

**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**  
**(Budget Meeting)**

17 February 2017

Present:-

Councillors Healey (Chair), Ball, Bown, Burrige-Clayton, Chugg, Coles, Colthorpe, Dyke, Eastman, Edmunds, Ellery, Greenslade (Vice-Chair), Hill, Julian, Knight, Leaves, Radford, Randall Johnson, Redman, Riley, Way, Wheeler, Woodman and Yeomans.

Apologies:-

Councillors Hendy and Thomas

**DSFRA/46     Minutes**

**RESOLVED** that the Minutes of the meeting held on 19 December 2016 be signed as a correct record.

**DSFRA/47     Items Requiring Urgent Attention**

The Chair advised the Authority of the following two items to be considered in accordance with the provisions of Section 100B(4)(b) of the Local Government Act 1972:

- (a) appointment of an Authority Member Voting Representative to attend the Annual General Meeting of the Fire & Rescue Indemnity Company Ltd. (FRIC) scheduled for 25 May 2017. This item was considered urgent as:
  - i. notification of the meeting and the requirement for the Authority to appoint a Member Voting Representative had been received following publication of the agenda for this meeting; and
  - ii. the Company Annual General Meeting would be held before the next scheduled Authority meeting;
- (b) reports from the Authority appointed Non-Executive Directors to the Board of Red One Ltd. This item had been omitted in error from the published agenda but was considered urgent to enable the Authority (as sole shareholder in Red One Ltd.) to be advised at the earliest opportunity commissioning external professional advice relating to the financial arrangements between the Authority and Red One Ltd.

The Chair indicated his intention that item (a) should be considered later during the open part of the meeting, with item (b) to be considered in closed session (with the press and public excluded) in light of the subject matter to be discussed.

***(SEE ALSO MINUTES DSFRA/53, DSFRA/56 AND DSFRA/57 BELOW).***

**DSFRA/48     Minutes of Committees**

a     **Audit & Performance Review Committee**

The Chair of the Committee, Councillor Radford, **moved** the Minutes of the meeting held on 18 January 2017 which had considered, amongst other things:

- an update from Grant Thornton (the Authority's external auditor);
- the Annual Audit Letter prepared by Grant Thornton in relation to the Authority's accounts for the year ended 31 March 2016;

- a progress report on internal audit and review work undertaken during 2016-17;
- a report on the successful outcome of the Committed to Excellence (C2E) assessment and the next steps in relation to securing European Foundation for Quality Management (EFQM) accreditation for the Devon & Somerset Fire & Rescue Service (“the Service”);
- a report on progress on actions identified from the Peer Review of the Service undertaken in September 2014;
- an update report on the Corporate Risk Register; and
- a report on performance by the Service during the second quarter of 2016-17 against those measures contained in the current iteration of the Corporate Plan” (“Creating Safer Communities: Our Plan 2016 – 21”).

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

b **General Purposes Committee**

The Chair of the Committee, Councillor Greenslade, **moved** the Minutes of the meeting held on 26 January 2017 which had considered a staffing issue.

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

c **Resources Committee (Budget) Meeting**

The Chair of the Committee, Councillor Dyke, **moved** the minutes of the budget meeting held on 8 February 2017 which had considered, amongst other things:

- a report detailing Treasury Management performance up to and including the third quarter of 2016-17 against the Authority’s agreed financial targets;
- a report on financial performance up to and including the third quarter of 2016 in relation to the Authority’s approved revenue and capital budgets;
- a report on the proposed revenue budget and associated Council Tax levels for 2017-18;
- a report on the proposed capital programme 2017-18 to 2019-20; and
- a report on Red One Performance up to and including the third quarter of 2016-17.

**RESOLVED**

- (i) that the following recommendations at Minute RC/16 (Financial Performance Report 2016-17: Quarter3) be approved:
  - (A) transfer of £0.281m from the projected revenue budget underspend in the current (2016-17) financial year to an Earmarked Reserve to fund the new approach to delivery of Home Fire Safety Visits; and
  - (B) the virements as summarised in the table overleaf:

| Department                              | Amount (£)       |
|---|------------------|
| Academy                                 | <b>(269,500)</b> |
| Civil Contingencies                     | 252,800          |
| Corporate Plan Alignment                | 679,700          |
| Groups                                  | <b>(961,700)</b> |
| Improvement & Development               | 95,000           |
| Organisational Assurance                | 174,900          |
| Organisational Development              | 220,900          |
| Response Policy & Specialist Capability | <b>(425,700)</b> |
| Response Support/Resourcing             | 254,000          |
| Strategy & Business Change              | <b>(20,400)</b>  |
| <b>Grand Total</b>                      | <b>0</b>         |

- (ii) that the recommendations at Minutes RC/17 (2017-18 Revenue Budget and Council Tax Levels) and RC/18 (Capital Programme 2017-18 to 2019-20) be considered in conjunction with the associated items elsewhere on the agenda for this meeting;
- (iii) that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

**(SEE ALSO MINUTES DSFRA/49(a) AND DSFRA/49(b) BELOW).**

d **Community Safety & Corporate Planning Committee**

The Chair of the Committee, Councillor Eastman, **moved** the Minutes of the meeting held on 13 February 2017 which had considered, amongst other things:

- a report on the proposal to develop, during the current year, a bespoke Integrated Risk Management Plan (IRMP); and
- a report on the new approach to be followed for home fire safety visits.

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

**DSFRA/49 Revenue and Capital Budgets**

a **2017-18 Revenue Budget and Council Tax Levels**

The Authority considered a report of the Treasurer (DSFRA/17/1) on the proposed revenue budget and associated Council Tax levels for 2017-18.

A provisional local government settlement for 2017-18 of £23.883m had been announced on 15 December 2016, together with details of the figures for 2018-19 and 2019-20 as part of the four-year grant settlement. The Settlement Funding Assessment (SFA) represented a reduction for 2017-18 of 11.1% over 2016-17 and an overall reduction of 24.6% by 2019-20. This was the seventh worst settlement when compared to other fire and rescue authorities. In addition to the settlement, the Authority had also been awarded the following to be paid as Section 31 grants (i.e. not included in base budget funding):

- Rural Service Delivery Grant of £0.340m in 2017-18, £0.261m in 2018-19 and £0.340m in 2019-20; and
- a share of transitional grant (payable to those authorities suffering the most severe grant reductions in the first two years of the four year settlement) of £0.188m in 2017-18.

The amount of these two grants had been included as income in the proposed draft budget.

The government had also announced a threshold of 2% for Council Tax increases, beyond which local authorities would be required to hold a referendum. For this Authority, the cost associated with holding such a referendum was estimated to be in the region of £2.3m. A core budget requirement of £75.516m (representing a 2.08% [£1.539m] over the 2016-17 budget) for 2017-18 had been identified and, in light of the referendum threshold, three associated Council Tax options were proposed:

**Option A** – freeze Council Tax at the 2016-17 level (£79.98 for a Band D property);

**Option B** – increase Council Tax by 1.00% above the 2016-17 level (£80.78 for a Band D property); and

**Option C** – increase Council Tax by 1.99% above the 2016-17 level (£81.57 for a Band D property).

Even at the highest optional increase, the core budget requirement exceeded available funding. Consequently, the report identified savings of £2.341m and also indicated that, depending on the level of Council Tax increase, to set a balanced budget in 2017-18 would require use of funding from the £4.9m Comprehensive Spending Review (CSR) Earmarked Reserve as indicated:

**Option A (Council Tax freeze)** - £1.518m;

**Option B (1.00% Council Tax increase)** - £1.046m;

**Option C (1.99% Council Tax increase)** - £0.579m.

While the four-year settlement afforded greater certainty for future funding, the Authority's Medium Term Financial Plan (MTFP) indicated that further savings would be required beyond 2017-18 to deliver a balanced budget, with the actual level of savings ranging between £4.2m (1.99% Council Tax income) to £8.2m (Council Tax Freeze).

As required by the Local Government Finance Act 1992, non-domestic rate payers had been consulted on the proposals for expenditure. Additionally, as previously agreed by the Authority, public consultation had also taken place. The consultation had been conducted via telephone surveys. The results, as summarised in the report, indicated that a significant majority of businesses and members of the public felt it would be reasonable for the Authority to consider increasing its precept for 2017-18. Of those who expressed support for an increase, 80% of business respondents and 88% of public respondents felt an increase of 2% or more to be reasonable.

The report also featured a statement on the robustness of the budget estimates and adequacy of the level of the Authority's reserves prepared in accordance by the Proper Financial Officer in accordance with the requirements of the Local Government Act 2003.

Following a debate on the issue, Councillor Burrige-Clayton **MOVED**, with Councillor Bown seconding, that the recommendations of the Resources Committee be approved whereupon it was

**RESOLVED**, unanimously

- (i) that, as recommended by the Resources Committee at its meeting on 8 February 2017 (Minute RC/17 refers), the level of council tax in 2017-18 for a Band D property be set at £81.57, as outlined in Option C in report DSFRA/17/1, representing a 1.99% increase over 2016-17;
- (ii) that, accordingly, a Net Revenue Budget Requirement for 2017-18 of £72,595,600 be approved;

(iii) that, as a consequence of (i) and (ii) above:

(A) the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £48,146,368 as detailed on page 3 of the relevant budget book (circulated separately with the agenda for the meeting) and summarised overleaf be approved:

| Billing Authority | Tax Base used for Collection | Surplus/ (Deficit) for 2017-18<br>£ | Precepts due 2017-18<br>£ | Total due 2017-18<br>£ |
|-------------------|------------------------------|-------------------------------------|---------------------------|------------------------|
| East Devon        | 57,477.00                    | 83,145                              | 4,688,399                 | 4,771,544              |
| Exeter            | 36,197.00                    | 49,972                              | 2,952,589                 | 3,002,561              |
| Mendip            | 39,322.79                    | 110,065                             | 3,207,560                 | 3,317,625              |
| Mid Devon         | 27,876.12                    | 18,026                              | 2,273,855                 | 2,291,881              |
| North Devon       | 32,769.47                    | 21,724                              | 2,673,006                 | 2,694,730              |
| Plymouth City     | 70,774.90                    | 24,169                              | 5,773,108                 | 5,797,277              |
| Sedgemoor         | 39,400.30                    | 101,242                             | 3,213,882                 | 3,315,124              |
| South Hams        | 37,379.62                    | 57,000                              | 3,049,056                 | 3,106,056              |
| South Somerset    | 59,313.04                    | 27,036                              | 4,838,165                 | 4,865,201              |
| Taunton Deane     | 40,843.16                    | 82,367                              | 3,331,577                 | 3,413,944              |
| Teignbridge       | 47,614.00                    | 71,603                              | 3,883,874                 | 3,955,477              |
| Torbay            | 44,049.22                    | 134,575                             | 3,593,095                 | 3,727,670              |
| Torrige           | 23,420.22                    | 57,705                              | 1,910,387                 | 1,968,092              |
| West Devon        | 19,948.77                    | 52,000                              | 1,627,221                 | 1,679,221              |
| West Somerset     | 13,860.41                    | 23,989                              | 1,130,594                 | 1,154,583              |
|                   | <b>590,246.02</b>            | <b>914,618</b>                      | <b>48,146,368</b>         | <b>49,060,986</b>      |

(B) the council tax for each property bands A to H associated with the total precept of £48,146,368, as detailed on page 3 of the relevant budget book (circulated separately with the agenda for the meeting) and summarised below be approved; and

| Valuation Band | Government Multiplier |              | Council Tax<br>£ p |
|----------------|-----------------------|--------------|--------------------|
|                | Ratio                 | %            |                    |
| A              | 6/9                   | 0.667        | 54.38              |
| B              | 7/9                   | 0.778        | 63.44              |
| C              | 8/9                   | 0.889        | 72.51              |
| <b>D</b>       | <b>1</b>              | <b>1.000</b> | <b>81.57</b>       |
| E              | 11/9                  | 1.222        | 99.70              |
| F              | 13/9                  | 1.444        | 117.82             |
| G              | 15/9                  | 1.667        | 135.95             |
| H              | 18/9                  | 2.000        | 163.14             |

(iv) that, given that the budget is approved on the basis of the provisional local government settlement, the Treasurer be delegated authority:

(A) in the event of the final settlement being less than the provisional settlement, to meet from Authority reserves any funding difference required to set the balanced budget as approved at the meeting;  
OR

(B) in the event of the final settlement exceeding the provisional settlement, to transfer any resulting amount over and above the balanced budget as approved at the meeting into Authority reserves;

- (v) that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances', as set out at Appendix A to report DSFRA/17/1 and attached as Appendix A to these Minutes, be endorsed;
- (vi) that the Treasurer be authorised:
  - (A) to respond on behalf of the Authority to the recently-published consultation by the Department for Communities and Local Government on the design of the reformed system for 100% business rates retention; and
  - (B) to make representations to the Prime Minister and the Department for Communities and Local Government (with copies to be sent to local Members of Parliament) to seek assurances that, given the rurality of the area served by the Devon & Somerset Fire & Rescue Authority, appropriate safeguards will be put in place to ensure that the move to 100% business rates retention does not result in any financial detriment to this Authority.

**(SEE ALSO MINUTE DSFRA/48(c) ABOVE).**

**b Capital Programme 2017-18 to 2019-20**

The Authority considered a joint report of the Chief Fire Officer and the Treasurer (DSFRA/17/2) on proposals for the Authority's three-year Capital Programme 2017-18 to 2019-20. The Authority had been advised previously of the difficulties in funding the full capital expenditure requirement and consequently had set a strategy to reduce reliance on external borrowing by use, amongst other things, of a revenue contribution towards capital costs. The proposed programme as set out in the report had been constructed in accordance with the Authority-set Prudential Indicator that debt charges from external borrowing should not exceed 5% of the Authority's approved revenue budget. The forecast capital programme from 2020-21 to 2022-23, which maintained this indicator, was also reflected in the report.

The proposed programme detailed indicative capital expenditure on estates (as informed by the anticipated outcomes of the Estates review commissioned in 2016) and operational assets including the introduction of Rapid Intervention Vehicles (RIVs). The report also summarised the Prudential Indicators associated with proposed Programme, which had been commended for approval by the Resources Committee at its budget meeting held on 8 February 2017 (Minute RC/18 refers).

**RESOLVED** that, as recommended by the Resources Committee at its budget meeting held on 8 February 2017:

- (i) the draft Capital Programme 2017-18 to 2019-20 and associated Prudential Indicators, as detailed in report DSFRA/17/2 and summarised in Appendices B and C respectively to these Minutes, be approved; and
- (ii) that, subject to (i) above, the forecast impact of the proposed Capital Programme (from 2020-21 onwards) on the 5% debt ratio Prudential Indicator, as indicated in the report, be noted.

**(SEE ALSO MINUTE DSFRA/49(c) BELOW).**

c **Treasury Management Strategy (including Prudential and Treasury Indicators Report 2017-18 to 2019-20)**

The Authority considered a report of the Treasurer (DSFRA/17/3) setting out, amongst other things:

- a treasury management and investment strategy for 2017-18, with associated indicators; and
- a Minimum Revenue Provision statement for 2017-18.

The Local Government Act 2003 and supporting regulations required the Authority:

- to ensure that its capital investment plans were affordable, prudent and sustainable; and
- to establish a treasury management strategy setting out its policies for borrowing and managing its investments, giving priority to the security and liquidity of those investments.

In doing so, the Authority was required to “have regard to” the Prudential and Treasury Management Codes produced by the Chartered Institute for Public Finance Accountancy (CIPFA). The strategy and prudential indicators as set out in the report were compliant with the latest iterations of the CIPFA Codes.

**RESOLVED**

- (i). that the Treasury Management and Annual Investment Strategy for 2017-18 as detailed in report DSFRA/17/3 be approved;
- (ii). that the Prudential Indicators and Treasury Management Indicators as detailed in the report and set out at Appendix C to these Minutes be approved; and
- (iii). that the Minimum Revenue Provision (MRP) statement for 2017-18, as set out in the report and attached to these Minutes as Appendix D, be approved.

***(SEE ALSO MINUTE DSFRA/49(b) ABOVE)***

**DSFRA/50 "Creating Safer Communities - Our Plan 2017 - 22"**

The Authority considered a report of the Chief Fire Officer (DSFRA/17/4) to which was appended a draft of the latest iteration of the Corporate Plan – “Creating Safer Communities – Our Plan 2017-22”. The Plan represented a “light-touch” refresh of the previous plan approved by the Authority at its budget meeting in 2016 (Minute DSFRA/49 of that meeting refers). It incorporated the Authority’s Integrated Risk Management Plan (IRMP) and set the overall direction for the Service against the three priorities of community safety, staff safety and efficiency and effectiveness.

Moving forward, it was proposed to develop – via staff workshops and with involvement of the Community Safety & Corporate Planning Committee - separate Integrated Risk Management and Corporate Plans during 2017. This would facilitate enhanced transparency and public understanding of the two documents, better serve implementation of change and improvement within the Devon & Somerset Fire & Rescue Service and to support the objectives of the four-year efficiency plan.

**RESOLVED**

- (a) that the draft “Creating Safer Communities – Our Plan 2017-22”, as appended to report DSFRA/17/4, be approved;

- (b) that the intention to produce, during the first half of 2017, a separate Integrated Risk Management Plan be noted.

**DSFRA/51 Localism Act 2011 - Pay Policy Statement 2017-18**

The Authority considered a report of the Director of Corporate Services (DSFRA/17/5) to which was attached the proposed Pay Policy Statement to operate for the Authority for the forthcoming (2017-18) financial year. The Localism Act required such a statement, setting out the Authority's policy towards a range of issues relating to the pay of its workforce (particularly senior staff and the lowest paid employees), to be approved prior to the commencement of each financial year and published, as a minimum, on the Authority's website.

The report identified that the only substantial change in the proposed Pay Policy Statement when compared to previous iterations related to the salaries of senior officers which had been reviewed to reflect nationally agreed pay increases.

**RESOLVED** that the Authority Pay Policy Statement to operate for the forthcoming (2017-18) financial year, as appended to report DSFRA/17/5, be approved and published in accordance with the requirements of the Localism Act 2011.

**DSFRA/52 Request from Exeter City Council for Membership on the Authority**

The Authority considered a report of the Director of Corporate Services (DSFRA/17/6) on a request from Exeter City Council for representation on the Devon & Somerset Fire & Rescue Authority.

The request had been submitted initially by the City Council to the Minister of State for Policing and the Fire Service who had responded to indicate that, in the first instance, the City Council should seek the views of the Authority. The report set out the response of the Minister together with a synopsis of applicable legislation.

**RESOLVED** that the Authority writes to Exeter City Council and the Minister of State for Policing and the Fire Service advising that it is unable to support the request of Exeter City Council as it considers that to do so would be incompatible with existing legislation.

**DSFRA/53 Fire & Rescue Indemnity Company Ltd. (FRIC) - Appointment of Member Voting Representative**

(An item considered in accordance with Section 100B(4)(b) of the Local Government Act 1972).

The Chair determined that this should be considered as a matter of urgency to enable the Authority to nominate a Member Voting Representative to attend the Annual General Meeting of the Fire and Rescue Indemnity Company Ltd (FRIC). Notification of the requirement for the nomination had been received following publication of the agenda for this meeting, with the Annual General Meeting to be held before the next scheduled meeting of the Authority.

The Authority considered an aide memoire as circulated at the meeting detailing the notification received, the background to establishment of FRIC and options available to the Authority in terms of discharging the Member Voting Representative function.

Councillor Ellery **moved**, with Councillor Dyke **seconding**, that Option C as set out in the aide memoire be approved i.e. delegation of the Member Voting Representative function to the Authority Treasurer.

This was then put to the vote whereupon it was



## **RESOLVED**

- (a) that the Authority Member Representative Voting in relation to General Meetings of the Fire and Rescue Indemnity Company Ltd. be delegated to the Authority Treasurer; and
- (b) that the Clerk be authorised to complete and return to the Company any forms necessary to give effect to the decision at (a) above.

***(NOTE: IN ACCORDANCE WITH STANDING ORDER 24(3), COUNCILLOR CHUGG REQUESTED THAT HER VOTE AGAINST THE ABOVE DECISION BE RECORDED).***

***(SEE ALSO MINUTE DSFRA/47 ABOVE).***

### **DSFRA/54 Chairman's Announcements**

The Chair advised that he would circulate via e-mail a list of activities undertaken on behalf of the Authority since its last meeting.

### **DSFRA/55 Chief Fire Officer's Announcements**

The Chief Fire Officer advised of:

- the recent, sudden and tragic death of a member of Service support staff;
- that the Employment Tribunal claim lodged by the Fire Brigades Union (FBU) against government changes to the Firefighters Pensions Scheme had not been upheld. The FBU was currently reviewing its position and it was not known at this time whether the union would seek to appeal; and
- a recent visit to the Service by Home Office Permanent Secretary of State Mark Sedwill. The opportunity had been taken during the visit to further promote the ongoing collaborative work being undertaken under the auspices of the Emergency Services Forum. The Chief Fire Officer indicated that this work would form the basis of a report to a future Authority meeting.

### **DSFRA/56 Exclusion of the Press and Public**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Mr. Martin Thomas, Acting Managing Director of Red One Ltd. and Mr. Paul Crow, Acting Sales Director for Red One Ltd.) be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) of the Act, namely information relating to the financial and business affairs of any particular person (including the authority holding that information).

### **DSFRA/57 Recent Activities of Authority-appointed Non-Executive Directors to the Board of Red One Ltd.**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public (with the exception of Mr. Martin Thomas, Acting Managing Director of Red One Ltd. and Mr. Paul Crow, Acting Sales Director for Red One Ltd.) were excluded from the meeting).

(An item taken in accordance with Section 10B(4)(b) of the Local Government Act 1972).

(Councillor Greenslade [Authority Vice-Chair] in the Chair for this item).

The Chair determined that this should be considered as a matter of urgency to reinstate a standing item omitted in error from the agenda for this meeting and to enable the Authority to be apprised at the earliest opportunity of issue relating to the financial arrangements between the Authority and Red One Ltd.

The Authority received verbal reports from the Authority-appointed Non-Executive Directors to the Board of Red One Ltd., together with a report from the Acting Managing Director of Red One Ltd., on a range of issues relating to the financial arrangements between the Authority and Red One Ltd.

**RESOLVED** that an extraordinary meeting of the Authority be provisionally arranged for **Thursday 9 March 2017** to consider further the issues as identified at this meeting.

**The meeting started at 10.00hours and finished at 13.40hours**

**APPENDIX A TO THE MINUTES OF THE BUDGET MEETING OF THE AUHTORITY HELD ON  
17 FEBRUARY 2017**

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

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

**THE ROBUSTNESS OF THE 2017-18 BUDGET**

The net revenue budget requirement for 2017-18 has been assessed as £72.596m (Option C in report). In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Corporate Plan. It should be emphasised that these assessments are being made for a period up to the 31<sup>st</sup> March 2018, in which time external factors, which are outside of the control of the authority, may arise which will cause additional expenditure to be incurred. For example, the majority of retained pay costs are dependent on the number of call outs during the year, which can be subject to volatility dependent on spate weather conditions. Other budgets, such as fuel are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 overleaf, along with details of the action taken to mitigate each of these identified risks.

Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium Term Financial Plan (MTFP) provides forecasts to be made of indicative budget requirements over a four year period covering the years 2017-18 to 2020-21. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.

**TABLE 1 – BUDGET SETTING 2017-18 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO VOLATILE CHANGES**

| Budget Head                | Budget Provision 2017-18 £m | RISK AND IMPACT   | MITIGATION  |
|----------------------------|-----------------------------|---|---|
| Retained Pay Costs         | 12.4                        | A significant proportion of costs associated with retained pay is directly as a result of the number of calls responded to during the year. The level of calls from year to year can be volatile and difficult to predict e.g. spate weather conditions. Abnormally high or low levels of calls could result in significant variations against budget provision.  | In establishing a General Reserve for 2017-18, allowance has been made for a potential overspend on this budget.  |
| Fire-fighter' s Pensions   | 3.1                         | Whilst net pension costs funded by the government through a top-up grant arrangement, the Authority is still required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme.  | In establishing a General Reserve for 2017-18 an allowance has been made for a potential overspend on this budget   |
| Insurance Costs            | 0.8                         | The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority. | In establishing a General Reserve for 2017-18 an allowance has been made for a potential overspend on this budget   |
| Fuel Costs                 | 0.8                         | Whilst the budget has made some allowance for further increases in fuel costs during 2017-18, due to the fact fuel prices are slowly starting to increase it is highly possible that inflationary increases could be in excess of the budget provided.  | In establishing a General Reserve for 2017-18 an allowance has been made for a potential overspend on this budget   |
| Treasury Management Income | (0.1)                       | As a result of the economic downturn in recent years, and the resultant low investment returns, the ability to achieve the same levels of income returns as in previous years is diminishing. The uncertainty over future market conditions means that target investment returns included in the base budget could be at risk.  | The target income for 2017-18 has been set at a prudent level of achieving only a 0.4% return on investments.<br>Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.   |
| Income                     | (0.4)                       | Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £1.0m of external income whilst reducing the reliance on the Service budget for Red One Income to £0.2m. Due to economic uncertainty this budget line may be at risk.  | Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.  |
| Capital Programme          | 5.1                         | Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.   | Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations. |
| Business Rates             | (0.4)                       | There is a high degree of uncertainty over levels of Retained Business rates income and the method of allocation between funding and revenue grants in future years.  | There is a specific reserve of £0.5m set up for NNDR smoothing in future years although this is not expected to be utilised in 2017-18.   |

## **THE ADEQUACY OF THE LEVEL OF RESERVES**

Total Reserve balances for the Authority as at April 2016 is £23.8m made up of Earmarked Reserves (committed) of £18.5m, and General Reserve (uncommitted) of £5.3m. This will increase by the end of the financial year as a result of projected underspend against the current year's budget. A General Reserve balance of £5.3m is equivalent to 7.1% of the total revenue budget, or 26 days of Authority spending, and places the Authority in the middle quartile when compared to other fire and rescue authorities.

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

It is pleasing that the Authority has not experienced the need to call on general reserve balances in the last five years to fund emergency spending, which has enabled the balance, through budget underspends, to be increased to a level in excess of 5%. The importance of holding adequate levels of general reserves has been highlighted on a number of occasions in recent times, the impact of flooding and the problems experienced by the global financial markets are just two examples of external risks which local authorities may need to take into account in setting levels of reserves and wider financial planning.

## **CONCLUSION**

It is considered that the budget proposed for 2017-18 represents a sound and achievable financial plan, and will not increase the Authority's risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

**APPENDIX B TO THE MINUTES OF THE BUDGET MEETING OF THE AUHTORITY HELD ON 17 FEBRUARY 2017**

**CAPITAL PROGRAMME 2017-18 TO 2019-20**

| Capital Programme 2017/18 to 2022/23 |  |      |   |                           |                           |                           |   |   |   |
|--------------------------------------|--|------|---|---------------------------|---------------------------|---------------------------|---|---|---|
| 2016/17<br>£000<br>Budget            | 2016/17<br>£000<br>Forecast<br>Outturn | Item | PROJECT   | 2017/18<br>£000<br>Budget | 2018/19<br>£000<br>Budget | 2019/20<br>£000<br>Budget | 2020/21<br>£000<br>Indicative<br>Budget | 2021/22<br>£000<br>Indicative<br>Budget | 2022/23<br>£000<br>Indicative<br>Budget |
|                                      |  |      | <b>Estate Development</b>                             |                           |                           |                           |   |   |   |
| 0                                    | 0                                      | 1    | Major Projects (subject to formal authority approval) | 0                         | 3,500                     | 1,000                     | 2,700                                   | 0                                       | 0                                       |
| 2,095                                | 1,581                                  | 2    | Minor improvements & structural maintenance           | 1,498                     | 1,900                     | 1,400                     | 600                                     | 1,800                                   | 1,800                                   |
| <b>2,095</b>                         | <b>1,581</b>                           |      | <b>Estates Sub Total</b>                              | <b>1,498</b>              | <b>5,400</b>              | <b>2,400</b>              | <b>3,300</b>                            | <b>1,800</b>                            | <b>1,800</b>                            |
|                                      |  |      | <b>Fleet &amp; Equipment</b>                          |                           |                           |                           |   |   |   |
| 1,854                                | 1,660                                  | 3    | Appliance replacement                                 | 3,490                     | 4,300                     | 3,400                     | 2,700                                   | 2,700                                   | 2,700                                   |
| 265                                  | 217                                    | 4    | Specialist Operational Vehicles                       | 48                        | 600                       | 300                       | 0                                       | 0                                       | 0                                       |
| 1,377                                | 487                                    | 5    | Equipment   | 797                       | 700                       | 600                       | 200                                     | 200                                     | 200                                     |
| 800                                  | 50                                     | 6    | ICT Department  | 750                       | 0                         | 0                         | 0                                       | 0                                       | 0                                       |
| 26                                   | 26                                     | 7    | Water Rescue Boats                                    | 0                         | 0                         | 0                         | 0                                       | 0                                       | 0                                       |
| <b>4,322</b>                         | <b>2,440</b>                           |      | <b>Fleet &amp; Equipment Sub Total</b>                | <b>5,085</b>              | <b>5,600</b>              | <b>4,300</b>              | <b>2,900</b>                            | <b>2,900</b>                            | <b>2,900</b>                            |
| <b>6,417</b>                         | <b>4,021</b>                           |      | <b>Overall Capital Totals</b>                         | <b>6,583</b>              | <b>11,000</b>             | <b>6,700</b>              | <b>6,200</b>                            | <b>4,700</b>                            | <b>4,700</b>                            |
|                                      |  |      | <b>Programme funding</b>                              |                           |                           |                           |   |   |   |
| 1,266                                | 321                                    |      | Earmarked Reserves:                                   | 988                       | 5,460                     | 1,130                     | 1,165                                   | 0                                       | 0                                       |
| 3,159                                | 1,708                                  |      | Revenue funds:  | 3,673                     | 3,673                     | 3,673                     | 3,673                                   | 2,867                                   | 3,549                                   |
| 1,992                                | 1,992                                  |      | Application of existing borrowing                     | 1,922                     | 1,867                     | 1,897                     | 1,362                                   | 1,833                                   | 1,151                                   |
| <b>6,417</b>                         | <b>4,021</b>                           |      | <b>Total Funding</b>                                  | <b>6,583</b>              | <b>11,000</b>             | <b>6,700</b>              | <b>6,200</b>                            | <b>4,700</b>                            | <b>4,700</b>                            |

**APPENDIX C TO THE MINUTES OF THE BUDGET MEETING OF THE AUHTORITY HELD ON 17 FEBRUARY 2017**

**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

| <u>PRUDENTIAL INDICATORS</u>                                | INDICATIVE INDICATORS<br>2020/21 to 2022/23 |                           |                           |                           |                           |                           |
|---|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 2017/18<br>£m<br>Estimate                   | 2018/19<br>£m<br>Estimate | 2019/20<br>£m<br>Estimate | 2020/21<br>£m<br>Estimate | 2021/22<br>£m<br>Estimate | 2022/23<br>£m<br>Estimate |
| <b>Capital Expenditure</b>                                  |   |                           |                           |                           |                           |                           |
| Non - HRA   | 6.583                                       | 11.000                    | 6.700                     | 6.200                     | 4.700                     | 4.700                     |
| HRA (applies only to housing authorities)                   |   |                           |                           |                           |                           |                           |
| <b>Total</b>  | <b>6.583</b>                                | <b>11.000</b>             | <b>6.700</b>              | <b>6.200</b>              | <b>4.700</b>              | <b>4.700</b>              |
| <b>Ratio of financing costs to net revenue stream</b>       |   |                           |                           |                           |                           |                           |
| Non - HRA   | 4.25%                                       | 4.18%                     | 4.17%                     | 4.08%                     | 3.97%                     | 3.62%                     |
| HRA (applies only to housing authorities)                   | 0.00%                                       | 0.00%                     | 0.00%                     | 0.00%                     | 0.00%                     | 0.00%                     |
| <b>Capital Financing Requirement as at 31 March</b>         | £000  | £000                      | £000                      | £000                      | £000                      | £000                      |
| Non - HRA   | 25,631                                      | 25,537                    | 25,444                    | 24,851                    | 24,758                    | 24,264                    |
| HRA (applies only to housing authorities)                   | 0   | 0                         | 0                         | 0                         | 0                         | 0                         |
| Other long term liabilities                                 | 1,299                                       | 1,209                     | 1,112                     | 1,010                     | 907                       | 791                       |
| <b>Total</b>  | <b>26,929</b>                               | <b>26,746</b>             | <b>26,555</b>             | <b>25,861</b>             | <b>25,665</b>             | <b>25,055</b>             |
| <b>Annual change in Capital Financing Requirement</b>       | £000  | £000                      | £000                      | £000                      | £000                      | £000                      |
| Non - HRA   | (169)                                       | (183)                     | (191)                     | (695)                     | (196)                     | (611)                     |
| HRA (applies only to housing authorities)                   | 0   | 0                         | 0                         | 0                         | 0                         | 0                         |
| <b>Total</b>  | <b>(169)</b>                                | <b>(183)</b>              | <b>(191)</b>              | <b>(695)</b>              | <b>(196)</b>              | <b>(611)</b>              |
| <b>Incremental impact of capital investment decisions</b>   | £ p   | £ p                       | £ p                       | £ p                       | £ p                       | £ p                       |
| Increase/(decrease) in council tax (band D) per annum       | £0.06                                       | £0.09                     | £0.09                     | N/A                       | N/A                       | N/A                       |
| <b><u>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</u></b>   |   |                           |                           |                           |                           |                           |
| <b>Authorised Limit for external debt</b>                   | £000  | £000                      | £000                      | £000                      | £000                      | £000                      |
| Borrowing   | 26,912                                      | 26,814                    | 26,716                    | 26,093                    | 25,996                    | 25,477                    |
| Other long term liabilities                                 | 1,364                                       | 1,270                     | 1,167                     | 1,061                     | 953                       | 830                       |
| <b>Total</b>  | <b>28,276</b>                               | <b>28,084</b>             | <b>27,883</b>             | <b>27,154</b>             | <b>26,948</b>             | <b>26,307</b>             |
| <b>Operational Boundary for external debt</b>               | £000  | £000                      | £000                      | £000                      | £000                      | £000                      |
| Borrowing   | 25,631                                      | 25,537                    | 25,444                    | 24,851                    | 24,758                    | 24,264                    |
| Other long term liabilities                                 | 1,299                                       | 1,209                     | 1,112                     | 1,010                     | 907                       | 791                       |
| <b>Total</b>  | <b>26,929</b>                               | <b>26,746</b>             | <b>26,555</b>             | <b>25,861</b>             | <b>25,665</b>             | <b>25,055</b>             |
| <b><u>Maximum Principal Sums Invested over 364 Days</u></b> |   |                           |                           |                           |                           |                           |
| Principal Sums invested > 364 Days                          | 5,000                                       | 5,000                     | 5,000                     | 5,000                     | 5,000                     | 5,000                     |

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

## **APPENDIX D TO THE MINUTES OF THE BUDGET MEETING OF THE AUHTORITY HELD ON 17 FEBRUARY 2017**

### **MINIMUM REVENUE STATEMENT (MRP) 2017-18**

#### ***Supported Borrowing***

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

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

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

#### ***Finance Lease and PFI***

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

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