contacts end in 2019 or 2020
<p>Become a Tier 2 User within the Programme*</p>	<ul style="list-style-type: none"> • Likely to be more expensive for the FRA over the long term as connection and costs will be higher for Tier 2 users. • There will be no DCLG financial support available for undertaking this option • Will have no influence over Control Rooms going forward • Will need to assess the impact of the relationship with other FRAs with whom they have a formal relationship.
<p>Procure your own Radio (Tetra) System or Revert to Existing Legacy System</p>	<ul style="list-style-type: none"> • There is no guarantee that the procurement and delivery of a new system will be cheaper for an FRA than ESMCP participation • These systems will not be interoperable with other fire services or organisations other using the Emergency Service Network (ESN) • There may be resilience issues if coverage is not as good as the new ESN (which will be at least as good as Airwave)

OFFICIAL

- There will be no financial support from DCLG either for transition or steady state
- Broadband provision will be included. This is increasingly being used for fire services and so an alternative solution will need to be found.
- This system will not be future proofed to take advantage of a developing commercial 4G market.
- The impact on formal Relationships with other FRAs that are using ESN will need to be addressed.

* Apart from the 3ES, there are a significant number of government and other public safety users totalling over 300 organisations all with individual ASL contracts, known as sharers. Under the current ESMCP model these organisations will be known as Tier 2 organisations.

7.0 FRA Required Response to DCLG

- 7.1 DCLG will require a formal response from each FRA's Chief Fire Officer regarding whether or not they intend to migrate onto the new Emergency Services Network as part of the ESMCP. This will allow DCLG to have the assurance it needs to be able to distribute the required funding for transition in line with the Programme timescales.
- 7.2 A draft confirmation letter to be signed and returned to DCLG is attached at **Annex A**. In order to ensure that payments are made promptly we would ask that DCLG receive this letter no later than Friday 25th March 2016.

8.0 Next Steps

- 8.1 Between January and March 2016 members of the ESMCP Policy Team within DCLG shall arrange a number of meetings with FRAs around the country to discuss their particular ESMCP figures. If you feel that your FRA would benefit from such a conversation or if you have any specific queries about this pack or the sign off procedure, please contact Chris Hall at chris.hall@communities.gsi.gov.uk.
- 8.2 As noted at paragraph 7.2, DCLG require the signed response letter by Friday 25th March 2016.
- 8.3 Following FRA sign up to ESMCP, DCLG will make the appropriate funding payments via a Section 31 grant (subject to legal/financial approvals), in time for the transition arrangements.

Annex A – Sign Off Emails for DCLG

- DCLG has committed to provide all reasonable transition funding for FRAs moving on to ESN. This will begin with the mobilisation phase in spring 2016. As such, before significant funding is provided, DCLG requires Chief Fire Officers (or appropriate individuals) to provide them with a commitment that they would like to take up the new service.
- If your FRA would like to proceed with ESMCP we would be grateful if your Chief Fire Officer (or appropriate person) could sign, scan and email the statement below to DCLG’s Policy Official at chris.hall@communities.gsi.gov.uk by 25th March 2016.
- Alternatively if your FRA does not wish to sign up to the new network, we would be grateful if you could sign, scan and email the alternative statement below to DCLG at the same email address.

Confirmation of Transition to the Emergency Services Network

I can confirm that Devon and Somerset FRA will transition on to the new Emergency Services Network via the Emergency Services Mobile Communications Programme (ESMCP). I understand that the Department for Communities and Local Government (DCLG) will provide all reasonable transition funding for the Programme between 2016 and 2019.

Signed Date.....
Chief Fire Officer - Devon and Somerset FRA

Rejection of the Emergency Services Network

I can confirm that Devon and Somerset FRA will not transition on to the new Emergency Services Network via the Emergency Services Mobile Communications Programme (ESMCP).

Signed Date.....
Chief Fire Officer - Devon and Somerset FRA

Annex B - Overview of Options for Replacement of

Emergency Services Communications.

Economic Option	Description
Option1 – Do Nothing	Existing Airwave contracts naturally expire. No central involvement in procurement of replacement services.
Option 2– Continue with a TETRA network (Do minimum)	Procure a private TETRA network with public safety voice and narrow-band data augmented by locally-procured operational broadband data services. This requires 400MHz spectrum which is not available until 2020
Option 3 –Build a new private LTE network	Procure a private LTE network with public safety voice and broadband data services. This requires 700MHz spectrum which is unlikely to be available until 2020
Option 4 – Enhanced Commercial LTE Service*	Transition to a commercial LTE network when Airwave contracts expire. Additional procurement of necessary public safety features to enhance the network

*From the ESMCP Outline Business Case – “The cost benefit analysis concludes that Option 4 is the preferred option on the basis that it represents the highest Net Present Value. Option 4 also provides the most non-financial benefits and critically delivers the non-financial benefits of interoperability required to meet the Programme’s objectives”

This page is intentionally left blank

REPORT REFERENCE NO.	DSFRA/16/7
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	THE LOCALISM ACT 2011 – PAY POLICY STATEMENT 2016-17
LEAD OFFICER	Chief Fire Officer
RECOMMENDATIONS	<i>That, subject to any amendments that may be agreed at the meeting, the Authority approves the Pay Policy Statement as appended to this report and agrees to its publication in accordance with the Localism Act 2011.</i>
EXECUTIVE SUMMARY	<p>The Authority is required under the Localism Act 2011 to approve and publish a Pay Policy Statement, by 31 March of each year, to operate for the forthcoming financial year. This Statement sets out the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees.</p> <p>This paper provides further background information in relation to the requirements of the Localism Act and includes a draft Pay Policy Statement for the forthcoming (2016-17) financial year.</p>
RESOURCE IMPLICATIONS	There are no resource implications associated with production of the Pay Policy Statement. Funding for staffing costs etc. are contained within the approved Authority revenue budget.
EQUALITY RISK & BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Draft Pay Policy Statement 2016-17
LIST OF BACKGROUND PAPERS	<ol style="list-style-type: none"> 1. Localism Act 2011 Sections 38 to 43. 2. "Pay Policy and Practice in Local Authorities: A Guide for Councillors" produced by the Local Government Association, published January 2013. 3. Code of Recommended Practice for Local Authorities on Data Transparency.

1. INTRODUCTION

1.1 The Localism Act 2011 (“the Act”) introduced a new requirement for all public authorities, including combined fire and rescue authorities, to approve and publish annually a Pay Policy Statement. There were numerous reasons for the introduction of this new duty, including:

- the estimation that, between 2001 and 2008 median top salaries in local government grew at faster rate than entry salaries and that, in that context, around 800 local government employees were in the top 1% of all earners;
- the commitment of the Coalition Government to strengthen councillors powers to vote on large salary packages for council officers;
- the outcome of the Hutton review into fair pay in the public sector which made several recommendations for promoting pay fairness in the public sector by increasing transparency over pay and tackling disparities between the lowest and the highest paid in public sector organisations.

1.2 The provisions on pay in the Act are designed to bring together the strands of Government thinking to address pay issues in local government as outlined above.

1.3 Pay Policy Statements must articulate an authority’s policy towards a range of issues relating to the pay of its workforce, particularly its senior staff (or “chief officers”) and its lowest paid employees. Pay Policy Statements must be prepared and approved by the full Authority by 31 March in each year and be published as soon as reasonably practicable thereafter. Publication can be in such a manner as the Authority considers appropriate, but must include publication on the Authority’s website. A Pay Policy Statement may be amended “in year” but, should it be amended, the revised Statement must again be published.

1.4 In essence, the purpose of the Pay Policy Statement is to ensure that there is the appropriate accountability and transparency of top salaries in local government. Under the Act elected Members have the ability to take a greater role in determining the pay for top earners and therefore ensuring that these decisions are taken by those who are directly accountable to the local people. In addition, communities should have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility.

2. CONTENT OF THE PAY POLICY STATEMENT

2.1 The Act requires that each authority’s Pay Policy Statement must include its policies on:

- the level and elements of remuneration for each chief officer;
- the remuneration of its lowest paid employees (together with its definition of “lowest paid employees” and its reasons for adopting that definition);
- the relationship between the remuneration of its chief officers and other employees;
- other specific aspects of chief officers’ remuneration namely:
 - remuneration on recruitment;
 - increases and additions to remuneration;
 - use of performance-related pay and bonuses; termination payments; and

- transparency (i.e. the publication and access to information on the remuneration of chief officers).

2.2 The term remuneration is defined as the chief officer's salary, any bonuses payable, any charges, fees or allowances payable, any benefits in kind to which the chief officer is entitled as a result of their office or employment, any increase in or enhancement of the chief officer's pension entitlement where the increase or enhancement is as a result of the resolution of the Authority and any amounts payable by the Authority to the chief officer on the chief officer ceasing to hold office under or be employed by the Authority other than amounts that may be payable by virtue of any enactment.

2.3 The term "chief officers" in a fire and rescue service context will refer to the Chief Fire Officer but "chief officers" are defined in Section 43 of the Act to include a Head of Paid Service, a Monitoring Officer, any other statutory chief officer, or a deputy chief officer or other non-statutory chief officer as defined in the Local Government and Housing Act 1989 (these include officers reporting directly either to the Head of Paid Service or the Authority).

3. ACCOUNTS AND AUDIT REGULATIONS 2011

3.1 Whilst the Localism Act 2011 does not require details on salary levels to be published in the Pay Policy Statement, the Accounts and Audit Regulations require the published Statement of Accounts for an authority to include information on senior employees who are identified by job title and paid over £50,000, in bands of £5,000. Any senior employee earning in excess of £150,000 must be identified by name.

3.2 "Senior employees" are defined as per the Local Government and Housing Act 1989 (see para. 2.3 above) but also include "a person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money), whether solely or collectively with other persons".

3.3 The Localism Act requires authorities to explain what they think the relationship should be between the remuneration of its chief officers and its employees who are not chief officers. The Hutton Review of Fair Pay recommended the publication of the ratio between the highest paid employee and the median pay-point of the organisation's whole workforce as a way of illustrating that relationship. Guidance produced by the Department for Communities and Local Government (CLG) on openness and accountability in local pay provides that:

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

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

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

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

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

- 4.2 The covering letter to this LGA guidance suggests that this paragraph should be widened to incorporate retirements in addition to redundancies. These modifications were incorporated into the 2014-15 Pay Policy Statement and remain unchanged in the draft now attached for 2016-17.

5. THE TRANSPARENCY CODE

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

5. PAY POLICY STATEMENT 2016-17

- 5.1 This is now the fifth iteration of the Pay Policy Statement, the Authority having approved and published a Statement for each of the last 4 consecutive years following introduction of the requirement by the Localism Act 2011.
- 5.2 The draft Pay Policy Statement to operate for the 2016-17 financial year is now attached at Appendix A to this report. The principal differences between this iteration and previous versions relates relate to the salaries of senior officers on the Service Executive Board.

5.3

At its Ordinary Meeting on 28 May 2015 the Authority considered a report on the Principal Officers' Pay Review 2015. The review had been undertaken by a Member Working Party comprising the Authority Chair and Vice-Chair together with each of the Committee Chairs, assisted (by the provision of benchmarking data etc.) by the Hay Group. The Authority resolved (Minute DSFRA/13 refers):

- “(a) that the following recommendations of the Members Working Group be approved:*
- (i) that the salary of the Chief Fire Officer be set at £146,031 with effect from 1 April 2015;*
- (ii) that the percentages of the Chief Fire Officer's salary used to set the salaries of the other Principal Officers be restored to the lower levels previously determined by the Authority, as follows (again with increases to take effect from 1 April 2015):*
- Director of Operations at 75% (£109,523);*
- Director of Corporate Services at 68.75% of 5/6th (£83,664); and*
- Director of People & Commercial Services at 68.75% of 5/6th (£83,664)*
- (iii) that the Chief Fire Officer, and other Principal Officers, be permitted to undertake roles outside of the Service, subject to:*
- any such work being undertaken whilst on annual leave;*
 - there being no conflict of interest with the business of the Authority, Red One Ltd. or any company or other body that the Authority might establish from time to time;*
 - compliance with the requirements of the Local Government Act 1972 in relation to the recording of interests in contracts; and*
 - all roles outside the Service being recorded in a register of interests kept for that purpose;*
- (b) that consideration be given at a future meeting to removing the link in salary of the posts of Director of Corporate Services and Director of People and Commercial Services to the salary of the Chief Fire Officer with a view to replacing this with a remuneration package for those posts based on the requirements of the role coupled with a performance-based aspect.”*

5.4

The salary level of the Service Principal Officers (which at the time comprised some ten officers including the current Director of Corporate Services and Director of People and Commercial Services) was initially approved in December 2006 by the Shadow Devon & Somerset Fire & Rescue Authority and based upon an independent role evaluation undertaken by the South West Provincial Employers. The evaluation utilised an existing, nationally-recognised job evaluation scheme (the Greater London Council Scheme) which takes account of the following factors:

- Supervision/Management of People
- Creativity and Innovation
- Contacts and Relationships
- Decisions
 - Discretion
 - Consequences

- Resources
- Work Environment
 - Work Demands
 - Physical Demands
 - Working Conditions
 - Work Context
- Knowledge and Skills

- 5.5 The outcome of this evaluation was the adoption of four-grade structure which reflected the [then] “Gold” Book (national conditions for principal operational fire officers) requirement that *‘The salary scale of an assistant chief fire officer shall not be less than 75% at each point of the scale of the chief fire officer...’* It also allowed for the salary of non-operational officers to be set at a level reflecting that, for such officers, there was no requirement for an additional 20% as recompense for the requirement for extended availability.
- 5.6 This decision of the Shadow Devon & Somerset Fire & Rescue Authority (to adopt a four-grade structure for principal officer salaries following the job evaluation process) was incorporated into the contractual details of the officers concerned.
- 5.7 In light of the Authority decision to remove the link between increases in the salary of the Chief Fire Officer and those of other Executive Board officers (see paragraph 5.3 (b) above), a number of discussions have been held to determine how best to give effect to this. The outcome of these discussions and the proposed future mechanism for determining salary increases for both the Chief Fire Officer and other officers on the Executive Board is now contained in the draft Pay Policy Statement for 2016-17 – specifically paragraphs 3.7 and 3.8 which, for ease of reference, are reproduced below:

- “3.7 *Any locally determined increases in the Executive Board Officers’ remuneration are subject to approval by the full Authority. In accordance with the conditions within the Gold Book, the Authority is required to conduct an annual review of the remuneration afforded to members of the Executive Board. Any such reviews will be conducted by way of an expert, independent report to a full Authority meeting which will contain such relevant data as to enable the Authority to reach a determination on levels of appropriate remuneration. As a minimum, comparative benchmark data will be provided on chief executive and other senior officer salary levels in other relevant public bodies as may be determined, e.g. other fire and rescue authorities, constituent authorities, neighbouring police authorities etc. The annual review will also consider the level of pay awards made for other groups of employees and the relationship between the remuneration of the Chief Fire Officer and the median basic pay of the Authority’s whole workforce.*
- 3.8 *In 2015, the Authority conducted a review of Executive Board Officers’ pay. Following that review, it was agreed with the Executive Board Officers that:*
- i) *the percentage link to the Chief Fire Officer salary for other Executive Board Officers would be removed;*
 - ii) *the annual review process will be considered on an individual basis;*

iii) *in conducting the annual review, any pay rise above the annual cost of living increases agreed nationally by the NJC for Brigade Managers, will be no greater than the percentage pay rise received by a Firefighter, unless such a pay rise is as a result of good performance, a reorganisation, restructure or other substantial reason.”*

5.8 Given that the prior approach (linking salary increases of other officers on the Executive Board to that of the Chief Fire Officer) was a contractual issue, to implement the approach now set out in paragraphs 3.7 and 3.8 of the Pay Policy Statement (and extracted above) would require the current post incumbents to agree to an appropriate variation in contract terms. The individuals concerned have agreed to a contract variation, with effect from 1 April 2016, reflecting the new approach to salary review as set out in paragraphs 3.7 and 3.8 of the draft Pay Policy Statement now appended.

5.9 Other than the changes as highlighted in this Section (addressing the senior officers' salary review process), there are no other substantial changes to the Pay Policy Statement as approved by the Authority in previous years.

6. CONCLUSION

6.1 The Localism Act requires the Authority to adopt, prior to the commencement of each financial year, a Pay Policy Statement to operate for the forthcoming financial year. This Statement sets out, amongst other things, the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees.

6.2 In considering the last pay review process for the Chief Fire Officer in May 2015, the Authority resolved that the link between increases in salary for the Chief Fire Officer and other officers on the Executive Board be removed. This has been subject to ongoing discussions to best give effect to this, the outcome of which are now reflected in the draft Pay Policy Statement proposed for the Authority for the forthcoming financial year.

6.3 The Authority is invited to consider this draft Statement with a view to approving it (subject to any further amendments that may be indicated at the meeting).

LEE HOWELL
Chief Fire Officer

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

THE LOCALISM ACT – PAY POLICY STATEMENT 2016-17

1. **INTRODUCTION**

- 1.1 Under section 38(1) of the Localism Act 2011, Devon & Somerset Fire & Rescue Authority (the Authority) is required to prepare a Pay Policy Statement. The Authority is responsible for ensuring that the pay policy will set out the issues relating to the pay of the workforce and in particular the senior officers and the lowest paid employees. This will ensure that there is the appropriate accountability and transparency of the salaries of the Authority's senior staff. The Authority will also publish the statement on its website and update it on an annual basis or at such times as it is amended. The purpose of the statement is to provide greater transparency on how taxpayer's money is used in relation to the pay and rewards for public sector staff.
- 1.2 This is the fifth such Pay Policy Statement that the Authority has produced and it will continue to be reviewed and refined by the Authority as part of its rewards & recognition strategies.
- 1.3 It should be noted that Regulation 4 of the Accounts and Audit (Amendment number 2) Regulations 2009 also provides a legal requirement to increase transparency and accountability within local authorities. The amended Regulations require authorities to disclose individual remuneration details for senior employees and these can be viewed at the [Senior Management Salaries](#) page on the Authority's internet. In addition, the rates of pay for all other categories of staff can be found at [Rates of Pay](#).
- 1.4 The introduction of the Local Government (Transparency Requirements) (England) Regulations 2014 has also resulted in additional requirements in terms of publishing data relating to the Authority. The requirements are set out in a Local Government Transparency Code. The Local Government Association has produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code 2014 and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information and this open data is accessible via the following link:
[DSFRS Transparency Data](#)
- 1.5 There is some overlap within the Transparency Code with certain staffing information that is already required as part of the annual Statement of Accounts and the Pay Policy Statement but there are also some additions including further details of organisational structures relating to Senior Managers, including grading and responsibilities, where salary levels are in excess of £50,000 and also Trade Union Facility time.

2. CATEGORIES OF STAFF

2.1 As part of the Pay Policy Statement, it is necessary to define the categories of staff within the Service and by which set of Terms and Conditions they are governed:

2.2 **Executive Board Officers (including Chief Fire Officer):** The Executive Board is a mix of uniformed Brigade Managers and non-uniformed Officers who are the Directors of the Service. The salary structure for Brigade Managers and other Executive Board members has previously been determined by the Authority and is subject to annual reviews in accordance with the Constitution and Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Local Authorities' Fire Brigades (the "Gold Book"). The two non-uniformed Executive Board Officers are conditioned to the Gold Book for pay purposes only. The minimum remuneration levels for Chief Fire Officers are set nationally in relation to population bands and in accordance with the Gold Book. At a national level, the National Joint Council for Brigade Managers of Fire and Rescue Services reviews annually any cost of living increase applicable to all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration over and above the minimum levels for Chief Fire Officers are taken locally by the full Authority, arrangements for which are set out in paragraph 3.5.

2.3 **Uniformed Staff:** This includes Whole-time and Retained Duty staff and also the Control Room uniformed staff. The remuneration levels for these staff are subject to national negotiation as contained in the Scheme of Conditions of Service of the National Joint Council for Local Authority Fire & Rescue Services which is known as the "Grey Book". Any additional allowances are subject to local agreement.

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

3. REMUNERATION OF THE CHIEF FIRE OFFICER AND EXECUTIVE BOARD

3.1 The position of Chief Fire Officer is subject to minimum remuneration levels as set out in the "Gold Book" and according to population bands. The Authority is in Population Band 4 (1.5m people and above). The minimum salary level for this position is currently £118,483 per annum. The Authority is the largest non-metropolitan fire and rescue authority in the UK.

3.2 In 2006, prior to the combination of Devon Fire & Rescue Service and Somerset Fire & Rescue Service, the [then] Shadow Devon and Somerset Fire and Rescue Authority reviewed the remuneration of the Chief Fire Officer and undertook a salary survey of other fire & rescue services within the same population band. The average salary, based on 2005 data, was found to be £124,184 and the salary level for the Chief Fire Officer for the new, combined service, was set at a notional level of £124,800 per annum for 2007. Since then, national annual pay awards, and the review of Executive Board Officers' pay conducted by the Authority in 2015, have increased the salary to £147,491.

3.3 The other positions within the Executive Board are as follows:

Assistant Chief Fire Officer – Director of Operations

Director of Corporate Services

Director of People and Commercial Services

Further details of their responsibilities can be found at [Devon and Somerset Fire and Rescue Service - Organisational Structure](#)

3.4 The Assistant Chief Fire Officer salary has previously been set locally at 75% of the Chief Fire Officer salary, which reflected the previous minimum salary level set by the National Joint Council. However, following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary has been removed by mutual agreement. The current Assistant Chief Fire Officer salary is £110,618. Uniformed Brigade Managers (Chief Fire Officer and Assistant Chief Fire Officer) also provide "stand-by" hours outside of the normal working day within a Brigade Manager rota.

3.5 The remaining two "non-uniformed" Executive Board positions are on Grade 3 within a four point grading structure which was determined by an external, independent Job Evaluation process. The salary levels for these grades were set as a percentage of the Chief Fire Officer's salary but, as with the Assistant Chief Fire Officer, following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary has been removed by mutual agreement. The current salary levels for the four grades are:

Grade	Salary
4	£92,184
3	£84,500
2	£76,821
1	£69,138

3.6 The relevant sections 9 – 11 from the Gold book in relation to salary increases are set out below:

Salaries

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

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

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

- 3.7 Any locally determined increases in the Executive Board Officers' remuneration are subject to approval by the full Authority. In accordance with the conditions within the Gold Book, the Authority is required to conduct an annual review of the remuneration afforded to members of the Executive Board. Any such reviews will be conducted by way of an expert, independent report to a full Authority meeting which will contain such relevant data as to enable the Authority to reach a determination on levels of appropriate remuneration. As a minimum, comparative benchmark data will be provided on chief executive and other senior officer salary levels in other relevant public bodies as may be determined, e.g. other fire and rescue authorities, constituent authorities, neighbouring police authorities etc. The annual review will also consider the level of pay awards made for other groups of employees and the relationship between the remuneration of the Chief Fire Officer and the median basic pay of the Authority's whole workforce.
- 3.8 In 2015 the Authority conducted a review of Executive Board Officers' pay. Following that review, it was agreed with the Executive Board Officers that:
- i) the percentage link to the Chief Fire Officer salary for other Executive Board Officers would be removed;
 - ii) the annual review process will be considered on an individual basis;
 - iii) in conducting the annual review, any pay rise above the annual cost of living increases agreed nationally by the NJC for Brigade Managers, will be no greater than the percentage pay rise received by a Firefighter, unless such a pay rise is as a result of good performance, a reorganisation, restructure or other substantial reason.

4. REMUNERATION OF THE LOWEST PAID EMPLOYEES

- 4.1 The lowest grade in the Service is within the Support Staff category which has a grading structure from Grade 1 to 11. The lowest paid worker is at Grade 2 (following the outsourcing of cleaning, there are no employees on Grade 1). Each grade has five levels referred to as spinal column points and a new joiner will progress through these with increasing service. Since the lowest paid employees are part-time the actual salary levels are pro-rata. The salary range at Grade 2 is currently £15,523 to £16,969 for a 37 hour week. For contextual purposes the salary level for a full-time firefighter is £29,345 per annum.

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

- 5.1 In terms of pay multiples, in line with recommendations contained within the Hutton Review of Fair Pay, the Authority will use two ratios to explain the relationship between the remuneration of the Chief Fire Officer and the remuneration of those employees who are not chief officers. The first is a comparison with the median earnings of the whole workforce using the basic pay for full-time equivalents. The second multiple is for the lowest pay point, which has previously been used as a benchmark following suggestions by the Government that a ratio of 20:1 should be regarded as a level which public sector organisations should not exceed.
- the median basic pay of the Authority's whole workforce is £29,345 and
 - the lowest pay point is £15,523.

The current pay multiple ratios are:

median basic pay	5.0:1
lowest pay point	9.5:1

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

6. ADDITIONAL ELEMENTS OF THE REMUNERATION FOR THE CHIEF OFFICER

- 6.1 These additional elements relate to the following elements:

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

- 6.2 The Chief Fire Officer does not receive any additional bonuses, performance related pay, charges, fees or allowances. As a Brigade Manager, the Chief Fire Officer has an operational requirement for a lease vehicle and this is in accordance with the Service Contract Car Hire Scheme. The benefit-in-kind attributable to the private usage of this Service car was £2,491.04 for 2014/15. The figure for 2015/16 will not be available until after 31 March 2016.

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

- 6.4 Should the Chief Fire Officer cease to hold his post then the notice period from either the employee or employer is three months. There are no additional elements relating to the Chief Fire Officer ceasing to hold this post other than those covered under any other enactments.

7. REMUNERATION OF CHIEF OFFICERS ON RECRUITMENT

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

8. RE-EMPLOYMENT OF EMPLOYEES

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

- 8.2 For each of the above scenarios:

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

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

- 8.3 The Authority will, in principle, allow the re-employment of employees who have retired, subject to a break in service of at least one month, because it is recognised that this often represents an effective way of retaining specialist knowledge and skills without any increase in cost to the Authority (and noting that costs to the Pension Scheme are no more than would be the case for normal retirement). The re-employment of any employee who has retired will, however, be subject to:
- the approval of the Human Resources Management and Development Committee for all employees up to Executive Board posts; or
 - the approval of the full Authority for any Executive Board post-holder.

- 8.4 Where retired uniformed staff are re-employed, then the Fire-Fighters' Pension shall be abated such that the income from the gross annual rate of pay whilst re-employed together with the gross annual pension (after commutation) will not exceed the gross annual rate of pay immediately prior to retirement. For staff within the Local Government Pension Scheme, where an individual is re-employed on the same terms and conditions [salary] as previously, the same abatement rules as apply to those within the Fire Fighters Pension Scheme will be applied. However, the Authority's policy on Pension Discretions refers to flexible retirement and states that this "may be subject to abatement during such time as the individual remains employed by the Service". This allows the Authority to use flexible retirement opportunities where key employees may wish to continue working as they get older but step down in grade or reduce their working hours. This can be beneficial to the Authority in retaining key skills, knowledge and experience whilst also reducing costs. The authorisation of any such flexible retirement arrangements will be subject to the approval mechanism detailed above.
- 8.5 The appointment, or re-employment, of any members of the Executive Board (the Chief Fire Officer, Assistant Chief Fire Officer, Director of Corporate Services and Director of People and Commercial Services) will always be subject to approval of the full Authority and any re-employment following redundancy or retirement will be subject to consideration of a robust business case and fully scrutinised against the above criteria.

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

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

10. REVIEW OF THE PAY POLICY STATEMENT

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

REPORT REFERENCE NO.	DSFRA/16/8
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)
DATE OF MEETING	19 FEBRUARY 2016
SUBJECT OF REPORT	APPOINTMENT OF AUTHORITY NON-EXECUTIVE DIRECTORS TO THE BOARD OF RED ONE LTD.
LEAD OFFICER	Chief Fire Officer (on behalf of Independent Chair of Board of Red One Ltd.)
RECOMMENDATIONS	<p>(a). <i>that the Authority approves the appointment of the following as non-executive directors to the Board of Red One Ltd. with immediate effect and for an initial Term of Office to run until the Annual Meeting of the Authority in May 2017:</i></p> <p style="padding-left: 40px;">Councillor Mark Healey</p> <p style="padding-left: 40px;">Councillor David Thomas</p> <p style="padding-left: 40px;">Councillor John Woodman</p> <p>(b). <i>that, as a consequence of (a) above and in line with the decision of the Authority at its last meeting (Minute DSFRA/40 refers):</i></p> <p style="padding-left: 40px;">(i). <i>the Commercial Services Committee be formally dissolved with immediate effect;</i></p> <p style="padding-left: 40px;">(ii). <i>the Clerk be authorised to make those consequential amendments to the Authority’s approved Financial Regulations, Scheme of Delegations and to the Terms of Reference of the Resources Committee, as set out in Section 5 of the report DSFRA/15/28 to the Authority meeting held on 14 December 2015; and</i></p> <p style="padding-left: 40px;">(iii). <i>those powers previously exercised by the Commercial Services Committee be exercised as indicated paragraphs 5.9 and 5.10 of report DSFRA/15/28.</i></p>
EXECUTIVE SUMMARY	Further to the decision at the last Authority meeting relating to revised governance for commercial activities (Minute DSFRA/40 refers), this report invites the Authority to appoint three Authority non-executive directors to the Board of Red One Ltd. following a selection process undertaken by the Board’s Independent Chairman, Mr. Tony Rowe OBE.
RESOURCE IMPLICATIONS	The three Authority-appointed non-executive directors will each receive a Special Responsibility Allowance of £6,000 per annum, funding for which is contained within the approved budget for Members’ Allowances.

EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Report DSFRA/15/28 (“Commercial Governance – Further Developments) as submitted to the Authority meeting held on 14 December 2015.

1. BACKGROUND

- 1.1 Red One was established as the Authority's trading arm in 2011 following the introduction of the Local Government (Best Value Authorities) (England) Order 2009. Along with existing legislation, this Order enabled public authorities to engage for the first time in commercial 'profit –making' activities, within a number of key constraints.
- 1.2 The legislation restricts commercial trading to a 'like-kind of business' for the Authority in question. For this Authority, this means specialising in fire, rescue and safety related activities. Any activity must be subject to a viable business case, approved in advance by the Authority. In Red One's case, there is also an over-riding caveat that no commercial activity should ever have a negative impact on the ability of the Devon & Somerset Fire & Rescue Service ("the Service") to deliver its core service remit of public and firefighter safety.
- 1.3 Red One Ltd. generates income from a wide variety of safety-related skills and services offered to commercial and industrial customers around the world. Net profit (after tax) generated by Red One activities is returned to its single shareholder, the Authority, to be used towards keeping local communities in Devon and Somerset safe, improving fire fighter safety and helping the Service be more effective and efficient. It does this primarily by funding vehicles and equipment thereby reducing the Service requirement to borrow.
- 1.4 Governance arrangements for Red One Ltd. at the outset provided for Authority oversight to be exercised by a Commercial Services Committee. Red One Ltd. has performed very successfully since its establishment, returning year-on-year increases in sales revenues, net profit and contribution to the Authority since start-up. Profit margins have risen as the business has effectively managed its cost base, controlled its pricing strategy and focused attention on products and services that yield the most profitable returns. This has occurred within an environment of increasing external competition and reducing internal capacity.
- 1.5 This increasing maturity prompted the Authority to revisit the governance arrangements for Red One Ltd. with a view to establishing these on a more business-like footing to further progress and promote the success of Red One. Changes to the governance structure have formed the basis of several previous reports and amongst other things have resulted in the appointment of an independent non-executive director, Mr. Tony Rowe OBE, to serve as Chair of the Board. At its last meeting the Authority considered a further report on commercial services governance and resolved (Minute DSFRA/40 refers):
- (a) ***that the proposed revised governance arrangements for commercial activities (i.e by an expanded Board of Directors of Red One Ltd. to include three additional non-executive directors appointed from Membership of the Authority), as summarised in paragraph 2.2 of report DSFRA/15/28, be approved;***
 - (b) ***that the process for the appointment of three Authority non-executive directors to the Board, as outlined in paragraph 3.2 of the report, be approved;***
 - (c) ***that the initial and subsequent appointment to, and term of office for, non-executive directors on the Board of Red One Ltd., as set out in paragraph 3.3 of the report, be approved;***

- (d) *that, subject to (a) to (c) above, the Commercial Services Committee be formally dissolved upon establishment of the new, extended Board of Directors of Red One Ltd. (i.e. on 19 February 2016);*
- (e) *that, upon dissolution of the Commercial Services Committee, the revisions to the Authority's approved Financial Regulations, Scheme of Delegations and to the Terms of Reference of the Resources Committee, as set out in Section 5 of the report, be approved with the powers previously exercised by the Commercial Services Committee exercised as indicated paragraphs 5.9 and 5.10 of the report;*
- (f) *that the Clerk be authorised to make the consequential amendments to the constitutional governance framework documents resulting from (e) above;*
- (g) *that the proposed process for the appointment, should this be required, of independent non-executive director (and Board Chairman), as indicated at Section 6 of the report, be noted.*

1.6 This paper now advises the Authority on the outcome of the process undertaken totally independently by Mr. Rowe OBE, with no involvement by Service Officers, to identify - in line with (b) above - three Authority non-executive directors. The report invites the Authority the Authority to approve the appointments now recommended by Mr. Rowe OBE.

2. PROCESS FOR APPOINTMENTS

2.1 As outlined in report DSFRA/15/28, all Authority Members were invited to submit a written letter of interest (outlining, experience, skills capability, knowledge and motivation) directly to Mr. Rowe OBE prior to further discussions then being held.

2.2 Five applications in total were submitted, with in-depth discussions held between Mr. Rowe and each of the five applicants. The discussions focussed around:

- experience of working in a commercial environment;
- experience of being a Business Owner/Director;
- knowledge of how Red One Ltd. operates;
- demonstrate a commitment to the future success of Red One Ltd.;
- any specialist knowledge/networks that will help the Board, its aims and objectives;
- ability to be provide creative contribution to the Board by providing objective criticism;
- ability to exercise an independent judgement to bear on issues of strategy, performance and resources;
- capacity to undertake the Authority appointed non-executive director role; and
- an understanding of the legal, moral and ethical roles and responsibilities of being a Non-Executive Director

- 2.3 As a result of this process, Mr. Rowe OBE (independent Chair of the Board of Red One Ltd.) recommends that the following be appointed as Authority non-executive directors on the Board of Red One Ltd:
- Councillor Mark Healey
 - Councillor David Thomas
 - Councillor John Woodman.

3. CONCLUSION

- 3.1 Red One Ltd. now has a diverse and growing client base, ranging from large multi-national organisations to small, local businesses and individuals seeking specific qualifications in order to enhance their careers. The company sells to customers in the immediate vicinity of Devon and Somerset and across the South West peninsula, with fire and Rescue Services and industrial fire teams across the United Kingdom and is also active in countries in South East Asia, the Middle East, Europe and Africa. Red One Ltd. currently receives more than 10% of its sales electronically via its website, enabling efficient order administration, improving cash flow and minimising transaction costs for the business.
- 3.2 Red One Ltd. continues to prosper and develop, with plans to further expand its service offer, using new facilities and providing new training courses, whilst tendering for the provision of large international contracts around the world.
- 3.3 In line with its agreed business strategy, the Board of Directors remain focussed on the continued delivery of high quality fire, rescue and safety services to its customers, through direct provision and, where appropriate, close collaboration with like-minded partner organisations. The appointment of Authority non-executive directors to the Board is intended to strengthen this approach in steering the company to secure further successes while also delivering appropriate oversight and governance from an Authority perspective. The recommended appointments are, therefore, presented on behalf of the Independent Board Chairman, Mr. Rowe OBE, to the Authority for consideration

LEE HOWELL
Chief Fire Officer
(on behalf of Independent Chair of Board of Red One Ltd.)

This page is intentionally left blank

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank