



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
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DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(ORDINARY MEETING)

Thursday 26 May 2016

A meeting of the Devon & Somerset Fire & Rescue Authority is to be held on the above date, **commencing at 10:45 hours (or on the conclusion of the preceding Annual Meeting, whichever is later) in the Conference Rooms, Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

AGENDA

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

1 Apologies

2 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

3 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 Monday 23 May 2016.**

4 Addresses by Representative Bodies

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

5 Questions from Members of the Authority

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

6 Minutes of Committees

a Human Resources Management & Development Committee (Pages 1 - 4)

The Chair of the Committee, Councillor Bown, to **MOVE** the Minutes of the meeting held on 10 March 2016.

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

b Audit & Performance Review Committee (Pages 5 - 10)

The Chair of the Committee, Councillor Radford, to **MOVE** the Minutes of the meeting held on 11 April 2016.

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

c Community Safety & Corporate Planning Committee (Pages 11 - 14)

The Chair of the Committee, Councillor Eastman, to **MOVE** the Minutes of the meeting held on 14 April 2016.

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

d Resources Committee (Pages 15 - 24)

The Chair of the Committee, Councillor Dyke, to **MOVE** the Minutes of the meeting held on 17 May 2016.

RECOMMENDATIONS

- (i) That the recommendation at Minute RC/17 (Provisional Financial Outturn 2015/16) be considered in conjunction with item 7 below;
- (ii) That the recommendation at Minute RC/18 (Revisions to Capital Programme 2016/17 to 2018/19) be approved (report RC/16/7 is attached for ease of reference – pages 19 to 24);
- (iii) That, subject to (a) and (b) above, the Minutes be adopted in accordance with Standing Orders.

7 Provisional Financial Outturn 2015-16 (Pages 25 - 40)

Report of the Treasurer (DSFRA/16/13) attached.

8 Annual Treasury Management Report 2015-16 (Pages 41 - 50)

Report of the Treasurer (DSFRA/16/14) attached.

9 Chairman's Report - Red One Limited (Pages 51 - 56)

Report of the Independent Chair of Red One Limited (DSFRA/16/15) attached.

10 Chairman's Announcements

11 Chief Fire Officer's Announcements

12 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 involve 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 3 (information relating to the financial and business affairs of a particular person, including the authority holding the information);

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

13 Report of the Non-Executive Directors of Red One Limited

The Non-Executive Directors of Red One Limited will give a verbal update at the meeting in respect of their commercial activities.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey, Burrige-Clayton, Bown, Ball, Chugg, Colthorpe, Dyke, Eastman, Edmunds, Ellery, Greenslade, Hill, Horsfall, Knight, Julian, Leaves, Radford, Randall Johnson, Redman, Singh, Thomas, Way, Wheeler, Woodman and Yeomans and AN Other (Plymouth City Council vacancy).

NOTES

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| 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> |

HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE (Devon and Somerset Fire and Rescue Authority)

10 March 2016

Present:-

Councillors A Bown (Chair), Burridge-Clayton, Chugg, Dyke (sub Horsfall), Hill (sub Thomas), Knight and Wheeler.

HRMDC/20 Minutes of the meeting held on 7 December 2015*

RESOLVED that the Minutes of the meeting held on 7 December 2016 be signed as a correct record.

HRMDC/21 Interim Results of the Employee Survey 2015*

The Committee receive for information a presentation given by the Communities and Workplace Equalities Manager that provided an update on the results of the Employee Survey that had been undertaken in 2015.

The main points noted were:

- This was the fourth employee survey that had been undertaken since combination in 2007;
- There were 9 key areas in which the Service could measure employee satisfaction and engagement with the workforce and these had been utilised as the basis for the questions in the survey;
- Around 800 responses to the survey had been received;
- The responses had been split into 6 areas where satisfaction was gauged to be greater than 50% and 3 areas where it was less than 50%;
- There had been a mixture of positive and negative comments received in addition to the completion of the survey questions, with many practical suggestions made. The comments were made by people who had responded both positively and negatively to the question, with cross cutting themes emerging, i.e. the comments didn't always fit neatly within the question;
- Development work was underway to address the some of the outcomes of the survey which included employee engagement, communication, wellbeing, and learning and development issues.

HRMDC/22 Absence Management*

The Committee considered a report of the Director of People & Commercial Services (HRMDC/16/1) that set out the sickness absence levels for staff since combination in 2007 to date, with particular reference to the position in 2014/15 to 2015/16.

It was noted that during 2014/15, the Service had seen an increase in sickness absence levels which had continued into 2015/16. An action plan had been instigated to address this and the Service was starting to see the early signs of an improvement in sickness levels. As a result, in April to October 2016, the sickness absence level was 6.66 days which was a 4.8% decrease on the same period in 2014/15. One of the main areas of focus was on long term sickness where the Service had previously seen an increase but this had now reduced. The action taken to improve performance in this area included ensuring that management data entry for sickness absence was timely and accurate, the improved management of sickness absence and by addressing cultural issues which were impacting upon sickness.

The Committee requested that appropriate benchmarking data should be provided such as from the Office for National Statistics (ONS). The Human Resources Manager advised that the cycle period for this report was behind that of other benchmarking reports since it utilised a percentage of lost time rather than the number of days of sickness. This meant that the data was not comparable. He added that the data provided by the Chartered Institute of Personnel & Development (CIPD) and other fire and rescue services was available sooner and reported sickness in a compatible form. Members requested that information be included within future reports setting out the position for sickness excluding work related absence.

The Human Resources Manager made reference to the improvements that had been made to the recording of sickness data. He stated that there was still some outstanding work to be undertaken on this to elicit information from 275 staff to record the reasons for absences and he envisaged that this work would be approximately two weeks' work.

HRMDC/23 Applications for Retirement/Re-employment*

The Committee considered a report of the Director of People & Commercial Services (HRMDC/16/2) that set out requests that had been made by uniformed members of staff for retirement and re-employment in accordance with the requirements of the Authority's Pay Policy Statement 2015/16.

RESOLVED that the requests for retirement & re-employment as identified in paragraph 2.4 of report HRMDC/16/2 be approved.

HRMDC/24 Consultation on the Reform of Public Sector Exit Payments*

The Committee considered a report of the Director of People & Commercial Services (HRMDC/16/3) that set out details of the consultation issued by HM Treasury on proposals for the Reform of Public Sector Exit Payments, the response for which was due by 3 May 2016. The key changes proposed included:

- Further restrictions on public sector redundancy payments;
- The tapering of lump sum redundancy payments towards retirement; and,
- the introduction of a salary cap of £95,000 for calculating exit payments.

RESOLVED that the Chief Fire Officer, in consultation with the Chair of the Human Resources Management & Development Committee, be authorised to submit a response to the consultation on Reforms to Public Sector Exit Payments by 3 May 2016.

HRMDC/25 **Exclusion of the Press and Public***

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in:

- Paragraph 1 of Schedule 12A (as amended) to the Act, namely information relating to individuals;
- Paragraph 2 of Part 1 of Schedule 12A (as amended) to the Act, namely information likely to reveal the identity of individuals; and,
- Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to consultations or negotiations or contemplated consultations or negotiations in connection with a labour relations matter between the Authority and representative bodies currently recognised by the Authority.

HRMDC/26 **Pension Discretion***

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

The Committee considered a report of the Director of Corporate Services (HRMDC/16/4) that sought approval to instigate the Authority's pension's discretion for a member of staff and which set out the financial implications of doing so in this individual case.

RESOLVED that approval be given for the instigation of the pension discretion as set out within report HRMDC/16/4 for the individual concerned.

HRMDC/27 **Update on Trade Union Facilities***

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

The Committee considered a report of the Director of People & Commercial Services (HRMDC/16/5) that set gave an update on the position in respect of the current Trades Union facilities.

RESOLVED that the option discussed at the meeting be approved and that a report thereon be submitted to the next meeting setting out the progress made, together with an overview of the Trades Union Reform Bill.

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

The Meeting started at 10.00 am and finished at 12.05 pm

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AUDIT & PERFORMANCE REVIEW COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

11 April 2016

Present:-

Councillors Edmunds, Healey, Radford (Chair) and Singh.

Apologies:-

Councillors Horsfall, Randall Johnson and Way.

APRC/24 Minutes of previous meeting held on 14 January 2016*

RESOLVED that the Minutes of the meeting held on 14 January 2016 be signed as a correct record.

APRC/25 Grant Thornton Audit Progress Report*

The Committee received for information a report submitted by the Authority's external auditor, Grant Thornton, setting out the progress made in delivery of its audit responsibilities to the Devon & Somerset Fire & Rescue Authority (the Authority) up to 24 March 2016. The report also covered emerging issues and developments, including the reform of local government, innovation in public financial management and IFRS 13 "Fair Financial Measurement", amongst other matters.

The report also covered:

- (i) ISA240 Letter – Treasurer's response; and,
- (ii). ISA240 Letter – Chair's response.

APRC/26 External Audit Plan 2016/17*

The Committee received for information an external audit plan for the year ending 31 March 2016 from the Authority's auditors, Grant Thornton, that gave an overview of the planned scope and timing of the external audit process as required by the International Standard on Auditing (UK & Ireland) 260. The document provided an understanding for the Committee of the external audit work and which also identified issues of materiality and areas of significant and other risks for the Service.

The Committee noted that Grant Thornton would be focussing on the Service's key risks, including the Integrated Risk Management Plan and Asset Strategy, financial, sickness absence and performance in its audit plan for 2016/17.

APRC/27 2015/16 Internal Audit Year End Report*

The Committee received for information a report of the Audit & Review Manager (APRC/16/3) that set out the 2015-16 internal audit year-end report and which also provided the assurance statements needed for the audits that had been completed.

The Committee noted that, at the end of March 2016 the assurance tracker showed that there were 34 open high or high/medium internal audit recommendations outstanding, of which only 25 were overdue, which was a significant improvement on the position at quarter 3 of 2015 -16. The Committee was assured that the audit process demonstrated that the Authority had good levels of internal control in place.

APRC/28 Proposed Change of Strategy - Internal Audit and Review*

The Committee considered a report of the Area Manager – Organisational Assurance – (APRC/16/4) that outlined the work that had been undertaken to review the existing audit strategy and methodology. The report also set out the proposed future strategy and methodology which would be based on:-

- the development and introduction of an effective self-assessment audit and review toolkit to be used at all Directorate/Service Leadership Team levels;
- processes for validation of the internal self-assessment – based around the Health and Safety Guidance Note (HSG) 65 which could be operate around the Service’s existing enabling strategies, planning and governance framework and enable cross mapping to other tools such as EFQM;
- the creation and maintenance of a strategic organisational assurance map that will visually provide management, Members and external auditors with a clear picture of the status of the Service.

It was intended that this strategy would be validated by the Authority’s external auditor to provide an assurance that this approach was fit for purpose and met recognised standards.

RESOLVED that the Committee endorses the approach taken to review the Audit and Review Strategy on the basis set out within section 3 of report APRC/16/4.

APRC/29 Internal Audit Plan 2016/17*

The Committee considered a report of the Area Manager – Organisational Assurance – (APRC/16/5) that set out the proposed 2016 -17 Internal Audit Plan, which involved a total of 260 audit days split between strategic reviews, compliance reviews and audit health checks.

RESOLVED that the 2016-17 Internal Audit Plan as set out within report APRC/16/5 be approved.

APRC/30 2015/16 Annual Statement of Assurance*

The Committee considered a report of the Area Manager – Organisational Assurance – (APRC/16/6) that set out the proposed process for the production of the 2015-16 Annual Statement of Assurance which was required in accordance with the provisions in the Account and Audit (England) Regulations 2011. The report outlined the preliminary work that had been undertaken to date in the preparation of the draft Annual Statement of Assurance and the timescales involved and which also sought the participation of the Committee to ensure that Members were satisfied that the process followed for production of this document was robust.

RESOLVED

- (a) That workshops be held for a maximum of three members of the Committee (membership to be confirmed by email to allow those Members not present to express an interest) to inform production of the draft 2015-16 Statement of Assurance prior to submission of the draft for approval in principle by the Committee;
- (b) That subject to (a) above, the report be noted.

APRC/31 Corporate Risk Register 2016/17*

The Committee received for information a report of the Area Manager – Organisational Assurance – (APRC/16/7) that set out the aims of the Service's risk management approach which was to:

- Protect the assets of the Service;
- Ensure service continuity; and,
- Facilitate innovation and opportunity.

It was noted that the Service maintained a Corporate Risk Register which detailed the risks and the action being taken to mitigate against them with an appropriate management strategy in place. The Area Manager – Organisational Assurance – indicated that the Corporate Risk Register would be submitted to the next meeting of the Committee so that Members could see at first hand the issues recorded.

APRC/32 Update on Peer Review*

The Committee received for information a report of the Area Manager – Operational Assurance (APRC/16/8) that set out the progress that had been made with the instigation of the actions arising out of the Peer Review report which was received by the Fire & Rescue Authority in September 2014.

The Fire Peer Challenge was a voluntary process managed by and delivered for the sector, providing a mechanism for the provision of information to facilitate the challenge of operational service delivery. The peer review for Devon & Somerset Fire & Rescue Service was undertaken in the autumn of 2014 and, operationally, this focussed on firefighter safety arrangements including the key areas for assessment of community risk management, response and training and development. In addition, the review covered:

- Leadership and governance;
- Organisational capacity to meet needs;
- Outcomes for local citizens.

The report set out the progress that had been made by the Service in driving forward the suggestions that had been made for improvements in the key areas set out above.

APRC/33

Group Accounts for Devon & Somerset Fire & Rescue Service & Red One Ltd.*

The Committee considered a report of the Treasurer (APRC/16/9) that set out the position in respect of the provision of group accounts for the Authority's trading company, Red One Limited. Under the Chartered Institute for Public Financial Accountants Code of Practice, the Authority was able to take a view on materiality when presenting group accounts. Following discussion with the external auditor, Grant Thornton, it was the Treasurer's view that the activities of Red One Limited were not material to the Authority's Statement of Accounts and therefore, it was recommended that the accounts were not consolidated.

RESOLVED that the accounts of Red One Limited be not consolidated into group accounts for the 2015/16 financial year.

APRC/34

Devon & Somerset Fire & Rescue Service Performance Report: January to December 2015*

The Committee received for information a report of the Chief Fire Officer (APRC/16/10) that set out the Service's performance for the period January 2015 to December 2015 (with a focus on quarter 3 of 2015/16) as measured against the indicators in the current Strategic Plan "Our Plan: 2015 to 2020).

The key measures set out within the report were given a green, amber or red rating according to whether performance was normal, needed monitoring or required investigation. A more rounded analysis of data was carried out to assess performance which included looking at the latest 3 months of the reporting period, the latest 12 months of the reporting period, trend analysis and performance against calculated thresholds.

Using this methodology, further investigation had been carried out into the cause of the increase in fire related injuries (measure 2) which had risen in the period January to December 2015. Actions such as improving the availability of first aid training for the first person on scene had been introduced already over the previous 24 months to mitigate against this. In some other fire and rescue services, it had been identified that a follow up call some days after a fire was carried out to assess whether a person taken to hospital was then subsequently discharged without treatment. If no treatment was given, that record would then be removed from the data. This had been identified as good practice and would assist fire & rescue services in the provision of more accurate data.

The Committee noted that there had been 2 fire deaths (measure 1) in quarter 3 of 2015/16 which had raised the total number of fire deaths to 10 in the period January to December 2015. Whilst still low numbers, this equated to a 150% increase on the same period in 2014/15. The question was raised as to whether the location of the fire deaths could be added into the commentary in the report and the Chief Fire Officer replied that this would be included within future reports.

The performance against measures 3 to 8 had remained stable on the whole with green ratings. Reference was also made to the position on sickness absence which continued to show an improvement as compared to 2014/15. Of particular note was the point that the number of staff on long term sickness absence had reduced from 29 in October 2015 to 15 in January 2016.

APRC/35 **Review of Performance Measures***

The Committee received for information a presentation given by the Area Manager – Analysis and Development – that set out the process that was being followed for the review of the internal performance measures which was underway.

The performance measures were being aligned to the Authority's strategic priorities, namely:

- Priority 1 – public safety;
- Priority 2 – staff safety;
- Priority 3 – efficiency and effectiveness.

The Committee noted that it was important for the measures to be aligned to the corporate priorities but additionally, at local level this would also align to both departmental and local community plans within areas. Workshops were being arranged in which Members of the Authority would be invited to participate and engage and further information on the arrangements would be circulated in due course.

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

The meeting started at 10.00 am and finished at 12.05 pm

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COMMUNITY SAFETY & CORPORATE PLANNING COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

14 April 2016

Present:-

Councillors Eastman (Chair), Bown, Colthorpe, Ellery, Leaves (Vice-Chair) and Redman

Apologies:-

Councillor Hill

CSCPC/14 Minutes of Previous Meeting held on 12 January 2016*

RESOLVED that the Minutes of the meeting held on 12 January 2016 be signed as a correct record.

CSCPC/15 Review of Performance Measures*

The Committee received for information a presentation given by the Area Manager – Analysis and Development – that set out the process that was being followed for the review of the internal performance measures which was underway.

The performance measures were being aligned to the Authority's strategic priorities, namely:

- Priority 1 – public safety;
- Priority 2 – staff safety;
- Priority 3 – efficiency and effectiveness.

The Committee noted that it was important for the measures to be aligned to the corporate priorities but additionally, at local level this would also align to both departmental and local community plans within areas. Workshops were being arranged in which Members of the Authority would be invited to participate and engage and further information on the arrangements would be circulated in due course.

CSCPC/16 Rapid Intervention Vehicles Pilot Results and Next Steps*

The Committee received for information a report of the Area Manager – Response (CSCPC/16/2) that set out the progress made with the pilot undertaken on Rapid Intervention Vehicles.

Councillor Ellery enquired as to whether the effectiveness of the vehicle had been measured in both rural and urban areas. The Area Manager – Response confirmed that this had been undertaken as part of the pilot. The pilot had been a great success and the Service was now moving forward to the next phase which was the specification of the actual vehicle and the procurement process.

The Acting Assistant Chief Fire Officer made reference to the vehicle that had been left in place at Porlock as a result of staff requests. Councillor Redman drew attention to the need to consider firefighter safety in the event that the vehicle was mobilised with less than the current standard crewing of 4 people. The Area Manager – Response referred to new technology that was available to assist staff should a crew of less than 4 be mobilised to an incident. It was noted that the mobilisation of a smaller crew at an earlier stage could result in a quicker and more effective intervention at an incident involving a fire. Councillor Redman commented that, whilst this project was supported, the Service had to ensure that staff safety was the primary consideration when mobilising to incidents.

The Assistant Chief Fire Officer encouraged the Committee to visit the station at Porlock to hear the experience of the staff at first hand. The Area Manager – Response – added that the use of the Rapid intervention vehicle was part of a tiered response so it was not envisaged that it would be mobilised on its own on all occasions.

Councillor Ellery referred to the need for these issues to be communicated to the public so that there was an understanding as to why this new approach was being undertaken. The Assistant Chief Fire Officer advised that work was being undertaken with the BBC's Spotlight team to encourage some positive communication on innovative work being undertaken by the Service into the public arena. It was noted that such communication needed to be extended into Somerset in addition.

In response to a question in respect of the location of the vehicles, the Committee was advised that there would be 45 of these vehicles in due course but the final locations had not been identified yet.

CSCPC/17 Call Reduction - Unwanted Fire Signals Non-Attendance Policy Impact*

The Committee received for information a report of the Area Manager – Community Safety (CSCPC/16/3) that set out the impact of the implementation of the Service's call reduction policy.

The Committee commended the approach taken by the Service and expressed thanks to the officers concerned for the good work that had been undertaken in capturing the data required to confirm the tangible benefits seen. It was suggested that the outcomes should be publicised as widely as possible.

CSCPC/18 Better Business for All

The Committee received for information a report of the Area Manager – Community Safety (CSCPC/16/4) that set out details of the partnership that was in place to promote compliance and regulation with businesses within Devon and Somerset.

It was important for the Service to encourage the Better Business for All partnership to report issues related to fire back and also to promote understanding of the Fire Service's role. The Service wished to avoid having to pursue compliance through improved education of the issues and the Better Business for All partnership provided an excellent opportunity for discussions at an earlier stage.

It was suggested that it would be useful for the Chair of Better Business for All to be invited to attend a future Members' Forum to encourage support for this partnership.

Councillor Ellery **MOVED** (seconded by Councillor Leaves):

“that the recommendation set out within report CSCPC/16/4 be amended to reflect the suggestion above“.

Upon a vote, this was **CARRIED** unanimously, whereupon it was

RESOLVED

- (a) That Devon and Somerset Fire and Rescue Service continues to promote and support the Better Business for All programme:
- (b) That the Chair of the Better Business for All Partnership be invited to attend a future Members' Forum to encourage support for the partnership.

CSCPC/19 Regulatory Reform (Fire Safety) Order 2005 - Legal Action Taken

The Committee received for information a presentation given by the Area Manager – Community Safety – that set out the position in respect of enforcement action taken in accordance with the Regulatory Reform (Fire Safety) Order 2005 and the legal action that had been taken during 2015/16 to ensure compliance with this legislation.

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

The meeting started at 10:00hours and finished at 11.35hours

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**RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)**

17 May 2016

Present:-

Councillors Dyke (Chair), Burridge-Clayton, Chugg, Greenslade, Singh, Thomas and Yeomans (Vice-Chair)

RC/16 Minutes of the previous meeting held on 10 February 2016*

RESOLVED that the Minutes of the meeting held on 10 February 2016 be signed as a correct record.

RC/17 Draft Financial Outturn 2015/16

The Committee considered a report of the Treasurer to the Authority (RC/16/6) that set out details of the Authority's financial performance during 2015/16 as compared with the approved financial targets. The report also provided a draft outturn spending position against the 2015-16 revenue budget with explanations of the major variations.

The Treasurer highlighted that net spending was £72.833m at the year-end in 2015/16 which was £1.878m less than the approved revenue budget of £74.710m. The saving of £1.878m was equivalent to 2.51% of the total budget. It was proposed that this underspend be utilised to fund the following transfer of funds to Earmarked Reserves:

- A transfer of £0.557m to an Earmarked Reserves to be utilised to fund Essential Spending Pressures not included within the 2016-17 base budget;
- The transfer of the remaining £1.321m to the Capital Funding reserve.

The Treasurer reported that the underspend figure of £1.878m was after:

- The transfer of £0.420m to the Grants Unapplied Reserve, as required under the International Financial reporting Standards relating to grants received during the financial year but not utilised (paragraph 12.5(a) of the report circulated);
- A transfer of £0.091m to Earmarked Reserves for 2015-16 budget carry forward to fund planned projects not completed by 31 March 2016 (paragraph 12.5(c) of the report circulated);
- A transfer of £1.677m to the Reserve for Capital Funding (paragraph 12.5(e) of the report circulated); and,
- Additional provision relating to pension liabilities of £0.066m (paragraph 12.5(g) of the report circulated).

Reference was made to the Prudential Indicators and the point that external borrowing was £25.817m in Quarter 4 of 2015/16 which was well within the £29.477m set by the Authority (as the absolute maximum that was agreed as being affordable). This figure was lower than the previous quarter (£26.864m) due to further principal repayments during the quarter. No further external borrowing was planned in the immediate future and the proposals above made provision for the transfer of some of the underspend into the Capital Funding Reserve. It was noted that the debt ratio was 3.76% of the revenue budget which was well within the 5% limit set by the Authority.

The Treasurer advised the Committee that spending against the 2015-16 capital programme was £6.171m against a revised programme of £8.202m. The slippage of £1.627m was attributable largely to several projects, including a delay in delivery of six Light Rescue Pumps.

Reference was made at this point to the amount of £1.6m that had previously been set aside in a ring-fenced provision to fund future pension liabilities, including the liability from the Part Time Workers (Prevention of Less Favourable Treatment) Employment Tribunal. All employees eligible for the backdated pension were notified and – if they submitted an expression of interest – were supplied with an estimate of their pension. In terms of funding, the Treasurer advised that it was anticipated that the Department for Communities and Local Government would make provision for any future liabilities through increased employer's pension contributions to be recovered over a longer period rather than being repaid as a lump sum.

The Committee expressed thanks to both operational officers and budget holders for the laudable position that had been achieved on the outturn at the year end, whereupon it was:

RESOLVED

- (a) That the Fire and Rescue Authority, at its meeting on the 26 May 2016, be recommended to approve:
 - (i) That the provisional underspend against the 2015-16 revenue budget of £1.878m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 12.5 of report RC/16/6:
 - A. the transfer of £0.557m to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2016-17 base budget (paragraph 12.5(b) of report RC/16/6 refers);
 - B. the transfer of the remaining £1.321m to the Capital Funding Reserve (paragraph 12.5(f) of report RC/16/6 refers);
 - (ii) That following a review of Earmarked Reserve requirements, an amount of £0.011m be transferred from Earmarked Reserves to General Reserve (paragraph 12.5(d) refers)
- (b) That, subject to (a) above, the following be noted:
 - (i) The draft position in respect of the 2015-16 Revenue and Capital Outturn position, as indicated in report RC/16/6.

(ii) That the underspend figure of £1.878m was after:

- A. A transfer of £0.420m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards relating to grants received during the financial year but not utilised (paragraph 12.5(a) of report RC/16/6 refers);
- B. A transfer of £0.091m to Earmarked Reserves for 2015-16 Budget Carry Forwards to fund planned projects not completed by 31 March 2016 (paragraph 12.5(c) of report RC/16/6 refers);
- C. A transfer of £1.677m to the Reserve for Capital funding (paragraph 12.5(e) of report RC/16/6 refers);
- D. Additional provisions relating to pension liabilities of £0.066m. (paragraph 12.5(g) of report RC/16/6 refers).

NB. Minute RC/18 below also refers.

RC/18

Revision to Capital Programme 2016/17 to 2018/19

The Committee considered a report of the Chief Fire Officer and Treasurer (RC/16/7) that set out proposed revisions to the approved Capital programme to take account of:

- a) A variance to budget in 2015/16 of £1.307m more than had been anticipated when setting the original programme for 2016-17 to 2018-19, as outlined in the draft Financial Performance Report (RC/16/6). There was additional saving of £0.203m and budget unspent in 2015/16 of £1.104m. This budget was still required (carried forward to 2016-17) and reflected only a change to the timing of spend rather than an increase to funding requirements.
- b) An increase of £0.140m in 2016-17 to cover the cost of an additional capital scheme to be funded from earmarked reserves as outlined in the Financial Performance Report 2015-16 (RC/16/6);
- c) An increase of £0.031m to cover the purchase of a fire engine which had been leased previously to be funded from the 2016-17 revenue budget.

RESOLVED that it be recommended to the Devon & Somerset Fire & Rescue Authority that the revised capital programme and associated prudential indicators for 2016-17 to 2018-19 as set out within report RC/16/7 be approved.

NB. Minute RC/17 above also refers.

RC/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 item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial or business affairs of a particular person, including the Authority.

RC/20

Red One Performance Report for 2015/16*

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

The Committee received for information a report of the Treasurer (RC/16/9) that set out the draft financial outturn position for 2015-16 for the Authority's trading company, Red One Ltd.

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

The meeting started at 10:00hours and finished at 11.15hours

| | |
|-----------------------------------|--|
| REPORT REFERENCE NO. | RC/16/7 |
| MEETING | RESOURCES COMMITTEE |
| DATE OF MEETING | 17 MAY 2016 |
| SUBJECT OF REPORT | REVISION TO CAPITAL PROGRAMME 2016-17 TO 2018-19 |
| LEAD OFFICER | Chief Fire Officer and Treasurer |
| RECOMMENDATIONS | <i>That it be recommended to the Devon and Somerset Fire and Rescue Authority that the revised capital programme and associated prudential indicators for 2016-17 to 2018-19, as included in this report, be approved.</i> |
| EXECUTIVE SUMMARY | <p>A three year capital programme for 2016-17 to 2018-19 was approved at the budget meeting in February 2016. This report proposes a revision to that programme to reflect:</p> <ul style="list-style-type: none"> a) An amount of money not spent in 2015-16 to be carried forward to 2016-17; b) Additional capital spending items in 2016-17 to be funded from revenue reserves. <p>It should be emphasised that these proposed revisions do not require any increase in the Authority external borrowing requirements.</p> |
| RESOURCE IMPLICATIONS | As indicated within the Report |
| EQUALITY IMPACT ASSESSMENT | The contents of this report are considered compatible with existing equalities and human rights legislation. |
| APPENDICES | <ul style="list-style-type: none"> A. Capital Programme 2016-17 to 2018-19. B. Revised Prudential Indicators 2016-17 to 2018-19. |
| LIST OF BACKGROUND PAPERS | Capital Programme 2016-17 to 2018-19 report to DSFRA on 19 February 2016 (DSFRA/16/2). |

1. INTRODUCTION

- 1.1 The current capital programme covering the three years 2016-17 to 2018-19 was approved at the budget meeting in February 2016.
- 1.2 This report seeks approval of the Authority to revise this programme to reflect budget not spent in 2015-16 and the inclusion of new capital spending to be funded from a combination of the use of earmarked reserves and existing revenue budget.
- 1.3 It should be noted that the proposed changes do not require any additional external borrowing, over and above what has already been agreed, and therefore places no further burden on the revenue budget in terms of debt charges.

2. CURRENT CAPITAL PROGRAMME 2016-17 TO 2018-19

- 2.1 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.
- 2.2 At the budget meeting on 19 February the Authority considered and approved a three year capital programme covering the years 2016-17 to 2018-19. This approved programme is included at Appendix A (2016/17 Approved Budget column).

3. PROPOSED REVISION TO THE CAPITAL PROGRAMME

- 3.1 Appendix A to this report also provides a revised capital programme for the years 2016-17 to 2018-19. The changes included in the revised programme reflect:
 - a) A variance to budget in 2015/16 of £1.307m more than had been anticipated when setting the original programme for 2016-17 to 2018-19. As outlined in the draft Financial Performance Report Quarter 4, elsewhere on this agenda, there is additional saving of £0.203m and budget unspent in 2015/16 of £1.104m. This budget is still required (carried forward to 2016-17) and therefore reflects only a change to the timing of spend rather than an increase to funding requirements.
 - b) An increase of £0.140m in 2016-17 to cover the cost of an additional capital scheme to be funded from earmarked reserves as outlined in the Financial Performance Report 2015-16 Quarter 4, elsewhere on this agenda.
 - c) An increase of £0.031m to cover the purchase of a fire engine which had been leased previously to be funded from the 2016-17 revenue budget.

- 3.2 A summary of the impact to the overall programme of these changes is provided in Figure 1 below.

| | Estates £m | Fleet & Equipment £m | Total £m |
|-----------------------------|---------------|----------------------------|-------------|
| Original Programme | | | |
| 2015-16 (predicted outturn) | 1.4 | 6.0 | 7.4 |
| 2016-17 | 1.8 | 3.3 | 5.1 |
| 2017-18 | 2.4 | 2.6 | 5.0 |
| 2018-19 | 1.5 | 3.0 | 4.5 |
| Total 2015-16 to 2018-19 | 7.1 | 14.9 | 22.0 |
| Revised Programme | | | |
| 2015-16 (actual outturn) | 1.1 | 5.1 | 6.2 |
| 2016-17 | 2.1 | 4.2 | 6.3 |
| 2017-18 | 2.4 | 2.6 | 5.0 |
| 2018-19 | 1.5 | 3.0 | 4.5 |
| Total 2015-16 to 2018-19 | 7.1 | 14.9 | 22.0 |
| Proposed change | 0.0 | 0.0 | 0.0 |

Figure 1

- 3.3 Appendix B to this report provides a summary of the revised prudential indicators emanating from the revised programme. The current forecasts are that the ratio of financing costs to net revenue stream 5% ceiling will not be breached in the medium term as reported to the Authority in February 2016. The next review of capital spending plans will take place in good time to inform the budget setting process for 2017-18.

4. SUMMARY AND RECOMMENDATION

- 4.1 This report provides a revision to the agreed capital programme for the year 2016-17. The Committee is asked to recommend this revision, and associated prudential indicators, to the next meeting of the Fire and Rescue Authority to be held on the 26th May 2016.

LEE HOWELL
Chief Fire Officer

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/16/7

| Capital Programme 2016/17 to 2018/19 | | | | | | | | | |
|--------------------------------------|---|-----------------|----------------------|----------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| Item | PROJECT | 2016/17 | 2016/17 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | | Approved Budget | Slippage & Approvals | Revised Budget | Approved Budget | Approved Budget | Indicative Budget | Indicative Budget | Indicative Budget |
| | Estate Development | | | | | | | | |
| 1 | Minor improvements & structural maintenance | 1,768 | 327 | 2,095 | 2,412 | 1,505 | 1,115 | 785 | 1,750 |
| | Estates Sub Total | 1,768 | 327 | 2,095 | 2,412 | 1,505 | 1,115 | 785 | 1,750 |
| | Fleet & Equipment | | | | | | | | |
| 2 | Appliance replacement | 1,350 | 424 | 1,774 | 2,220 | 2,220 | 2,530 | 2,740 | 2,740 |
| 3 | Community Fire Safety | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Specialist Operational Vehicles | 125 | 140 | 265 | 0 | 200 | 200 | 0 | 0 |
| 5 | Equipment | 1,019 | 358 | 1,377 | 351 | 570 | 210 | 200 | 200 |
| 6 | ICT Department | 800 | 0 | 800 | 0 | 0 | 0 | 0 | 0 |
| 7 | Water Rescue Boats | 0 | 26 | 26 | 0 | 0 | 0 | 0 | 0 |
| | Fleet & Equipment Sub Total | 3,294 | 948 | 4,242 | 2,571 | 2,990 | 2,940 | 2,940 | 2,940 |
| | Overall Capital Totals | 5,062 | 1,275 | 6,337 | 4,983 | 4,495 | 4,055 | 3,725 | 4,690 |
| | Programme funding | | | | | | | | |
| 8 | Earmarked Reserves: | 47 | 1,219 | 1,266 | 1,079 | 665 | 182 | 355 | 815 |
| 9 | Revenue funds: | 3,048 | 31 | 3,079 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 10 | Internal Borrowing | 1,967 | 25 | 1,992 | 1,904 | 1,830 | 1,873 | 1,370 | 1,875 |
| | Total Funding | 5,062 | 1,275 | 6,337 | 4,983 | 4,495 | 4,055 | 3,725 | 4,690 |

APPENDIX B TO REPORT RC/16/7

| PRUDENTIAL INDICATORS | | | | INDICATIVE INDICATORS 2019/20 to 2021/22 | | |
|---|---------------------------|---------------------------|---------------------------|---|---------------------------|---------------------------|
| | 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 | 6.337 | 4.983 | 4.495 | 4.055 | 3.725 | 4.690 |
| HRA (applies only to housing authorities) | | | | | | |
| Total | 6.337 | 4.983 | 4.495 | 4.055 | 3.725 | 4.690 |
| Ratio of financing costs to net revenue stream | | | | | | |
| Non - HRA | 4.18% | 4.17% | 4.08% | 4.10% | 4.10% | 4.07% |
| HRA (applies only to housing authorities) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Capital Financing Requirement as at 31 March | £000 | £000 | £000 | £000 | £000 | £000 |
| Non - HRA | 25,724 | 25,630 | 25,537 | 25,444 | 24,851 | 24,757 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 1,374 | 1,299 | 1,209 | 1,112 | 1,010 | 907 |
| Total | 27,098 | 26,929 | 26,746 | 26,556 | 25,861 | 25,665 |
| Annual change in Capital Financing Requirement | £000 | £000 | £000 | £000 | £000 | £000 |
| Non - HRA | (163) | (169) | (183) | (191) | (694) | (197) |
| HRA (applies only to housing authorities) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | (163) | (169) | (183) | (191) | (694) | (197) |
| Incremental impact of capital investment decisions | £ p | £ p | £ p | £ p | £ p | £ p |
| Increase/(decrease) in council tax (band D) per annum | £0.04 | £0.03 | £0.03 | 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 |

| TREASURY MANAGEMENT INDICATOR | Upper Limit % | Lower Limit % |
|---|---------------------|---------------------|
| Limits on borrowing at fixed interest rates | 100% | 70% |
| Limits on borrowing at variable interest rates | 30% | 0% |
| Maturity structure of fixed rate borrowing during 2016/17 | | |
| Under 12 months | 30% | 0% |
| 12 months and within 24 months | 30% | 0% |
| 24 months and within 5 years | 50% | 0% |
| 5 years and within 10 years | 75% | 0% |
| 10 years and above | 100% | 50% |

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Agenda Item 7

| | |
|-----------------------------|--|
| REPORT REFERENCE NO. | DSFRA/16/13 |
| MEETING | DEVON & SOMERSET FIRE & RESCUE AUTHORITY (ORDINARY MEETING) |
| DATE OF MEETING | 26 MAY 2016 |
| SUBJECT OF REPORT | PROVISIONAL FINANCIAL OUTTURN 2015-16 |
| LEAD OFFICER | Treasurer |
| RECOMMENDATIONS | <p>(a) That the Authority approves:</p> <p>(i) That the provisional underspend against the 2015-16 revenue budget of £1.878m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 12.1 of this report:</p> <p style="padding-left: 40px;">A. the transfer of £0.557m to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2016-17 base budget (Para 12.1(b));</p> <p style="padding-left: 40px;">B. the transfer of the remaining £1.321m to the Capital Funding Reserve (Para 12.1(f));</p> <p>(ii) That following a review of Earmarked Reserve requirements, an amount of £0.011m be transferred from Earmarked Reserves to General Reserve (Para. 12.1(d))</p> <p>(b) That, subject to (a) above, the following be noted:</p> <p>(i) The draft position in respect of the 2015-16 Revenue and Capital Outturn position, as indicated in this report.</p> <p>(ii) That the underspend figure of £1.878m is after;</p> <p style="padding-left: 40px;">A. A transfer of £0.420m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised (Para.12.1(a))</p> <p style="padding-left: 40px;">B. A transfer of £0.091m to Earmarked Reserves for 2015-16 Budget Carry Forwards to fund planned projects not completed by 31 March 2016 (Para. 12.1(c))</p> <p style="padding-left: 40px;">C. A transfer of £1.677m to the Reserve for Capital funding (para 12.1(e))</p> <p style="padding-left: 40px;">D. Additional provisions relating to pension liabilities of £0.066m. (Para. 12.1(g))</p> |
| EXECUTIVE SUMMARY | This report sets out the draft financial outturn position for 2015-16 against agreed financial targets. |

| | |
|--|---|
| | <p>In particular, it provides a draft outturn spending position against the 2015-16 revenue budget with explanations of the major variations. Spending will be £1.878m below budget, (net of transfers to Earmarked reserves noted in this report) equivalent to 2.5% of the total budget.</p> <p>This significant saving is largely attributable to the continued implementation of the Corporate Plan changes agreed in July 2013, together with a strategy to work with budget holders to identify in-year savings against budget heads. Members will recall that in setting a revenue budget for 2016-17, at the February budget meeting, an amount of £3.2m was taken from the base budget to reflect further on-going budget savings.</p> <p>The figures included in this report are provisional at this stage, subject to external audit of the Accounts during August 2016.</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. Provisional Revenue Outturn Position 2015-2016.</p> <p>B. Summary of Reserve and Provision Balances at 31 March 2016</p> |
| LIST OF BACKGROUND PAPERS | Financial Performance Quarter 4 2015-16 Report to Resources Committee on 17 May 2016 (RC/16/6) |

1. INTRODUCTION

- 1.1 This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2015-16, and makes recommendations as to how the underspend against the revenue budget is to be utilised. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.
- 1.2 The Authority has been informed of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2016-17 revenue budget for the Authority in February 2016, consideration of the Medium Term Financial Plan (MTFP), recognised that further recurring savings will be required over the next three years to 2019-20, over above the savings already agreed by the Corporate Plan proposals in July 2013. Further details of savings requirements, forecast within the MTFP targets, are included in paragraph 14 of this report.
- 1.3 Mindful of this difficult outlook the strategy adopted during the last financial year 2015-16 was to secure as much in-year savings as possible with a view to adding to Authority Reserve balances. Budget monitoring reports submitted to meetings of the Resources Committee during the financial year have identified that adoption of this strategy was anticipated to deliver savings against the 2015-16 budget (previous forecast at Quarter 3 was for a saving of £0.486m). The provisional outturn figure for 2015-16, now included in this report, is for an under spend of £1.878m, equivalent to 2.51% of the total budget
- 1.4 This is, of course, a welcome result and provides the opportunity to transfer this amount into Reserve balances to be utilised in the best possible way to assist future budget setting. This is, however, a one-off saving and can therefore be used only once. It is not a sustainable solution to our forecast budget shortfalls. Members will recall that in setting a balanced budget for the current financial year, 2016-17, in February 2016, an amount of £3.2m has already been taken from the base budget to reflect on-going revenue savings.
- 1.5 An earlier version of this report – RC/16/6 - was considered by the Resources Committee at its meeting held on 17 May 2016 and the Committee resolved to recommend that the Authority approve the transfer of underspend to ear-marked reserves as recommended in this report (Minute RC/17 refers).

2. SECTION 1 – REVENUE OUTTURN 2015-16

- 2.1 Total revenue spending in 2015-16 was £72.833m, compared to an agreed budget of £74.710m, resulting in an underspend of £1.878m, equivalent to 2.51% of total budget. A summary of spending is shown in Table 1 overleaf, and Appendix A provides a more detailed analysis of spending against individual budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2015-16

| | £m | £m | £m |
|---|---------|--------|----------------|
| Approved Budget | | | 74.710 |
| Gross Spending (Appendix A Line 28) | 71.673 | | |
| Gross Income (Appendix A Line 33) | (4.580) | | |
| Net Spending | | 67.093 | |
| PLUS Transfers to Earmarked Reserves | | | |
| - Transfers to Reserves included in budget (Appendix A Line 35) | 3.551 | | |
| - 2015-16 Carry Forwards (Appendix A Line 35) | 0.091 | | |
| - Grants Unapplied (Appendix A Line 36) | 0.420 | | |
| - Capital Funding (Appendix A Line 37) | 1.678 | | |
| Total Transfer to Earmarked Reserves (Appendix A Line 38) | | 5.739 | |
| TOTAL NET SPENDING | | | 72.833 |
| NET UNDERSPEND | | | (1.878) |

2.2 These figures are based upon the spending position at the end of March 2016 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.

2.3 This significant saving is largely attributable to the continued implementation of the Corporate Plan changes agreed in July 2013, in addition all budget managers have been tasked by the Chief Fire Officer and Executive Board to control in-year spending from non-operational budget heads and managers have responded accordingly. These in-year savings form a significant contribution to the £1.878m underspend against the current year revenue budget.

2.5 Savings against other budget heads e.g. Uniformed staffing costs, Training Expenses and Capital Financing Costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below in paragraphs 3 to 10.

3. EMPLOYEE COSTS

Wholetime Staff

3.1 This forecast year end position of £27.918m against budget of £27.965m includes a provision of £0.066m for future pension liabilities which may arise on allowances following legislation and is intended to supplement the provision first made in the 2013/14 accounts.

Retained Pay Costs

3.2 Spend for the 2015-16 year is £0.122m below budget due to savings for ongoing vacancies and reduced activity levels.

Training Expenses

3.3 Training expenses are £0.723m against budget of £1.065m resulting in a saving of £0.342m due to fewer external courses in 2015/16 and a reduction to the number of grant funded Phoenix courses being run (reflected in a reduction to income). There have also been savings made due to the suspension of promotional training and assessment whilst the uniformed establishment and organisational development are being reviewed.

Fire Service Pensions Recharge

- 3.4 The outturn position of £0.074m over budget is as a result of an ill health and injury on duty case being resolved earlier than anticipated, meaning the spend is now to be included in 2015-16.

4. PREMISES RELATED COSTS

Energy Costs

- 4.1 Energy costs savings of £0.115m are due to weather variations and savings as a result of new energy contracts which have been let since the budget was set.

Cleaning Costs

- 4.2 Savings of £0.064m have been made on cleaning costs in 2015-16: £0.040m saving against the external cleaning contract (on one off/ deep cleans) and £0.020m against the refuse collection contract following a procurement exercise.

5. TRANSPORT RELATED COSTS

Repair and Maintenance

- 5.1 Fleet maintenance costs were £0.167m under budget as a result of a reduction in the volume of repairs and the positive impact of the introduction of Light Response Pump (LRP) on maintenance costs.

Running costs and Insurances

- 5.2 Savings of £0.160m have been made against this budget line, the majority as a result of low fuel prices throughout the year and reduced insurance premiums resulting from the formation of the fire insurance mutual.

Travel and Subsistence

- 5.3 Travel and Subsistence costs were £1.334m against a budget of £1.424m. The under spend of £0.090m is largely due to significant reductions to mileage claims for uniformed, non-uniformed staff and members as well as hired transport costs. The savings are as a consequence of a reduction in staff numbers and travelling levels.

6. SUPPLIES AND SERVICES

Equipment and Furniture

- 6.1 Spend on Equipment and Furniture was £2.120m against a budget of £2.482m. The under spend of £0.362m is largely because fewer items of operational equipment are required (because the Service is employing fewer staff) along with savings on ICT contracts.

Hydrants – Installation and Maintenance

- 6.2 Hydrants Installation and Maintenance is £70k overspent for the year. This variance is due to a backlog of maintenance work with South West Water, slipped from previous years.

Communications

- 6.3 The outturn position for Communication spend is £1.801m against budget of £2.114m. £79k of the saving is on the Airwave contract for Emergency Services communications and navigation equipment in vehicles, with £45k under spend being subject to a budget carry forward reserve request. A further £105k is attributable to the externally funded National Procurement Project which is subject to a year-end carry forward into 2016-17 as outlined in Para. 12.5(a) below.

Catering

- 6.4 The underspend of £0.093m on Catering is due to reduced training meals (in line with activity) along with lower spend on catering facilities across the Service which is reflected by reduced income. The provision of training meals and canteen provisions across the Service are currently subject to review.

External Fees & Services

- 6.5 Spend on External Fees & Services was £0.060m below budget, primarily as a result of the delay to the National Procurement project which will spend the grant funding in future years on staffing rather than external contractors (subject to Earmarked Reserve Request).

7. ESTABLISHMENT COSTS

Printing, Stationery and Office Expenses

- 7.1 Expenditure on Printing, Stationery and Office Expenses is £0.128m lower than budgeted as a result of savings on publications, postage and consultation fees.

8. PAYMENTS TO OTHER AUTHORITIES

Support Services Contracts

- 8.1 The outturn position for Support Services Contracts is £0.633m against budget of £0.568. The over spend relates to increased Occupational Health spend as a result of sickness levels and management action to both review ongoing sickness cases and support staff in a healthy return to work.

9. CAPITAL FINANCING COSTS

Capital Charges

- 9.1 Capital charges are £0.261m below budget, primarily as a result of fewer leased vehicles and items of equipment (some have been bought out) but also due to savings on debt interest as no new loans have been taken out in year due to the strategy to support capital expenditure from revenue underspends.

Revenue contribution to Capital Spending

- 9.2 As a result of slippage to the capital programme in 2015-16, there will be an under spend of £1.585m against this budget line. This amount is required to be transferred in to the Direct Funding to Capital Reserve to be used against ongoing projects.

10. INCOME

Investment Income

- 10.1 There is a £0.154m surplus for Investment income which is primarily due to strong yields on high cash balances producing £0.091m more income than budgeted.
- 10.2 Additionally the Authority has received £0.063m in Dividend Income from its trading subsidiary, Red One Limited, which relates to profits from 2013-14 and 2014-15. Per the strategy agreed by members when the company was set up, this amount will be transferred to the Reserve to support Capital Expenditure in future years.

Grants and Re-imbursements

10.3 Grants and Re-imbursements received in 2015-16 were £3.080m against a budget of £3.219m. The shortfall of £0.138m is largely due to fewer grant funded Phoenix Courses being run. It should be emphasised that there are savings across several other budget headings which offset the reduced grant income.

Other Income

10.4 Other income was £0.212m above budget which is due a variety of factors including increased Co-responder activity and improved cost recovery (£90k), Site sharing income (£38k) and revenue from sales of vehicle and equipment (£23k).

10.5 Also included in this figure, Training Income received from Red One Ltd was £29k above budget which will be subject to transfer to reserves per the strategy.

11. DIRECT REVENUE CONTRIBUTIONS TO CAPITAL

11.1 Appendix A to this report reflects that the underspend of £1.585m on Revenue Contribution to Capital arising in year is transferred directly to the Earmarked reserve for Capital funding.

11.2 **Commercial Income** – As outlined in paragraphs 10.2 and 10.5 of this report income from commercial activities is £0.092m more than budgeted. The Authority has previously made an “in principle” decision that any income from commercial activities in excess of that budgeted be ring fenced to provide direct revenue funding toward capital spending. Appendix A reflects a further transfer of £0.092m to the Earmarked Reserve for Direct Revenue Contributions to Capital at the year-end.

12. CONTRIBUTION TO EARMARKED RESERVES

12.1 A summary of predicted balances on Reserves and Provisions is shown in Appendix B to this report. These figures include those proposed transfers to Earmarked Reserves and provision outlined in this report and referenced in Appendix B which are recommended for approval:

a. **Grants Unapplied (£0.420m)** - under IFRS accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2015-16. An analysis of such grants is shown in the table below.

| Grant Received From | £m | Purpose of Grant |
|---|--------------|---|
| Department of Communities and Local Government (CLG) | 0.008 | To fund Urban Search and Rescue (USAR) activities. |
| Department of Communities and Local Government (CLG) | 0.372 | Transformation funding for the National Procurement Project |
| Insure the Box (£15k) and Devon County Council (£25k) | 0.040 | Learn to Live programme |
| NET TRANSFER | 0.420 | |

b. **2015-16 Earmarked Reserve for Change and Improvement Programme (£0.557m)** - A number of new opportunities for Change & Improvement have arisen since the 2016-17 budget was set and therefore it is recommended that the Authority approve a total transfer of £0.557m to the existing reserve to fund these projects, pending consideration of a full business case. These are identified as follows:

| Description | £m |
|---|--------------|
| Support for the Emergency Services Mobile Communication Project | 0.100 |
| European Foundation for Quality Management Assurance | 0.005 |
| Profile project manager | 0.065 |
| Firefighter fitness | 0.025 |
| Public relations equipment | 0.022 |
| Performance Information Management System | 0.200 |
| Purchase of Confined Space Training Vehicle (subject to an increase in 2016-17 capital programme, as approved by Resources Committee on 17 May 2016 Minute RC/18 refers | 0.140 |
| TOTAL TRANSFER | 0.557 |

c. **Budget Carry Forwards (£0.091m)** - Budget carry forwards for revenue items are requested for items where budget was provided in 2015/16 but the purchase or procurement was delayed beyond 31 March 2016. These are identified as follows:

| Description | £m |
|--|--------------|
| Aide memoire for use on Appliances | 0.005 |
| Telephony Upgrades | 0.045 |
| Home Fire Safety Visit Project/ Profile (Change & Improvement) | 0.027 |
| Fitness Equipment | 0.015 |
| TOTAL TRANSFER | 0.091 |

d. In addition to these transfers, a recent review of historic Reserve balances has meant remaining balances for Committee Management Software (£9k) and a Replacement Oil Bunker (£2k) are no longer required because these projects have been delivered under budget and can therefore be returned to the General Fund. The net effect of these changes is for a transfer of £80k.

e. **Direct funding to Capital (£1.677m)** - As reported in paragraphs 11.1 and 11.2 of this report, a budget carry forward of £1.585m to fund capital commitments in 2015-16 is required in addition to Red One Income being utilised for Capital Funding.

| Description | £m |
|--|--------------|
| Revenue Contribution to Capital from 2015-16 | 1.585 |
| Red One Income | 0.092 |
| TOTAL TRANSFER | 1.677 |

f. **Direct funding to Capital (£1.321m)** - It is recommended that the Authority approve that the remaining underspend of £1.321m be transferred to the Capital Funding Reserve in order to further prevent the need to borrow in future financial years. By utilising under spends in this way the revenue budget will be protected from future Capital Charges and ensure that debt charges are kept within the prudential indicator of affordability, set at 5% of total revenue budget.

g. **Provision for Firefighters pension schemes** - As detailed in Paragraph 3 of this report, a further enhancements to the Provision for Firefighters pension scheme is recommended for the Pensionable Allowances 2015/16 element of £0.066m.

13. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

13.1 The provisional outturn position was considered by the Resources Committee at its meeting on 16 May 2016. The Committee resolved to recommend to the Authority that the underspend figure of £1.878m be used to fund two further transfers into Earmarked Reserves, as detailed in Paragraph 12:

(a) **Essential Spending Pressures 2015-16 (£0.557m)**

(b) **Transfer to Capital Funding Reserve (£1.321m)**

13.2 A summary position of Reserves and Provisions as at 31 March 2016, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

13.3 Included in Appendix B is a summary of the Provision balances as at 31 March 2016. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that an additional charge of £0.066m should be set aside in Provisions.

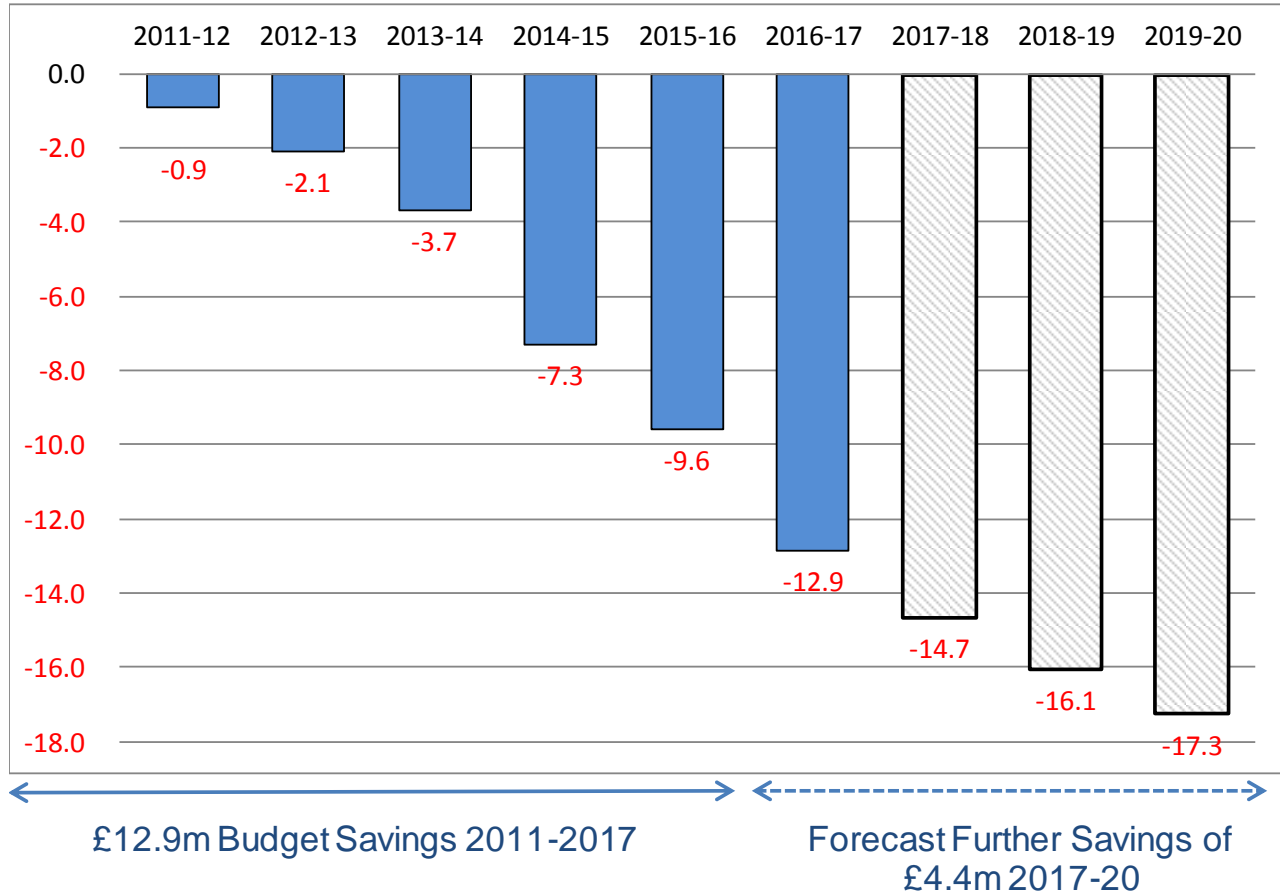
14. IMPACT TO MEDIUM TERM FINANCIAL PLANNING

14.1 The Authority has previously been informed of the difficult financial climate currently being faced by local authorities as a result of significant reductions in government funding. The most recent Local Government Grant Settlement in December 2015 confirmed that DSFRA funding would reduce by £2.5m in 2016-17, and subject to acceptance of the government offer of a four-year settlement and the submission of financial plans a further decrease of £4.8m by 2019-20. This means that the Medium Term Financial Plan (MTFP) needs to be planning for the significant reductions beyond 2016-17.

14.2

So far, the Authority has responded well, since 2011 a total of £12.9m of recurring efficiency savings have been identified and used to enable balanced budgets to have been set, including an amount of £3.2m in setting the budget for 2016-17. However the MTFP forecasts that a further £4.4m of on-going savings will be required over the next three years to 2019-20 (if Council Tax is increased). Chart 1 provides a summary of savings delivered to date (2016-17) and forecast savings required over the next three years 2017-18 to 2019-20.

CHART 1 – SUMMARY OF SAVINGS (CUMULATIVE) 2011 - 2020 - £17.3 MILLIONS



14.3

The Corporate Plan agreed by the Authority in 2013 included a range of proposals which when fully implemented will deliver total on-going savings of £6.8m. Officers are currently working on producing a robust plan for the future savings requirements to be approved by members prior to submission to the Home Office by October 2016, the deadline for acceptance of the four year offer.

14.4

The recommendation in this report, to provide a one-off contribution to the Capital Funding reserve of £1.321m, will enable the Authority to better respond to future austerity measures by reducing the revenue burden of Capital Charges and preventing borrowing.

15. SUMMARY OF REVENUE SPENDING

15.1 Budget monitoring reports considered during the financial year have highlighted the strategy to seek in-year savings wherever possible which can be transferred at year end to the Authority Reserve balances. It is pleasing therefore that this strategy has resulted in a final underspend position of £1.878m along with in year transfers to the Capital funding reserve. This report makes proposals as to how this underspend can best be utilised and the Authority is invited to consider these with a view to approving the recommendations of the Resources Committee made at its recent meeting.

16. SECTION 2 – CAPITAL OUTTURN 2015-16

16.1 The 2015-16 capital programme was originally set at £8.247m at the budget setting meeting held on the 20 February 2015. This programme figure has reduced during the financial year to £8.202m, as a result of slippage in spending from the previous year being offset by a previous decision made by members to transfer £1m of Capital budget in to 2016-17. There have also been some minor changes to the programme in year due to new capital spending items to be funded from revenue contributions. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2015-16 programme they do not represent any increase to the previously agreed borrowing requirement.

16.2 Table 2 overleaf provides a summary of the provisional outturn position against the agreed 2015-2016 capital programme. Against a final capital programme of £8.202m, capital spending in year was £6.171m, with £1.627m of unspent budget carried forward to 2016-17 and £0.404m of savings.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2015-16

| PROJECT | 2015/16 £000 Revised Budget | 2015/16 £000 Outturn | 2015/16 £000 Fore cast Slippage | 2015/16 £000 Over/ (under) spend |
|--|--|-------------------------------------|--|---|
| Estate Development | | | | |
| Major Projects - Training Facility at Exeter Airport | 421 | 417 | 0 | (4) |
| Minor improvements & structural maintenance | 1,620 | 690 | (725) | (205) |
| Estates Sub Total | 2,041 | 1,107 | (725) | (209) |
| Fleet & Equipment | | | | |
| Appliance replacement | 4,526 | 4,064 | (393) | (69) |
| Community Fire Safety | 0 | 0 | 0 | 0 |
| Specialist Operational Vehicles | 344 | 159 | (125) | (60) |
| Equipment | 953 | 523 | (358) | (72) |
| ICT Department | 245 | 251 | 0 | 6 |
| Water Rescue Boats | 93 | 67 | (26) | 0 |
| Fleet & Equipment Sub Total | 6,161 | 5,064 | (902) | (195) |
| Overall Capital Totals | 8,202 | 6,171 | (1,627) | (404) |
| Programme funding | | | | |
| Earmarked Reserves: | 1,047 | 602 | (384) | (61) |
| Revenue funds: | 2,158 | 572 | (1,243) | (343) |
| Application of existing borrowing | 4,997 | 4,997 | | 0 |
| Total Funding | 8,202 | 6,171 | (1,627) | (404) |

Capital Spending 2015-16

16.3

This Authority has a three year rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to the appliance replacement programme and several Estates projects being paused awaiting strategic review of the property portfolio. Those projects that have moved into 2016-17 will be reassessed and any potential savings identified.

17. FINANCING THE 2015-16 CAPITAL PROGRAMME

17.1 Table 3 below provides an analysis of how the 2015-16 capital spending of £6.171m is to be financed.

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2015-16

| | Actual Financing Required £m |
|---|---|
| <u>Application of existing borrowing</u> | 4.997 |
| <u>Other Financing Sources</u> | |
| <u>Revenue Contribution to Capital Spending per programme</u> | 0.532 |
| Purchase of leased Appliances | 0.040 |
| Contribution from Earmarked Reserves | 0.602 |
| Sub Total – Direct Revenue Funding/Earmarked Reserve | 1.174 |
| CLG Grant to support capital spending | 0.000 |
| Sub Total - Capital/Revenue Grants | 0.000 |
| | |
| Total Financing | 6.171 |

Borrowing

17.2 The amount of external borrowing at the beginning of the financial year stood at £25.944m. No new borrowing was taken out during the year and an amount of £0.127m has been repaid, resulting in an overall reduction of external borrowing to £25.817m as at 31 March 2016. This level of borrowing is well below the agreed (revised) maximum borrowing figure of £29.477m allowed under the Prudential Code.

18. DRAFT PRUDENTIAL INDICATORS

18.1 The prudential indicators at this time can only be regarded as provisional subject to the completion of the Statement of Accounts and resultant audit scrutiny.

Capital Expenditure

18.2 This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £2.031m less than anticipated predominantly as a consequence of delays on progressing capital projects.

| | |
|--------------------|-----------|
| Approved Indicator | £8.202m |
| Actual Expenditure | £6.171m |
| Variance | (£2.031)m |

Capital Financing Requirement (CFR) – External Borrowing

- 18.3 The CFR reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2015-16 the need to borrow to fund capital spending has remained static.

| | |
|----------------------------|-----------|
| Approved CFR | £25.818m |
| Revised CFR | |
| (Based on actual spending) | £25.817m |
| Variance | (£0.001)m |

Capital Financing Requirement (CFR) – Other Long Term Liabilities

- 18.4 This CFR reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

| | |
|--------------|------------|
| Approved CFR | £1.444m |
| Actual CFR | £1.444m |
| Variance | (£0.000) m |

Authorised Limit and the Operational Boundary for External Debt

- 18.5 Actual external debt as at 31 March 2016 was £25.817m. This is within the revised authorised limit (absolute maximum borrowing approval) and operational boundary of £29.477m and £28.186m respectively, and therefore neither was breached.

Ratio of Financing Cost to Net Revenue Stream

- 18.7 This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 3.76% would be applied and the actual figure is 0.12 base points (bp) below that estimate.

| | |
|-------------------------|-----------|
| Capital Financing Costs | £2.924m |
| Interest on investments | (£0.208)m |
| Net Financing Costs | £2.716m |
| Net Revenue Stream | £74.710m |
| Percentage | 3.64% |
| Estimated | 3.76% |
| Variance | (0.12) bp |

19. DETERMINATION OF CAPITAL FINANCE

- 19.1 The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed;
- That an amount of £4.977m of external borrowing from previous years be utilised to fund the Capital programme.
 - That an amount of £1.174m is capitalised and funded from revenue contributions to capital spending, either directly from the 2015-16 revenue budget or from balances in Earmarked Reserves.

KEVIN WOODWARD
Treasurer

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

| DEVON & SOMERSET FIRE AND RESCUE AUTHORITY | | | | | |
|---|--|--------------------------------|--------------------------------------|-----------------------------------|--|
| Revenue Budget Monitoring Report 2015/16 | | | | | |
| Line No | SPENDING | 2015/16 Budget £000 | Spending to Month 12 £000 | Projected Outturn £000 | Projected Variance over/ (under) £000 |
| | EMPLOYEE COSTS | | | | |
| 1 | Wholetime uniform staff | 27,965 | 27,852 | 27,918 | (47) |
| 2 | Retained firefighters | 11,983 | 11,862 | 11,862 | (122) |
| 3 | Control room staff | 1,647 | 1,601 | 1,601 | (46) |
| 4 | Non uniformed staff | 9,620 | 9,665 | 9,665 | 45 |
| 5 | Training expenses | 1,065 | 723 | 723 | (342) |
| 6 | Fire Service Pensions recharge | 2,787 | 2,861 | 2,861 | 74 |
| | | 55,067 | 54,564 | 54,629 | (437) |
| | PREMISES RELATED COSTS | | | | |
| 7 | Repair and maintenance | 1,318 | 1,314 | 1,314 | (4) |
| 8 | Energy costs | 615 | 500 | 500 | (115) |
| 9 | Cleaning costs | 445 | 381 | 381 | (64) |
| 10 | Rent and rates | 1,661 | 1,647 | 1,647 | (13) |
| | | 4,039 | 3,842 | 3,842 | (197) |
| | TRANSPORT RELATED COSTS | | | | |
| 11 | Repair and maintenance | 607 | 439 | 439 | (167) |
| 12 | Running costs and insurances | 1,344 | 1,184 | 1,184 | (160) |
| 13 | Travel and subsistence | 1,424 | 1,334 | 1,334 | (90) |
| | | 3,375 | 2,958 | 2,958 | (417) |
| | SUPPLIES AND SERVICES | | | | |
| 14 | Equipment and furniture | 2,482 | 2,120 | 2,120 | (362) |
| 16 | Hydrants-installation and maintenance | 128 | 199 | 199 | 70 |
| 17 | Communications | 2,114 | 1,801 | 1,801 | (313) |
| 18 | Uniforms | 609 | 567 | 567 | (42) |
| 19 | Catering | 220 | 127 | 127 | (93) |
| 20 | External Fees and Services | 115 | 55 | 55 | (60) |
| 21 | Partnerships & regional collaborative projects | 193 | 137 | 162 | (30) |
| | | 5,862 | 5,007 | 5,032 | (830) |
| | ESTABLISHMENT COSTS | | | | |
| 22 | Printing, stationery and office expenses | 380 | 252 | 252 | (128) |
| 23 | Advertising | 35 | 13 | 13 | (23) |
| 24 | Insurances | 341 | 306 | 306 | (35) |
| | | 756 | 570 | 570 | (186) |
| | PAYMENTS TO OTHER AUTHORITIES | | | | |
| 25 | Support service contracts | 568 | 633 | 633 | 65 |
| | | 568 | 633 | 633 | 65 |
| | CAPITAL FINANCING COSTS | | | | |
| 26 | Capital charges | 3,699 | 3,438 | 3,438 | (261) |
| 27 | Revenue Contribution to Capital spending | 2,157 | 572 | 572 | (1,585) |
| | | 5,856 | 4,010 | 4,010 | (1,846) |
| 28 | TOTAL SPENDING | 75,523 | 71,583 | 71,673 | (3,849) |
| | INCOME | | | | |
| 29 | Investment income | (117) | (271) | (271) | (154) |
| 30 | Grants and Reimbursements | (3,219) | (3,080) | (3,080) | 138 |
| 31 | Other income | (998) | (1,210) | (1,210) | (212) |
| 32 | Internal Recharges | (30) | (19) | (19) | 11 |
| 33 | TOTAL INCOME | (4,363) | (4,580) | (4,580) | (217) |
| 34 | NET SPENDING | 71,160 | 67,002 | 67,093 | (4,066) |
| | TRANSFERS TO EARMARKED RESERVES | | | | |
| 35 | Transfer to Earmarked Reserve | 3,551 | 3,551 | 3,642 | 91 |
| 36 | Grants Unapplied | - | - | 420 | 420 |
| 37 | Capital Funding | - | - | 1,678 | 1,678 |
| 38 | | 3,551 | 3,551 | 5,739 | 2,189 |
| 39 | NET SPENDING | 74,710 | 70,553 | 72,833 | (1,878) |

SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2016

| RESERVES AND PROVISIONS | | | | | | |
|--|------|--|-------------------------------|-------------------------------|----------------------------|---|
| | Note | Balance as at 1 April 2015 £000 | Approved Transfers £000 | Proposed Transfers £000 | Spending to P12 £000 | Proposed Balance as at 31 March 2016 £000 |
| RESERVES | | | | | | |
| Earmarked reserves | | | | | | |
| Grants unapplied from previous years | a | (1,707) | - | (420) | 706 | (2,833) |
| Change & improvement programme | b | (938) | - | (417) | 136 | (1,491) |
| Budget Carry Forwards | c/d | (727) | - | (80) | 85 | (892) |
| Commercial Services | | (192) | - | - | - | (192) |
| Direct Funding to Capital | e/f | (7,175) | (3,000) | (3,138) | - | (13,313) |
| Comprehensive Spending Review* | | (4,955) | - | - | - | (4,955) |
| Community Safety Investment | | (215) | - | - | 42 | (258) |
| PPE & Uniform Refresh | | (996) | - | - | - | (996) |
| Pension Liability reserve | | (1,525) | - | - | - | (1,525) |
| NNDR Smoothing Reserve | | (62) | (551) | - | - | (613) |
| Total earmarked reserves | | (18,492) | (3,551) | (4,055) | 969 | (27,067) |
| General reserve | | | | | | |
| General fund balance | d | (5,271) | | (11) | - | (5,282) |
| Percentage of general reserve compared to net budget | | | | | | 7.07% |
| TOTAL RESERVE BALANCES | | (23,763) | | | | (32,349) |
| PROVISIONS | | | | | | |
| Fire fighters pension schemes | g | (784) | | (66) | 156 | (694) |
| PFI Equalisation | | (295) | | - | - | (295) |
| TOTAL PROVISIONS | | (1,079) | | (66) | 156 | (989) |

Agenda Item 8

| | |
|--|--|
| REPORT REFERENCE NO. | DSFRA/16/14 |
| MEETING | DEVON & SOMERSET FIRE & RESCUE AUTHORITY (ORDINARY MEETING) |
| DATE OF MEETING | 26 MAY 2016 |
| SUBJECT OF REPORT | ANNUAL TREASURY MANAGEMENT REPORT 2015-16 |
| LEAD OFFICER | Treasurer |
| RECOMMENDATIONS | <i>That the performance in relation to the treasury management activities of the Authority for 2015-16, as set out in this report, be noted.</i> |
| EXECUTIVE SUMMARY | <p>The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the Authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted.</p> <p>The report includes a performance report relating to the 2015-16 financial year.</p> |
| RESOURCE IMPLICATIONS | As indicated within the report. |
| EQUALITY RISK AND BENEFIT ASSESSMENT (ERBA) | An initial assessment has not identified any equality issues emanating from this report. |
| APPENDICES | A. Prudential indicators 2015-16. |
| LIST OF BACKGROUND PAPERS | Treasury Management Strategy (including Prudential and Treasury Indicators) Report to budget meeting held on the 20 th February 2015 DSFRA/15/3 |

1. INTRODUCTION

- 1.1 The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2015-16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 The Authority fully complies with the primary requirements of the Code, which includes:
- The creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities.
 - The creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives.
 - The receipt by the Authority of an annual strategy report for the year ahead, a mid-year treasury update report and an annual review report of the previous year.
 - The delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Authority is the Resources Committee.
- 1.3 During 2015-16 the minimum reporting requirements were that the full Authority should receive the following reports:
- an annual treasury strategy in advance of the year (Authority meeting 20/02/2015).
 - a mid-year (minimum) treasury update report (Authority meeting 14/12/2015).
 - an annual review following the end of the year describing the activity compared to the strategy (this report).
- 1.4 In addition, the Resources Committee has received quarterly treasury management update reports on 02/09/2015, 19/11/2015 and 10/02/2016.
- 1.5 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by members.
- 1.6 The Treasury Management Strategy for the Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2011 Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code.
- 1.7 Treasury management in this context 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. "*

2. THE ECONOMY AND INTEREST RATES

- 2.1 Market expectations for the first increase in Bank Rate moved considerably during 2015-16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.
- 2.2 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015-16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 2.3 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.
- 2.4 The European central Bank (ECB) commenced a full blown quantitative easing (QE) programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.
- 2.5 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.
- 2.6 The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

3. OVERALL TREASURY POSITION AS AT 31 MARCH 2016

- 3.1 The Authority's debt and investment position at the beginning and the end of the year was as follows:

| SUMMARY | 31st March 2015 Principal | Rate/ Return | 31st March 2016 Principal | Rate/ Return |
|------------------------|------------------------------|--------------|------------------------------|--------------|
| Total Debt - PWLB | £25.944m | 4.231% | £25.817m | 4.231% |
| CFR | £22.582m | | £25.818m | |
| Over/(under) borrowing | £3.362m | | (£0.001)m | |
| Total Investments | £30.956m | 0.49% | £27.325m | 0.56% |
| NET DEBT | £(5.012)m | | £(1.508)m | |

4. **STRATEGY FOR 2015-16**

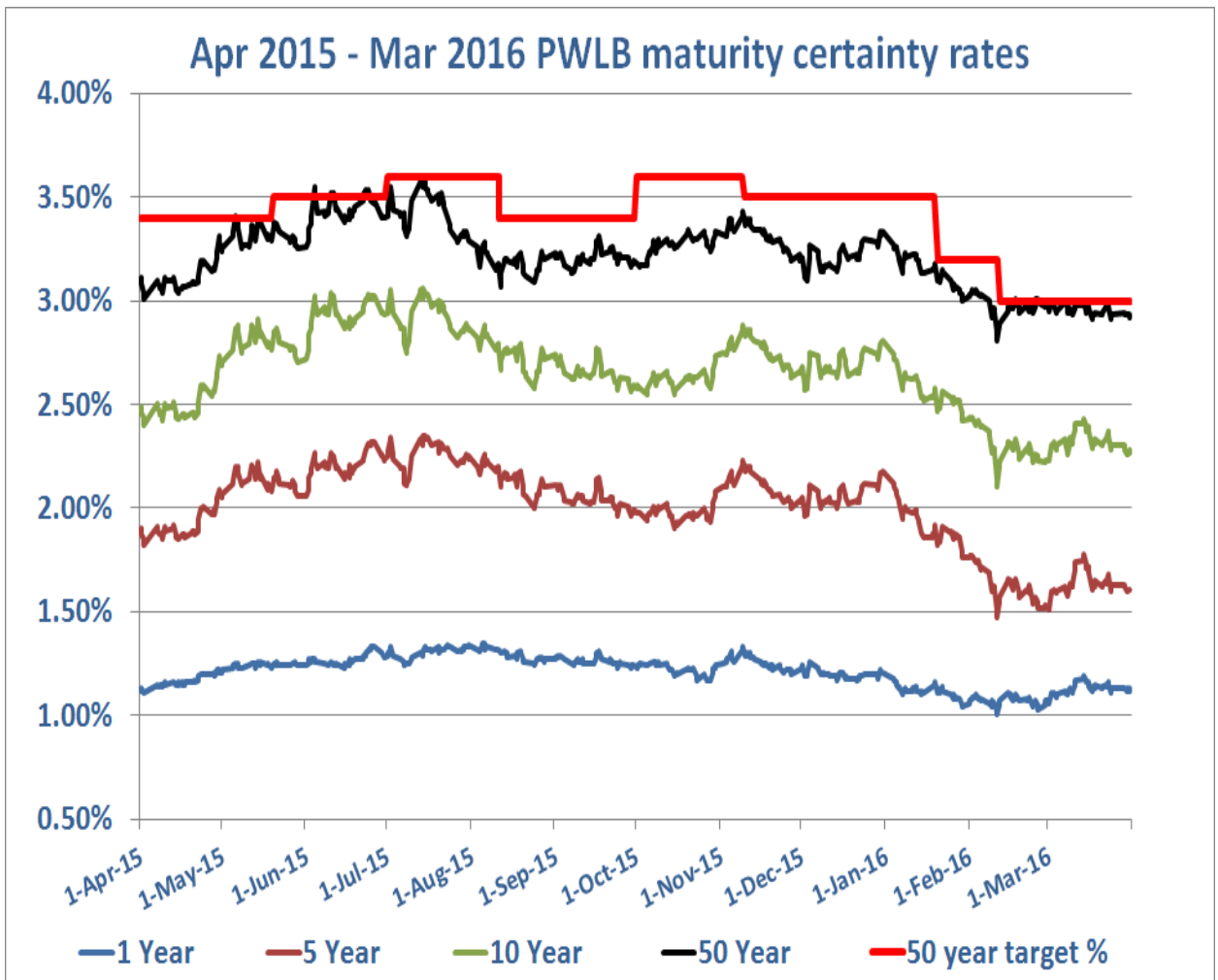
4.1 The expectation for interest rates within the strategy for 2015-16 anticipated low but rising Bank Rate (starting in quarter 1 of 2016), and gradual rises in medium and longer term fixed borrowing rates during 2015-16. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

4.2 In this scenario the strategy was to postpone new borrowing and bring the level of external loans in line with the Capital Financing Requirement as at 31st March 2016. If short term interest rates remain low, the Authority will borrow internally to avoid the cost of holding higher levels of investment and to reduce counterparty risk.

5. **BORROWING**

Public Works Loan Board (PWLB) borrowing rates 2015-16

5.1 The graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.



DSFRA Borrowing Strategy

Prudential Indicators

- 5.2 It is a statutory duty for the Authority to determine and keep under review the “Affordable Borrowing Limits”. The Authority’s approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.
- 5.3 During the financial year the Authority operated within the treasury limits and Prudential Indicators set out in its annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix A.

Authority borrowing during and at the end of 2015-2016

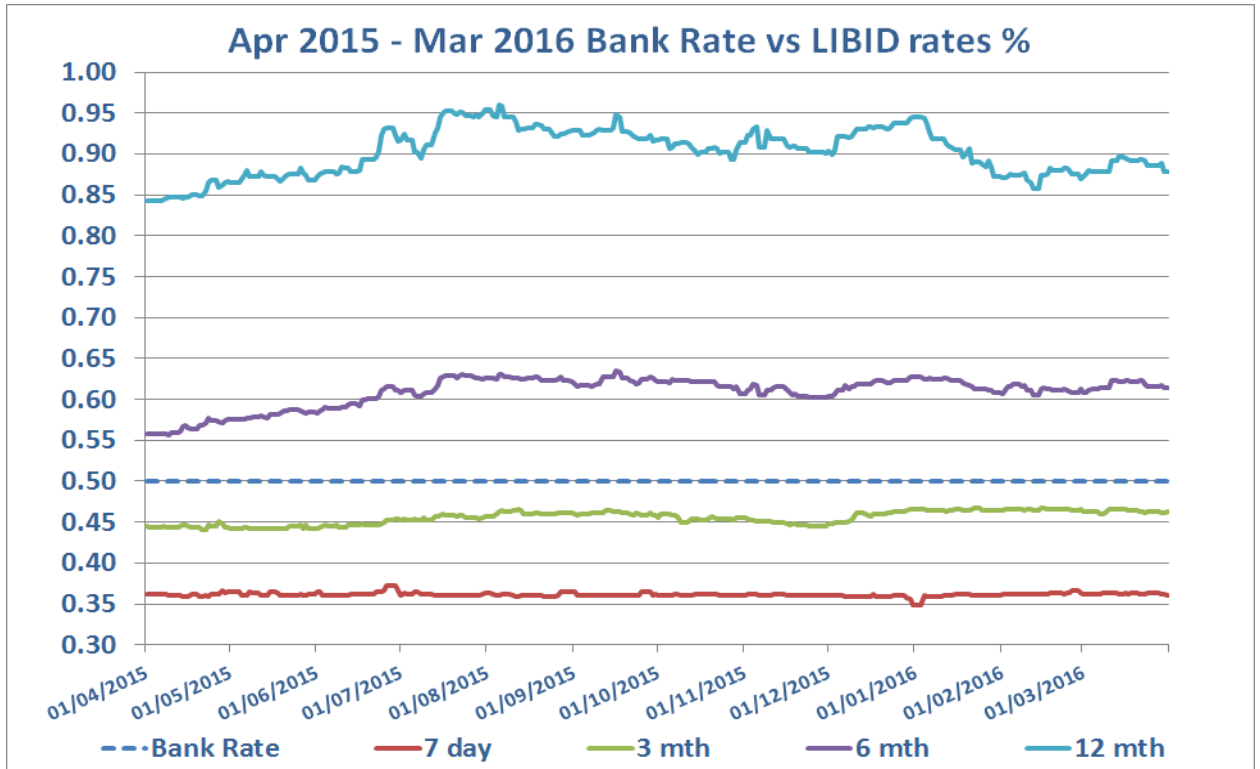
- 5.4 No new borrowing was taken out in 2015-16 to support capital spending and therefore, because repayments of £0.127m loan principal have been made in year, the value of loans outstanding has decreased to £25.817m during the year. A summary of the loan (debt) position of the Authority is given in the table below. All existing borrowing has been taken out at Fixed Interest Rates.
- 5.5 It is noted that the external borrowing figure of £25.817m as 31 March 2016 is within the Capital Financing Requirement (CFR) which means that there is no over-borrowing position at the year-end. This compares to an over-borrowing position of £3.361m at the end of the previous financial year as a result of borrowing taken out in advance of spending. As reported to the Authority at its meeting in May 2015, in considering the final Treasury Management Performance Report for 2015-16, this does not represent a breach of prudential indicators, as borrowing is permitted to be above current Capital Financing Requirement as long as future Capital Financing Requirement estimates for current and next two financial years will utilise these loans.

| Summary of loan movements during 2015-16 | | | |
|---|---|----------------------|--|
| | | Amount £m | |
| | Value of loans outstanding as at 1/4/2015 | 25.944 | |
| | Loans taken during 2015-16 | 0.00 | |
| | Loans repaid upon maturity during 2015-16 | (0.127) | |
| | Loans rescheduled during 2015-16 | 0 | |
| | Total value of loans outstanding as at 31/3/2016 | 25.817 | |

6. INVESTMENTS

Investment rates in 2015-16

- 6.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2016 but then moved back to around quarter 2 2018 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme and due to the continuing weak expectations as to when Bank Rate would start rising.



Authority Investment Strategy

6.2 The Authority’s Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Authority’s investment priorities as follows:

- Security of Capital
- Liquidity

6.3 The Authority will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using our Treasury Management Advisors (Capita) suggested creditworthiness matrices, including Credit Default Swap overlay information provided by Sector. In addition to this approach the Authority has the ability to use building societies under specified and non-specified investments.

Authority Investments during and at the end of 2015-16

6.4 No institutions in which investments were made during 2015-16 had any difficulty in repaying investments and interest in full during the year and the Authority had no liquidity difficulties.

6.5 A full list of investments held as at 31 March 2016 are shown in the table below:

| Investments as at 31 March 2016 | | | | | |
|--|------------------------|-----------------------|--------------|-----------------|------------------|
| Counterparty | Maximum to be invested | Total amount invested | Call or Term | Period invested | Interest rate(s) |
| | £m | £m | | | |
| Bank of Scotland | 5.000 | 2.100 | T | 1 yr | 1.000% |
| | | 1.400 | T | 1 yr | 1.000% |
| | | 1.500 | T | 1 yr | 1.020% |
| Barclays | 8.000 | 2.000 | T | 6 mths | 0.690% |
| | | 4.000 | T | 6 mths | 0.660% |
| Santander UK PLC | 5.000 | 1.000 | T | 6 mths | 0.600% |
| | | 2.000 | T | 3 mths | 0.690% |
| | | 2.000 | T | 6 mths | 0.690% |
| Coventry Building Society | 2.000 | 2.000 | T | 6 mths | 0.600% |
| Nationwide Building Society | 2.000 | 2.000 | T | 6 mths | 0.660% |
| Black Rock Money Market Fund | 5.000 | 3.620 | C | Instant Access | Variable |
| Ignis Sterling Liquidity Money Market Fund | 5.000 | 1.705 | C | Instant Access | Variable |
| Qatar National Bank | 2.000 | 1.000 | T | 1 yr | 1.000% |
| Local Authority | 5.000 | 1.000 | T | 3 mths | 0.400% |
| Total invested as at 31 March 2016 | | £27.325M | | | |
| | | | | | |

6.6 Funds available for investment are on a temporary basis, the level of which are dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

| Benchmark | Average level of funds available for investment | Benchmark Return | Authority Performance | Investment Interest Earned |
|-----------|---|------------------|-----------------------|----------------------------|
| 3 month | £34.400m | 0.44% | 0.56% | £0.208m |

6.7 The amount of investment income earned of £0.208m has exceeded the target by £0.091m as a result of levels of fund available for investment during the year being higher than anticipated.

7. SUMMARY

- 7.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides Members with a summary report of the treasury management activities during 2015-15. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken during the year, with priority being given to liquidity and security over yield.
- 7.2 Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments continued to be dominated by risk considerations resulting in relatively low returns compared to borrowing rates. Even so, the Authority is able to report that its returns are above the London Inter-Bank Bid Rate 3 month rate, the benchmark return for this type of short term investments.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT DSFRA/16/14

| PRUDENTIAL INDICATOR | 2014-15 £m actual | 2015-16 £m approved | 2015-16 £m Actual |
|--|----------------------------------|------------------------------------|----------------------------------|
| Capital Expenditure | | | |
| Non - HRA | 2.797 | 8.202 | 6.171 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 |
| TOTAL | 2.797 | 8.202 | 6.171 |
| Ratio of financing costs to net revenue stream | | | |
| Non - HRA | 3.62% | 3.76% | 3.64% |
| HRA (applies only to housing authorities) | 0% | 0% | 0% |
| Capital Financing Requirement as at 31 March (borrowing only) | | | |
| Non – HRA | 22.582 | 25.818 | 25.817 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 |
| TOTAL | 22.582 | 25.818 | 25.817 |
| Annual change in Cap. Financing Requirement | | | |
| Non – HRA | (1.823) | 3.169 | 3.235 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 |
| TOTAL | (1.823) | 3.169 | 3.235 |
| Incremental impact of capital investment decisions | £ p | £ p | £ p |
| Increase/(decrease) in council tax (Band D) per annum | (£0.49) | (£0.10) | £(0.10) |
| TREASURY MANAGEMENT PRUDENTIAL INDICATORS | | | |
| | £m | £m | £m |
| Authorised Limit for external debt - borrowing | 31.021 | 29.477 | 29.477 |
| other long term liabilities | 1.509 | 1.516 | 1.516 |
| TOTAL | 32.530 | 30.993 | 30.993 |
| Operational Boundary for external debt - borrowing | 29.948 | 28.186 | 28.186 |
| other long term liabilities | 1.374 | 1.444 | 1.444 |
| TOTAL | 31.322 | 29.630 | 29.630 |

| | Actual 31 st March 2016 | upper limit % | lower limit % |
|--|---|------------------|------------------|
| Limits on borrowing at fixed interest rates | 100% | 100% | 70% |
| Limits on borrowing at variable interest rates | 0% | 30% | 0% |
| Maturity structure of fixed rate borrowing during 2014-15 | | | |
| Under 12 months | 0.49% | 30% | 0% |
| 12 months and within 24 months | 0.36% | 30% | 0% |
| 24 months and within 5 years | 1.08% | 50% | 0% |
| 5 years and within 10 years | 8.22% | 75% | 0% |
| 10 years and above | 89.86% | 100% | 50% |

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Agenda Item 9

| | |
|--|--|
| REPORT REFERENCE NO. | DSFRA/16/15 |
| MEETING | DEVON & SOMERSET FIRE & RESCUE AUTHORITY(ORDINARY MEETING) |
| DATE OF MEETING | 26 MAY 2016 |
| SUBJECT OF REPORT | CHAIRMAN'S REPORT - RED ONE LIMITED |
| REPORT AUTHOR | Independent Chair of Red One Limited |
| RECOMMENDATIONS | That the report be noted |
| EXECUTIVE SUMMARY | This report contains details of the roles and responsibilities of the Non-Executive Directors of Red One Ltd, and highlights some areas of activity during the first few months since the initial appointment to the role on 19 February 2016. |
| RESOURCE IMPLICATIONS | None |
| EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA) | None |
| APPENDICES | None |
| LIST OF BACKGROUND PAPERS | Minutes of the Devon & Somerset Fire & Rescue Authority – 19 February 2016 (Minute DSFRA/53) |

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 profits (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.
- 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 Chairman, Mr. Tony Rowe OBE, to serve as Chair of the Board.
- 1.6 The Authority, at its meeting on 19 February 2016 (Minute DSFRA/53 refers), recently appointed three Authority Members as Non-Executive Directors on the Board of Red One.
- 1.7 In this respect, the Authority had specifically approved a process (which was undertaken by the independent Chair) to identify and recommend to the Authority the three Members to serve as non-executive directors (Minute DSFRA/40 refers).
- 1.8 The selection process covered the following areas:
- 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.

1.9 The Authority appointed the following as Non-Executive Directors to the Board of Red One Ltd. with effect from 19 February 2016 for an initial term of office to run until the Annual Meeting of the Authority in May 2017:

- Councillor Mark Healey
- Councillor David Thomas
- Councillor John Woodman

2. **ROLE AND RESPONSIBILITIES OF THE NON – EXECUTIVE DIRECTORS**

2.1 Moving forward, the governance of Red One will be focussed through the Board, and an Independent Chair alongside the Executives. Non-Executive Directors have a key role to play in setting the strategic direction of the organisation, managing performance, people and risks. It is therefore an important role and key to the success of Red One Ltd. They also take on more personal liability for risk.

2.2 The major areas of strategic challenge and focus for the Board covers the areas previously undertaken by the recently dissolved Commercial Services Committee, namely:

- To approve both the overarching Business Case for commercial trading and, in line with the financial planning calendar, the Annual Commercial Services Business Plan.
- In relation to the Annual Commercial Services Business Plan, to consider and approve any business case required to facilitate commercial trading in accordance with the provisions of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (“the Order”) or any subsequent amending legislation.
- To consider and approve any trading activities of Red One Ltd within overall parameters to be set out in the approved Annual Commercial Services Business Plan and specifically, to authorise investments as required up to the limits as agreed by the Authority.
- To authorise the entering into of contracts
- In each case subject to legal advice and guidance that it is appropriate to do so, to establish additional trading entities
- To authorise any permanent staffing increases required to deliver the Commercial Business
- To monitor the financial status and performance of Red One Ltd in terms of expenditure on operating costs, costs recovered and profit generated and to take corrective action and report to the Authority on these issues as necessary, via the Resources Committee.

- 2.3 In addition to the above, it was agreed at the initial meeting of Red One Board on 2 March 2016 (and reaffirmed in the Non-Executive Induction Programme held on 23 March 2016) that the Non-Executive Directors would take a more in depth role aligned to their individual and collective areas of expertise and skill. These were as follows:
- Mark Healey - Networking and identifying collaborative opportunities with authorities, associations, industry bodies;
 - John Woodman - improving PR by helping to develop key business messages; increased sales and lead generation; trade shows;
 - David Thomas - lead on developing business opportunities on a project by project basis.
- 2.4 At its meeting on 19 February 2016, it was resolved that, in recognition of the workload and personal risk for the three Authority-appointed Non-Executive Directors associated with their role, they should receive a Special Responsibility Allowance of £6000 per annum. This was recommended in a report of the Independent Advisor commissioned to review the Authority's approved Scheme of Members' Allowances. The report recommended:
- “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”.*
- 2.5 Since appointment, the Non-Executive Directors have been undertaking a variety of duties. This report sets out below some of the work that has been engaged in during the first few months of appointment, including but not limited to:
- Induction and governance;
 - Building the Red One brand;
- 2.6 Further on the agenda for this meeting, the Non-Executive Directors will give a verbal update in respect of more specific areas of work that they have been engaged in which are commercially sensitive and therefore not subject to publication in accordance with paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

3. **INDUCTION AND GOVERNANCE**

- 3.1 The Non-Executive Directors have attended an internal Induction Programme, and attended several Red One Board meetings. Red One limited is committed to high standards of corporate governance and responsiveness to stakeholder expectations. It takes full account of the principles of good governance, and in particular the UK Corporate Governance Code. Governance comprises the systems and processes for the direction and control of Red One Limited through which they account to their shareholders, engage with stakeholders and customers and lead the organisations activities.

- 3.2 Red One Ltd operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management policies and processes. As a limited company whose single shareholder is Devon and Somerset Fire and Rescue Fire Authority, it is important that the company is able to demonstrate that it complies with the principles of good governance.
- 3.3 It is natural whilst on the Board of Red One Limited that Non-Executive and Executive Directors will be mindful of the values and aspirations of Devon and Somerset Fire and Rescue Authority. It is important, however, to note that Red One Ltd is a body corporate in its own right, with its own values, aspirations, mission, vision and objectives and is regulated by its own constitution and Articles of Association. When appointed to the Board of Red One, Directors are there to promote the company's values to the benefit of the company as a whole and to act at all times in the best interests of the Company.
- 3.4 To strengthen the induction already undertaken and underpin foundations of strong governance, and the legislative framework within which we operate, further training is planned for 25 May 2016 by the Civil Service College which has significant experience in working with Local Authority Controlled Companies, Private Companies, Mutual's and Community Interest Companies. This is an opportunity for all Directors on the Board of Red One to train together as a team, and further their knowledge and experience by working through some case studies.
- 3.5 In recognition that there are differences in organisational knowledge and awareness, a refresher of the services and facilities that Red One uses and commission from the Service, by way of a tour, observation and talking to staff and other stakeholders is being organised so that Non-Executive Directors can talk, credibly and with authority to potential clients and organisations.

4. BUILDING THE RED ONE BRAND

- 4.1 In April 2016, the Board of Red One agreed within the approved 2016/17 Budget to initiate work on building the Red One brand. The purpose of this program (commencing in May 2016) is to build on the brand redevelopment work undertaken by Red One in 2015/16 which will further drive our business development activity and industry profile through 2016/17 and beyond.

5. CONCLUSION AND LOOKING FORWARD

- 5.1 Red One Ltd. continues to prosper and develop, with plans to further expand its service. There has only been a short time between the dissolution of the Commercial Services Committee, and the appointment of the Non- Executive Directors. The initial focus has quite rightly been spent on induction and helping to establish and progress key platforms.
- 5.2 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.

MR TONY ROWE OBE
Independent Chairman of Red One Ltd

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