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

Date : 9 February 2017
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DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Budget Meeting)

Friday, 17 February, 2017

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

M. Pearson
Clerk to the Authority

A G E N D A

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

1 **Apologies**

2 **Minutes** (Pages 1 - 6)

of the previous meeting attached.

3 **Items Requiring Urgent Attention**

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

PART 1 - OPEN COMMITTEE

4 Questions and Petitions from the Public

In accordance with Standing Orders, to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at this meeting of the Authority. Petitions must relate to matters for which the Authority has a responsibility or which affects the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority (e-mail address: clerk@dsfire.gov.uk) **by midday on Tuesday 14 February 2017.**

5 Addresses by Representative Bodies

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

6 Questions from Members of the Authority

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

7 Minutes of Committees

a Audit & Performance Review Committee (Pages 7 - 10)

The Chair of the Committee, Councillor Radford, to **MOVE** the Minutes of the meeting held on 18 January 2017 attached.

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

b General Purposes Committee (Pages 11 - 12)

The Chair of the Committee, Councillor Greenslade, to **MOVE** the Minutes of the meeting held on 26 January 2017 attached.

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

c Resources Committee (Budget) Meeting (Pages 13 - 16)

The Chair of the Committee, Councillor Dyke, to **MOVE** the Minutes of the meeting held on 8 February 2017 attached.

RECOMMENDATIONS

(i). 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 items 8(a) and 8(b), respectively, below; and

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

d Community Safety & Corporate Planning Committee

The Chair of the Committee, Councillor Eastman, to **MOVE** the Minutes of the meeting held on 13 February 2017 ***(TO FOLLOW)***.

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

8 **Revenue and Capital Budgets**

a **2017-18 Revenue Budget and Council Tax Levels** (Pages 17 - 38)

Joint report of the Treasurer and the Chief Fire Officer (DSFRA/17/1) attached.

b **Capital Programme 2017-18 to 2019-20** (Pages 39 - 48)

Joint report of the Chief Fire Officer and Treasurer (DSFRA/17/2) attached.

c **Treasury Management Strategy (including Prudential and Treasury Indicators Report 2017-18 to 2019-20)** (Pages 49 - 68)

Report of the Treasurer (DSFRA/17/3) attached.

9 **"Creating Safer Communities - Our Plan 2017 - 22"** (Pages 69 - 96)

Report of the Chief Fire Officer (DSFRA/17/4) attached.

10 **Localism Act 2011 - Pay Policy Statement 2017-18** (Pages 97 - 108)

Report of the Director of Corporate Services (DSFRA/17/5) attached.

11 **Request from Exeter City Council for Membership on the Authority** (Pages 109 - 116)

Report of the Director of Corporate Services (DSFRA/17/6) attached.

12 **Chairman's Announcements**

13 **Chief Fire Officer's Announcements**

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

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

NOTES	
1.	**Access to Information** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.
2.	**Reporting of Meetings** 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.
3.	**Declarations of Interests (Authority Members only)**
	(a). Disclosable Pecuniary Interests 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: (i). 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; (ii). 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 (iii). not seek to influence improperly any decision on the matter in which you have such an interest. 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 (ii) and (iii) above.
	(b). Other (Personal) Interests Where you have a personal (i.e. other than a disclosable pecuniary) interest in any matter to be considered at this meeting then you must declare that interest no later than the commencement of the consideration of the matter in which you have that interest, or (if later) the time at which the interest becomes apparent to you. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the precise nature of the interest but merely declare that you have a personal interest of a sensitive nature. If the interest is such that it might reasonably be perceived as causing a conflict with discharging your duties as an Authority Member then, unless you have previously obtained a dispensation from the Authority’s Monitoring Officer, you must not seek to improperly influence any decision on the matter and as such may wish to leave the meeting while it is being considered. In any event, you must comply with any reasonable restrictions the Authority may place on your involvement with the matter in which you have the personal interest.
4.	**Part 2 Reports** 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.
5.	**Substitute Members (Committee Meetings only)** 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.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

19 December 2016

Present:-

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

Apologies:-

Councillors Bown and Eastman

DSFRA/35 **Minutes**

RESOLVED that the Minutes of the meeting held on 30 September 2016 be signed as a correct record.

DSFRA/36 **Authority Extraordinary Meeting held on 31 October 2016 - Summary of Proceedings during which the Meeting was not open to the Press and Public**

The Authority received, for information, a report (DSFRA/16/23) of the Director of Corporate Services (as Proper Officer) summarising – without disclosing exempt information - those proceedings of the Extraordinary Meeting of the Authority held on 31 October 2016 during which the press and public were excluded from the meeting. The summary had been prepared in accordance with the requirements of Section 100C(2) of the Local Government Act 1972.

The Minutes of the Extraordinary Meeting, for signature as a correct record, were set out elsewhere on the agenda for this meeting.

(***SEE ALSO MINUTE DSFRA/44 BELOW***).

DSFRA/37 **Minutes of Committees**

a **Appointments Panel**

The Chair of the Panel, Councillor Dyke, **MOVED** the Minutes of the meetings held on 17 August, 26 September and 4 October 2016 and which had considered the process for and appointment of an Assistant Chief Fire Officer.

RESOLVED

(i) that the Minutes be adopted in accordance with Standing Orders; and

(ii) that, having discharged its function for the appointment of an Assistant Chief Fire Officer, the Panel be formally dissolved.

b **Community Safety & Corporate Planning Committee**

In the absence of the Committee Chair (Councillor Eastman), the Committee Vice-Chair, Councillor Leaves, **MOVED** the Minutes of the meeting held on 28 September 2016 and which had considered, amongst other things:

- an update report on the review of the Corporate Planning framework;
- a report on a refocus of the work of the Community Safety Fire Protection Team and the subsequent retitling of that team as the Business Safety Team;
- a presentation on Service activities in relation to road traffic collisions.

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

c **Resources Committee**

The Chair of the Committee, Councillor Dyke, **MOVED** the Minutes of the meeting held on 16 November 2016 which had considered, amongst other things:

- a report on Treasury Management performance for the organisation up to and including the second quarter of the current (2016-17) financial year. (***NOTE***: a copy of the report [RC/16/13] as considered by the Resources Committee was appended to the Minutes of the meeting for information);
- a report on financial performance for the second quarter of the current financial year as against the approved revenue and capital budgets for that year; and
- an update report on progress with the Estates Development Review.

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

d **Determinations & Dispensations Committee**

The Chair of the Committee, Councillor Randall Johnson, **MOVED** the Minutes of the Committee held on 28 November 2016 which had conducted a hearing into an allegation of a breach by Councillor Mark Healey of the Authority's approved Member Code of Conduct.

RESOLVED

(i) that the recommendation at Minute DDC/4 relating to a review of the Code of Conduct and subsequent provision of training for the Authority be approved; and

(ii) that, subject to (a) above, the Minutes be adopted in accordance with Standing Orders.

e **Human Resources Management & Development Committee**

In the absence of the Committee Chair (Councillor Bown), the Committee Vice-Chair, Councillor Chugg, **MOVED** the Minutes of the meeting held on 14 December 2016 which had considered:

- a report on requests, in accordance with the Authority's approved Pay Policy Statement for 2016-17, for retirement and re-employment;
- a report on the health of the organisation (including absence management).

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

DSFRA/38 **Policing and Crime Bill - Involvement of Police and Crime Commissioners with Fire and Rescue Authorities**

The Authority considered a report of the Director of Corporate Services (DSFRA/16/24) on the provisions in the Policing and Crime Bill for Police and Crime Commissioners to be appointed, with voting rights, to fire and rescue authorities and on a proposal to invite, prior to enactment of the Bill, the Police and Crime Commissioners for Devon & Cornwall and Avon & Somerset to attend and speak at future Authority meetings.

RESOLVED that a formal invitation be extended to the Police and Crime Commissioners of Devon & Cornwall and Avon & Somerset to attend and speak (but not vote, at present) at future Authority meetings.

DSFRA/39 <u>**Changes to Arrangements for the Appointment of External Auditors**</u>

The Authority considered a report of the Treasurer (DSFRA/16/25) on external audit options available to the Authority on expiry, at the end of the 2017-18 financial year, of the current contract. The report detailed the advantages and disadvantages of each available option, namely:

- Option 1 - to make a stand-alone appointment of external auditor;
- Option 2 - to set up a joint Auditor Panel/joint procurement process; or
- Option 3 - to opt-in to a sector led body appointed by the Secretary of State and with the ability to negotiate contracts with firms nationally.

Option 2 was not considered feasible are there were unlikely to be many partners. Of Options 1 and 3, the latter was felt to offer greater benefits in terms of maximising an efficient and economic approach to the procurement of external audit and given that it was understood that this option would be adopted by most other fire and rescue authorities. If the Authority wished progress this option, however, it was required to indicate this to Public Sector Audit Appointments (approved by the Government to make future audit appointments on behalf of principal local authorities) by mid-March 2017.

RESOLVED that Option 3 be adopted i.e. the Authority "opts in" to Public Sector Audit Appointments Ltd. (PSAA) for the procurement of future external audit provision.

DSFRA/40 <u>**Confirmation of Scheme of Members' Allowances 2017-18**</u>

The Authority considered a report of the Director of Corporate Services (DSFRA/16/26) on the proposed Scheme of Members' Allowances to apply for the forthcoming (2017-18) financial year. The relevant Regulations required the Scheme to be approved and publicised prior to the commencement of the financial year in question.

RESOLVED

(a) that the Scheme of Members' Allowances to operate for the 2017-18 financial year, as set out in paragraphs 2.2 and 2.3 of report DSFRA/16/26, be approved;

(b) that the Clerk to the Authority be authorised to publicise details of the Scheme in one or more newspapers circulating in the area served by the Authority.

DSFRA/41 <u>**Chairman's Announcements**</u>

The Authority received, for information, a list circulated by the Chairman detailing activities undertaken on behalf of the Authority since its last meeting.

DSFRA/42 <u>**Chief Fire Officer's Announcements**</u>

The Chief Fire Officer reported for information on:

- a visit to the Devon & Somerset Fire & Rescue Service by Home Officer Permanent Secretary Mark Sedwill on 6 December 2016;
- the forthcoming Blue Light Carol Service to be held at Exeter Cathedral in the evening of 19 December 2016;

- success by the Devon & Somerset Fire & Rescue Service in winning the "Best Blended Learning Project – Public and Non-Profit Sector" in the Learning Technologies Awards 2016. Additionally, the Service Academy and Fire Control had been short-listed in the Training Provider of the Year and Team of the Year categories, respectively, in the Excellence in Fire and Emergency Awards 2016.

DSFRA/43 **Exclusion of the Press and Public**

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

- for Minute DSFRA/44, in Paragraphs 1 (information relating to an individual), 2 (information likely to reveal the identity of an individual) and 3 (information relating to the financial and business affairs of any particular person [including the authority holding that information]) of Part 1 of Schedule 12A (as amended) of the Act; and
- For Minute DSFRA/45, in Paragraphs 1 and 2 of Part 1 of Schedule 12A (as amended) of the Act.

DSFRA/44 **Minutes of the Extraordinary Meeting of the Authority held on 31 October 2016**

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

(Councillors Healey, Thomas and Woodman each declared, in accordance with the Authority's Approved Code of Members' Conduct, personal interests in this item by virtue of being Authority-appointed non-executive directors on the Board of Red One Ltd. Additionally, given this interest, Councillor Healey vacated the Chair, with Councillor Greenslade [Authority Vice-Chair] presiding for this item).

RESOLVED that the Minutes of the Extraordinary Authority Meeting held on 31 October 2016 be signed as a correct record.

DSFRA/45 **Staffing Matters**

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

(Councillors Healey, Thomas and Woodman each declared, in accordance with the Authority's Approved Code of Members' Conduct, personal interests in this item by virtue of being Authority-appointed non-executive directors on the Board of Red One Ltd. Additionally, given this interest, Councillor Healey vacated the Chair, with Councillor Greenslade [Authority Vice-Chair] presiding for this item).

The Authority considered a report of the Director of Corporate Services (DSFRA/16/27) on a staffing issue and proposed establishment of a small Committee to expedite the resolution of this.

RESOLVED that a General Purposes Committee comprising the Authority Vice-Chair (Councillor Greenslade) together with Chairs of the Audit & Performance Review, Community Safety & Corporate Planning, Human Resources Management & Development and Resources Committees (Councillors Radford, Eastman, Bown and Dyke respectively) and Councillor Randall Johnson be established with delegated authority to determine the staffing issue identified in report DSFRA/16/27.

(***NOTE***: in accordance with Standing Order 24(3), Councillors Healey, Thomas and Woodman requested that their abstentions from voting on this matter be recorded).

The Meeting started at 10.00 am and finished at 11.50 am

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AUDIT & PERFORMANCE REVIEW COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

18 January 2017

Present:-

Councillors Radford (Chair), Coles, Edmunds (Vice-Chair), Healey, Randall Johnson and Wheeler

Apologies:-

Councillor Way

*** APRC/16 Minutes**

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

*** APRC/17 Grant Thornton Update**

The Committee received for information a report submitted by the Authority's external auditors, Grant Thornton, setting out the progress made in delivery of its audit responsibilities to the Devon & Somerset Fire & Rescue Authority (up to January 2017). The report covered the following matters:

- the progress made to date with the accounts audit plan, interim and final accounts audit, the value for money conclusion and the Annual Audit Letter (Minute *APRC/18 below refers);
- fire sector accounting and other issues such as the CFOA Response to Home Office workforce statistics;
- technical issues such as the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and its impact on local authorities; and
- a number of recent Grant Thornton publications including "Advancing Closure: the benefit to local authorities and Integrated Reporting".

*** APRC/18 Grant Thornton Annual Audit Letter for the Devon & Somerset Fire & Rescue Authority for the year ended 31 March 2016**

The Committee received for information the Authority's Annual Audit Letter for the year ended 31 March 2016 as submitted by the Authority's external auditor, Grant Thornton.

Peter Barber, representing Grant Thornton, drew attention to the work that had been undertaken with the Authority during the year, including the Statement of Accounts and the Value for Money conclusion, both of which had received an unqualified opinion.

*** APRC/19 Audit & Review 2016/17 Progress Report**

The Committee received for information a report (APRC/17/1) setting out the progress made to date against the approved 2016/17 Internal Audit Plan. The report also provided the results from the Service's self-assessment and the assurance statements for the audits completed since the previous meeting of the Committee on 12 September 2016.

Attention was drawn to the point that the Internal Audit Manager, Paul Hodgson, was leaving the Service on 17 February 2017. The Committee thanked him for all of his hard work for the Authority in the past and wished him well in the future.

Reference was made in particular to the progress that had been made with the Service's self-assessment, the results of which had been very encouraging and well received by staff.

The Committee enquired as to whether this work had been cross mapped with the Peer Review. The Area Manager – Organisational Assurance – confirmed that the outcomes had been cross mapped both with this and European Foundation for Quality Management (EFQM) and that this had resulted in a strategic overview of areas for improvement that could be focussed on by the Service. This was welcomed but a concern was raised in terms of how this information was communicated to staff. The response was given that this was a strategic level management tool and the Service had scored well on communications but it was accepted that this position may change as information was disseminated in the future. One of the key issues identified in the EFQM process was that there was a gap between the Service setting out its strategy and embedding this into the organisation. The Service was aware of the need to address this matter.

*NB. Minute *APRC/20 below also refers*.

*** APRC/20 European Foundation for Quality Management (EFQM) Committed to Excellence (C2E) Outcomes and Next Steps**

The Committee received for information a report of the Area Manager – Organisational Assurance - (APRC/17/2) in respect of the next steps for the European Foundation for Quality Management progression within Devon & Somerset Fire & Rescue Service following the Committed to Excellence (C2E) assessment undertaken in 2016.

The Area Manager – Organisational Assurance – reported that the key themes of the C2E assessment were:

- Leadership;
- Strategy;
- People;
- Partnerships and Resources;
- Processes, products and services; and
- Customer/people results.

He advised the Committee that the Service was focussing on the areas for improvement identified by the assessment and that actions had been agreed to take these forward which had been built into department plans.

The Committee made reference to the cost of undertaking EFQM, which it understood was approximately £5k, when compared to the savings that it had generated of £40k which it was noted was largely as a result of staff savings. Reference was also made to the point in the document circulated that some of the Service's policies may not be fit for purpose for retained staff. Concern was expressed on this point, given that this group represented approximately 80% of the Service's total staff. The Area Manager – Operational Assurance – advised that the Service was aware of this and was addressing this matter. A temporary post of Retained Development Manager had been created to look at such issues and to draw together a proposed way forward for the Service.

*** APRC/21 <u>Peer Review Update</u>**

The Committee received for information a report of the Area Manager – Organisational Assurance (APRC/17/3) – that provided a more detailed update on the progress made in respect of the actions identified within the Peer Review report that had been received in September 2014.

Reference was made to the lack of longer term contracts for staff that had been identified. The Area Manager – Organisational Assurance – replied that this was a sign of the Service managing its financial position in the light of the current economic climate. It was an issue that had been recognised by the Service as a potential risk and thus, had included within the Corporate Risk Register.

*NB. Minute *APRC/22 below also refers.*

*** APRC/22 <u>Corporate Risk Register</u>**

The Committee received for information a report of the Area Manager – Organisational Assurance (APRC/17/4) - that set out any new risks that had been identified for inclusion within the Corporate Risk Register.

Councillor Healey referred to a recent meeting that he had attended where he had received very favourable feedback in respect of the quality of the training provided by the Training Academy and he congratulated the Service on this.

*** APRC/23 <u>Devon & Somerset Fire & Rescue Service Performance Report 2016/17: Quarter 2</u>**

The Committee received for information a report of the Chief Fire Officer (APRC/17/5) to which was appended a document setting out the performance of the Devon & Somerset Fire & Rescue Service for the reporting period of October 2015 to September 2016 (with a focus on quarter 2 of 2016) against those measures contained within "Our Plan: Creating Safer Communities"; the current iteration of the Authority's Corporate Plan.

In summary, the report was structured around the Service's three priorities, namely public safety, staff safety and efficiency and effectiveness. The primary focus was on the corporate performance measures 1 to 8 and sickness absence and whether any of the changes in data that might be seen were within normal levels. In terms of the trends identified, the following points were noted:-

- Measure 1 – deaths as a result of fires where people live – this was down (all fires) from 10 to 6 at this point in the year;

- Measure 2 – injuries as a result of fires where people live – the number of injuries had reduced but there had been a slight increase on the previous 12 month period so the position was being monitored;
- Measure 3 – fires where people live – there had been little change on the number of fires with 985 in the reporting period from October 2015 to September 2016 as compared to 989 in the previous 12 months;
- Measure 4 – fire related deaths where people work, visit and in vehicles – there had been 3 fire related deaths where people work, visit and in vehicles in the 12 month reporting period from October 2015 to September 2016 as compared with the same period the previous year when there had been no deaths);
- Measure 5 – fire related injuries where people work, visit and in vehicles - there had been a small decrease in the number of fire related injuries where people worked from 37 to 33 as compared with the previous 12 month period (October 2015 to September 2016);
- Measure 6 – fires where people work, visit and in vehicles – there had been 1271 fires where people work and visit and in vehicles in the 12 month reporting period from October 2015 to September 2016 as compared with 1286 fires in the previous 12 month period. There had been 387 fires between July and September 2016, however, which was a 15.5% increase compared to the previous quarter so this measure was being monitored;
- Measures 7 & 8 – achieving the Emergency Response Standards – there had been an improvement in the first response to fire incidents where people live within 10 minutes from the time of call; although the performance in respect of first response to road traffic collisions within 15 minutes had decreased in the same period (October 2015 to September 2016.

In terms of sickness absence, it was noted that for all staff, there had been a decrease from 9.64 days/shifts lost down to 8.9 days/shifts lost in the year October 2015 to September 2016 with both long term sickness and uniformed station based staff sickness rates also being reduced.

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

The meeting started at 10.00 am and finished at 11.55 am

GENERAL PURPOSES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

26 JANUARY 2017

Present:-

Councillors Bown, Eastman, Greenslade, Radford and Randall Johnson.

Apologies:-

Councillors Dyke

* GPC/1 **Election of Chair**

RESOLVED that Councillor Greenslade be appointed Chair of the Committee, the term of office to be until the Annual Meeting of the Authority in 2017.

* GPC/2 **Election of Vice-Chair**

RESOLVED that Councillor Randall Johnson be appointed Chair of the Committee, the term of office to be until the Annual Meeting of the Authority in 2017.

* GPC/3 **Terms of Reference**

The Committee had been established by the Devon & Somerset Fire & Rescue Authority, at its meeting on 19 December 2016 with delegated power to determine on behalf of the Authority the staffing issue as identified in report DSFRA/16/27.

* GPC/4 **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they 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 1 (information relating to an individual);
- Paragraph 2 (information likely to reveal the identity of an individual); and
- Paragraph 5 (information in respect of which a claim to legal professional privilege could be maintained in legal proceedings).

* GPC/5 **Staffing Issue**

(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 considered a report of the Director of Corporate Services (GPC/17/2) together with legal advice and options as presented by the legal team present at the meeting as to how the staffing issue as identified might be progressed.

RESOLVED that the Monitoring Officer be authorised to instruct the Authority legal team to progress the matter on the basis as detailed by the Committee at the meeting.

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

The Meeting started at 2.00 pm and finished at 4.40 pm

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RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

8 February 2017

Present:-

Councillors Dyke (Chair), Burridge-Clayton, Chugg, Hendy, Thomas, Yeomans (Vice-Chair) and Healey

*** RC/14 Minutes**

RESOLVED that the Minutes of the meeting held on 16 November 2016 be signed as a correct record.

*** RC/15 Treasury Management Performance 2016-2017: Quarter 3**

The Committee received for information a report of the Treasurer (RC/17/1) that set out details of the treasury management performance for the third quarter of 2016 (to December 2016) as compared to the agreed financial targets for 2016/17.

Adam Burleton, representing Capita – the Authority's Treasury Management Adviser – was present at the meeting and he gave an overview of the performance to date as measured against the approved Treasury Management Strategy. He made reference to the following points:

- The current interest rate forecast had been reviewed and the bank rate was likely to remain at 0.25% until at least June 2019 followed by gradual increases to end at 0.75% in March 2020, subject to the position on economic growth;
- The Authority was outperforming the 3 month LIBID benchmark return of 0.26% with investment interest at £78,769k (0.54%) in Quarter 3;
- There had been no additional external borrowing undertaken with the debt reducing slightly to £25.770m. The Authority was maintaining its prudential approach to investment decisions with priority being given to liquidity and security over yield and no prudential indicators had been breached.

It was noted that the concern for the UK economy was that post Brexit, the cost of imported goods was starting to rise due to the drop in the value of sterling and the forecast for the Consumer Price Index was an increase to 3%, possibly going to as high as 4%. With wage rises not increasing at the same rate, this may result in an earlier increase in interest rates in order to curb inflation.

RC/16 Financial Performance Report 2016/17: Quarter 3

The Chairman agreed that this item be moved forward for consideration at this point in the meeting as a result of its impact on the consideration of the 2017-18 Revenue Budget and Council Tax Levels.

The Committee received for information a report of the Treasurer (RC/17/4) that set out the financial performance for the third quarter of 2016/17 (to 31 December 2016) as compared with the agreed financial targets for 2016/17. In particular, the report provided a forecast of spending against the 2016-17 revenue budget with explanations of any major variations.

The Treasurer reported that it was forecast that spending would be £1.957m less than the approved revenue budget, equivalent to 2.64% of the total budget. This continued to be attributable largely to the ongoing crewing changes as a result of the 2013-14 Corporate Plan together with a strategy to hold vacancies when staff left the organisation. There was no recommendation in terms of how this underspend should be utilised at the moment but this would be addressed once the final year end position was known.

Reference was made in particular to the need to divert resources to the introduction of a new approach to the delivery of Home Fire Safety checks and visits as part of the Service's continued drive to reduce fire fatalities and injuries in domestic properties. Following completion of a pilot system, it had been agreed that this pilot would be extended across the whole Service for an initial period of two years. The cost of this approach was estimated to be £0.463m, of which £0.182m could be funded from an existing earmarked reserve in 2016/17. This left a balance of £0.281m of additional cost and the Committee was asked to recommend to the Authority that a transfer be made of this sum to an earmarked reserve to fund the extension of the Home Fire Safety Pilot.

RESOLVED

(a) That it be recommended to the Devon & Somerset Fire & Rescue Authority that:

(i) it approves a transfer of £0.281m to Earmarked Reserves to fund the extension of the Home Fire Safety pilot, as outlined in paragraphs 9.1 to 9.5 of report RC/17/4;

(ii) the proposed budget virements, as outlined in paragraph 11.6 of report RC/17/4, be approved;

(b) Subject to (a) above, the monitoring position in relation to projected spending against the 2016-17 revenue and capital budgets be noted;

(c) That the performance against the 2016-17 financial targets be noted.

RC/17 **Revenue Budget and Council Tax Level 2017/18**

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/17/2) on options for the Authority's revenue budget and associated council tax level in 2016-17. It was a legislative requirement for the Authority to set a balanced budget and determine an associated Council Tax level prior to 1 March each year and this report set out the necessary financial background on which to consider the appropriate way forward for this Authority.

The Treasurer advised that the Department for Communities and Local Government had announced on 15 December 2016 that the Council Tax level which, if exceeded, would trigger the need for the Authority to hold a referendum, would be 2%. Unlike in the previous Spending review period, the Government had not overtly laid down any expectation that local authorities should freeze council tax and therefore, there was no offer of a Council Tax Freeze Grant to those authorities to freeze or reduce council; tax in 2017/18. It was, of course, still appropriate for an authority to set a level of Council Tax that was appropriate to its funding position. Given that the administrative costs associated with holding a local referendum were estimated to be in the region of £2.3million, this report did not include any proposal to go beyond the 2% limit set.

The provisional Settlement Funding Assessment for this Authority for 2017-18 was £23.883m, representing a reduction of 11.1% (£2.990m) on 2016-17. This was broadly in line with the figures already included within the Authority's Medium Term Financial Plans. The Authority had also accepted the offer of a four year settlement for the period 2017/18 to 2019/20. These figures showed a reduction in funding of 24.6% by 2019/20 (£7.225m) over 2015-16, representing the 7th worst settlement of all fire and rescue authorities against an average of 21%.

The Treasurer reported that the provisional Settlement had been received and the Authority had been allocated an amount of £528k additional Section 31 grants in 2017-18 relating to Rural Services Delivery Grant (£340k) and transitional funding (£188k).

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

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

- Option B – to increase Council Tax by 1.0% above 2016-17 (£80.78 for a Band D property);

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

Each of these options would result in a reduction in the amount of revenue funding for 2017-18 and the report also set out a summary of the reductions associated with each option including additional precept income. The Service had been awaiting the figures from some billing authorities, however, relating to the amount of estimated business rates income in 2017-18 which it had now been confirmed would be £258k less than had been anticipated.

Reference was made in particular to the budget savings that had been included within the proposed net revenue budget requirements for 2017-18 which totalled £2.341m. For the first time, however, the Treasurer reported that there was a shortfall to achieve a balanced budget which, with the reduction in business rates income, would now be £0.579m. It was proposed that this be taken from the Earmarked Reserve that had been set up specifically to cover this eventuality – the Comprehensive Spending Review (CSR) Strategy Reserve. The intention of this reserve had always been to provide a smoothing mechanism of the impact of grant reductions during this period of austerity, the current balance on the reserve being £4.9m.

Councillor Healey **MOVED** (seconded by Councillor Chugg):

> "that it be recommended to the Authority that the level of Council Tax in 2017-18 for a Band D property be set at £81.57, as outlined in Option C of report RC/17/2, representing a 1.99% increase over 2016 -17".

Upon a vote, this was **CARRIED** unanimously.

RESOLVED that it be recommended to the Authority that the level of Council Tax in 2017-18 for a Band D property be set at £81.57, as outlined in Option C of report RC/17/2, representing a 1.99% increase over 2016-17.

RC/18 **Capital Programme 2017-18 to 2019-20**

The Committee considered a report of the Chief Fire Officer and Treasurer (RC/17/3) that set out the proposals for a three year Capital Programme covering the years 2017-18 to 2019-2020. The report outlined the difficulties in meeting the full capital expenditure requirements for this Authority. This stemmed from the removal in 2015 -16 of the Government grant for capital expenditure and the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced by the Authority.

The Treasurer advised the Committee that the Capital Programme had been constructed on the basis of the principle that debt charges emanating from capital borrowing were kept within the 5% Prudential Indicator limit (debt charges as a percentage of the Revenue Budget) as set by the Authority. He referred to the difficulties in recent years of maintaining a capital programme that was affordable within the 5% Prudential Indicator against a reducing revenue budget. He drew attention to the need to make revenue contributions to the capital budget as a result and indicated that a sum of £3.673m had been included within the budget setting report for 2017/18 considered above (RC/17/2) to make provision for this.

RESOLVED that the Devon and Somerset Fire and Rescue Authority be recommended:

(a) to approve the draft Capital Programme 2017-18 to 2019-20 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to this report; and

(b) subject to (a) above, to note the forecast impact of the proposed Capital Programme (from 2020-21 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.

* **RC/19** **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100(A) 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 2016/17**

(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 a report of the Treasurer (RC/17/5) that set out the draft financial performance for Red One Ltd as at Quarter 3 of 2016/17.

RESOLVED that the report be noted.

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

The meeting started at 2.00pm and finished at 3.32pm

REPORT REFERENCE NO.	**DSFRA/17/1**
MEETING	**DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**17 FEBRUARY 2017**
SUBJECT OF REPORT	**2017-18 REVENUE BUDGET AND COUNCIL TAX LEVELS**
LEAD OFFICER	**Treasurer and Chief Fire Officer**
RECOMMENDATIONS	***(a) That, as recommended by the Resources Committee (Budget) meeting held 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 this report, representing a 1.99% increase over 2016-17, and that accordingly a Net Revenue Budget Requirement for 2017-18 of £72,595,600 be approved;*** ***(b) that, as a consequence of the decisions at (a) above the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £48,146,368 (Option C), as detailed on Page 2 of the respective budget booklet, be approved; and*** ***(c) 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 B to this report, be endorsed.***
EXECUTIVE SUMMARY	It is a legislative requirement that the Authority sets a level of revenue budget and council tax for the forthcoming financial year by the 1 March each year. The Secretary of State has announced that the council tax threshold to be applied in 2017-18 that would trigger a requirement to hold a council tax referendum is to be 2.0%. This report considers three potential options A to C below for council tax in 2017-18: ***OPTION A*** – Freeze council tax at 2016-17 level **(£79.98 for a Band D Property).** ***OPTION B*** – Increase council tax by 1.0% above 2016-17 **(increase of £0.80 to £80.78 for Band D Property)** ***OPTION C*** – Increase council tax by 1.99% above 2016-17 **(increase of £1.59 to £81.57 for Band D Property).** The Fire and Rescue Authority is asked to consider the contents of this report, and approve a council tax level for a Band D property and resultant revenue budget level for 2016-17. As is forecast on n the Authority's published Efficiency Plan, there is a requirement to use an element of the Comprehensive Spending Review (CSR) Reserve to balance the 2017/18 revenue budget.

	At its meeting on 8 February 2017, the Resources Committee considered the budget options as outlined in this paper and resolved to recommend that the Authority approves Option C (setting a level of council tax in 2017-18 for a Band D property at £81.57, representing a 1.99% increase over 2016-17) (Minute RC/17 refers).
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable.
APPENDICES	A. Core Net Revenue Budget Requirement 2017-18. B. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances. C. DSFRA response to the Department of Communities and Local Government consultation document “Local Government Finance Settlement – Technical Consultation Paper”. D. Revenue budget compared against published efficiency plan.
LIST OF BACKGROUND PAPERS	BMG Report on Precept Consultation for 2017-18 Revenue Budget

1. INTRODUCTION

1.1 It is a legislative requirement that the Devon & Somerset Fire & Rescue Authority (the Authority) sets a level of revenue budget and council tax for the forthcoming financial year, before 1 March, in order that it can inform each of the fifteen council tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2017-18. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels for the Authority.

1.2 The Localism Act 2011 includes provisions which require a local authority to hold a council tax referendum where an authority's council tax increase exceeds the council tax "excessiveness principles" applied for that year.

1.3 On 15 December 2016, the Department for Communities and Local Government (DCLG) announced as part of the provisional Local Government Settlement the council tax limit to be applied in 2017-18. This is to be 2.0% which, if exceeded, would trigger the need to hold a referendum.

1.4 Given that the administration costs associated with holding a local referendum for the Service for one year are estimated to be in the region of £2.3m, this report does not include any proposals to go beyond the referendum limit. Instead, it considers three options, A to C below, of which the maximum proposed increase is 1.99%:

- **OPTION A** – Freeze council tax at 2016-17 level (£79.98 for a Band D Property).
- **OPTION B** – Increase council tax by 1.00% above 2016-17 (£80.78).
- **OPTION C** – Increase council tax by 1.99% above 2016-17 (£81.57).

1.5 The Committee is asked to consider each of these options with a view to making a recommendation of one option to the Fire and Rescue Authority at its meeting to be held on 17 February 2017.

1.6 In recent years, the Service has created an Earmarked Reserve – the Comprehensive Spending Review (CSR) reserve - to assist with balancing future revenue budgets during the period of austerity. The current balance on this reserve is £4.9m. It is anticipated that there will be a requirement to utilise some of this reserve in order to balance the budget for 2017/18. The amount to be utilised will be dependent on which of the potential options A to C is agreed.

1.7 At its meeting on 8 February 2017, the Resources Committee considered the options as set out in this report and resolved to recommend approval of Option C (increase in council tax of 1.99%) to the Authority (Minute RC/17 refers).

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2017-18

2.1 The **provisional** Local Government Finance Settlement was announced by the Department of Communities and Local Government (DCLOG) on 15 December 2016, which provided local authorities with individual settlement funding assessment figures for 2017-18, and confirmed figures for 2018-19 and 2019-20 as offered by the four-year settlement which has been accepted by the Authority.

2.2 At the time of writing this report the final Local Government Finance Settlement is still to be announced, however given that the Authority has taken up the offer from the DCLG of a four-year settlement, there is not expected to be any change to the provisional settlement figures.

2.3 Table 1 below provides details of the Settlement Funding Assessment (SFA) for this Authority which results in a reduction in 2017-18 of 11.1% over 2016-17 and an overall reduction of 24.6% by 2019-20:

TABLE 1 – SETTLEMENT FUNDING ASSESSMENT (SFA)			
	SFA	**SFA Reduction**	
	£m	**£m**	**%**
2015-16	29.413		
2016-17	26.873	(2.540)	**-8.6%**
2017-18	23.883	(2.990)	**-11.1%**
2018-19	22.650	(1.233)	**-5.2%**
2019-20	22.188	(0.462)	**-2.0%**
Reduction over 2015-16		**(7.225)**	**-24.6%**

2.4 With regard to the accepted offer of a four-year settlement, the Government is making a clear commitment to provide central funding for the period of the Spending Review to those authorities that choose to accept the offer and have published an Efficiency Plan. A confirmation letter has been received by the Authority on 14 December 2016 from the Minister of State for Policing and Fire Service confirming the settlements until 2019-20.

2.5 In practice, final figures for each year will be subject to changes in the business rates multiplier which is based on the Retail Prices Index in September each year. However, barring exceptional circumstances, e.g. transfer of new responsibilities between authorities, and subject to the normal statutory consultation process for the local government finance settlement, the government expects the future year figures to be presented to Parliament each year.

2.6 When compared to other fire and rescue authorities, this Authority has received the 7th worst settlement with a 24.6% reduction against an average of 21% (ranging from 15.2% to 28.6%). In terms Core Spending Power comparisons (which is total funding including assumed council tax precept increases and the Rural Services Delivery Grant) the government is anticipating an increase of 0.4% of our spending power by 2019-20, the 9th best settlement against an average reduction of 0.5% for the sector.

2.7 In addition to the settlement figures reported in Table 1 above, the Authority has been awarded a share of a £65m Rural Services Delivery Grant which is only available to the most sparsely populated rural areas. The award is £340k for 2017-18, £261k in 2018-19 and £340k in 2019-20.

2.8 Furthermore, the Authority has been awarded a share of £300m transitional grant allocated to local government for the years 2016-17 and 2017-18 and paid only to those authorities suffering the most severe grant reductions in the first two years of the four-year settlement. The allocation for the Authority for 2017-18 is £188k.

2.9 These two grants will be paid as a Section 31 grant (which means it is not in base funding) and the total grant of £528k in 2017-18 is therefore included as income within the draft budget proposed in this report.

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

3.1 There were new rules introduced in 2013-14 which require an authority to hold a local referendum should it propose to increase council tax beyond a government set limit (principles). A referendum would need to be held on our behalf by all of the billing authorities in Devon and Somerset by May of the financial year in question. The administrative costs associated with holding such a referendum would have to be funded by the authority.

3.2 If the referendum results in a 'yes' vote then the increase will stand. However, if a 'no' vote is the outcome then the authority will need to revert to a council tax increase limited to the government set limit. This means that, in such circumstances, at the budget meeting two budgets would need to be considered - the budget at the council tax level in excess of the referendum limit and a second "shadow budget" based on the government set limit for council tax increases.

3.3 Given that Band D council tax figures for fire and rescue authorities are relatively low, typically only 4% of the total council tax bill, the Service has argued with the DCLG that fire and rescue authorities should be exempt from this requirement as the costs associated with holding a referendum are disproportionate to the amount of additional precept gained from any increase.

3.4 For this Authority, the position is exacerbated by the fact that it has to liaise with fifteen billing authorities that would be required to hold referendums on its behalf, resulting in estimated referendum costs in the region of £2.3m. The Service has asked DCLG to consider an alternative set of principles for fire and rescue authorities (most recent letter to DCLG in October 2016 – copy included at Appendix C to this report) that would apply a cash amount, e.g. £5, rather than applying a percentage increase. Disappointingly, whilst some Police and Crime Commissioner areas and shire District Councils have been given the flexibility to adopt the £5 threshold in 2017-18, the provisional settlement confirms that for fire and rescue authorities, a percentage increase threshold will continue to be applied.

3.5 On 15 December 2016, the DCLG announced the referendum threshold to be applied in 2017-18 is 2.0%.

4. COUNCIL TAX AND BUDGET REQUIREMENT 2017-18

Council Tax

4.1 Unlike in the previous Spending Review period, the Government has not overtly laid out any expectation that local authorities should freeze council tax, and therefore, there is no offer of a Council Tax Freeze Reward Grant to those authorities that freeze or reduce council tax in 2017-18.

4.2 It is, of course, still an Authority decision to set a level of council tax that is appropriate to its funding position. For 2017-18, this report considers three options A, B and C as below:

- **OPTION A** – Freeze council tax at 2016-17 level (£79.98 for a Band D Property);
- **OPTION B** – Increase council tax by 1.00% above 2016-17 (£80.78);
- **OPTION C** – Increase council tax by £1.99% above 2106-17 (£81.57).

4.3 The Committee could decide to set any alternative level below 2%. Each 1% increase in council tax represents a £0.80p increase for a Band D property, and is equivalent to a £0.472m variation on the revenue budget. In relation to the referendum option, it is the Treasurer's view that given the costs of holding a referendum (circa £2.3m), it is not a viable option for the Authority to consider a council tax increase in excess of the 2% threshold.

4.4 Each of the options will result in a reduction in the amount of revenue funding available for 2017-18. Table 2 below provides a summary of the reduction associated with each option, including additional precept income.

TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – REDUCTION IN FUNDING 2017-18

	OPTION A Council Tax Freeze at £79.98	OPTION B Council Tax Increase of 1.00% to £80.78	OPTION C Council Tax Increase of 1.99% to £81.57
	£m	£m	
TOTAL FUNDING 2016-17	**73.977**	**73.977**	**73.977**
Reduction in Formula Funding	(2.990)	(2.990)	(2.990)
Reduction in Retained Business Rates from Business Rate Retention System.	(0.162)	(0.162)	(0.162)
Changes in Council Tax Precept			
- increase in Council Tax Base	0.882	0.882	0.882
- resulting from an increase in Band D Council Tax	-	0.472	0.938
- Decrease in Share of Billing Authorities Council Tax Collection	(0.050)	(0.050)	(0.050)
Net Change in precept income	**0.832**	**1.305**	**1.771**
TOTAL FUNDING AVAILABLE 2017-18	**71.657**	**72.129**	**72.596**
NET REDUCTION IN FUNDING	**(2.320)**	**(1.848)**	**(1.381)**

Council Tax Base

4.5 Whilst the total reduction in government funding of £2.990m was expected and planned for, the Service had not expected to see such a high increase in the council tax base for the area resulting in additional precept income of £0.882m, an increase in the tax base of nearly 2%. This is largely as a result of an increase in the council tax base across the area of Devon and Somerset which reflects increases in the number of properties, e.g. Cranbrook in East Devon. Conversely, in relation to the 2016-17 council tax collection rates by districts, the amount of surplus available to the Authority has decreased by £0.051m.

Net Budget Requirement

4.6 Table 3 below provides a summary of the Core Budget Requirement (based upon Option C for illustrative purposes) for 2017-18. A breakdown of the more detailed items included in this draft budget is included in Appendix A of this report.

TABLE 3 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2017-18

	£m	%
Approved Net Revenue Budget Requirement 2016-17	**73.977**	
PLUS Provision for pay and price increases (Pay award assumed 1.0% in 2017 for Firefighters)	0.646	*0.87%*
MINUS Removal of one off provisions in 2016-17	(0.116)	*-0.16%*
PLUS Inescapable Commitments	0.852	*1.15%*
PLUS New Investment	0.070	*0.09%*
PLUS Changes to income targets	0.087	*0.12%*
CORE SPENDING REQUIREMENT 2017-18	**75.516**	
INCREASE IN BUDGET OVER 2016-17 (£m)	**1.539**	***2.08%***

Budget Savings

4.7 As is indicated in Table 3, the Core Budget Requirement for 2017-18 (which includes provision for pay and inflation, inescapable commitments and new investment) has been assessed as £75.516m. This is more than the amount of funding available under Options A, B or C and therefore budget savings need to be identified in order that a balanced budget can be set. Table 4 below provides an analysis of on-going savings identified to be delivered in 2017-18.

TABLE 4 – BUDGET SAVINGS 2017-18

	£m
Budget Management Savings – As in previous years the budget setting process has included the requirement for budget managers to scrutinise non-operational budget heads with a view to the identification of recurring savings. This process and challenge by managers has identified £0.773m of recurring savings which can be removed from base budget.	(0.773)
Retained Pay – Activity anticipated to reduce as a result of changes to activity levels and asset utilisiation on some stations	(0.086)
Operational Staffing – The Corporate Plan proposals agreed by the Authority in July 2013 included the deletion of 149 operational posts to deliver £5m of on-going savings once fully implemented. These posts have now been released through natural turnover and the base staffing budget has been realigned with the new establishment, saving £0.950m. Additionally, a middle management restructure was conducted in 2016/17 which has released £0.330m.	(1.280)
Support Staffing – In order to meet financial challenges over the coming years, a strategy has been set to reduce support staff numbers and therefore managers have removed vacancies in year, resulting in a saving of £0.2m	(0.202)
TOTAL BUDGET SAVINGS (£m)	**(2.341)**

4.8 Whilst the Service is confident that savings of £2.341m can be delivered, this still leaves the Authority with a budget shortfall in order that it can set a balanced budget for 2017/18. Based on Option C (increase of 1.99% of Council Tax) this shortfall is £0.579m.

4.9 It should be noted that the Authority has set aside an Earmarked Reserve called 'CSR Strategy Reserve' (paragraph 1.6 above also refers) funded prudently from under spends in previous years. The intention of this Reserve is to provide a smoothing mechanism of the impact of grant reductions during the period of austerity. The current balance on this Reserve is £4.9m. Given the shortfall of £0.579m referred to in paragraph 4.8 above, it is proposed as part of this draft budget that an amount of £0.579m is transferred from this Earmarked Reserve to fund the shortfall in the draft Revenue Budget for 2017/18.

4.10 Should the Committee decide to recommend to the Authority an alternative Council Tax Option, then the amount of transfer from the CSR Reserve will need to be increased to £1.046m for Option B (1.0% increase) or £1.518m for Option A (Council Tax freeze).

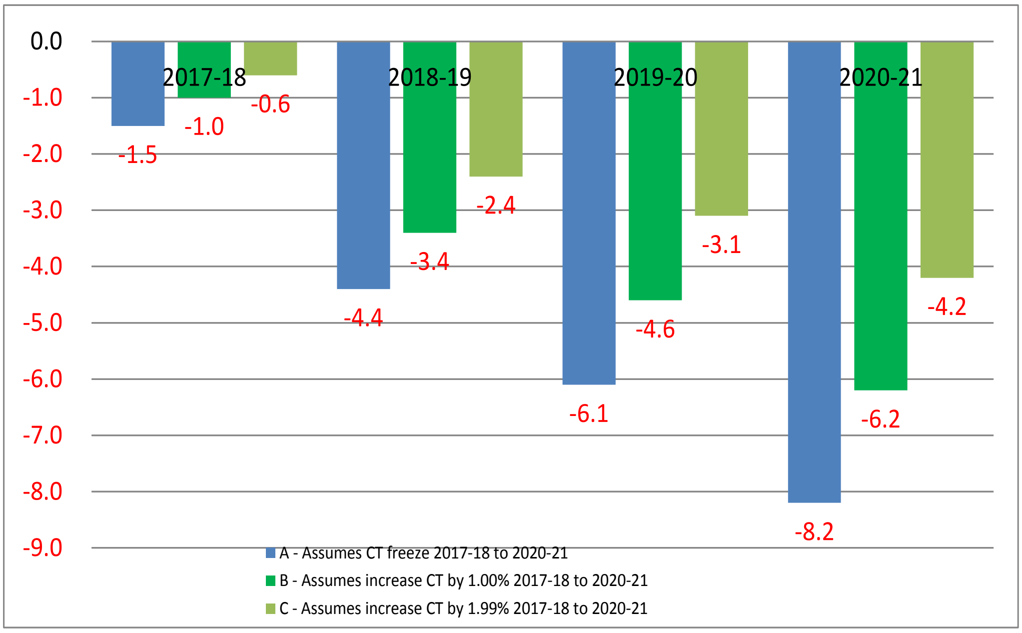
5. MEDIUM TERM FINANCIAL PLAN

5.1 Given that indicative grant figures up to 2019-20 have been received, there is now greater certainty of the funding situation over the medium term. This means that the Medium Term Financial Plan (MTFP) needs to be planning for further significant reductions beyond the saving of £2.341m achieved in 2017-18.

5.2 Clearly it is difficult to provide forecasts into future years with absolute certainty, particularly in relation to future pay awards, inflationary increases and changes in pension costs. Key assumptions have therefore had to be made in our forecasts which will inevitably be subject to change. Prudent forecasts of future budgets can, however, be used to refresh the Authority's MTFP to inform financial planning and provide updated forecasts of the levels of budget reductions required by 2019-20 to balance the budget.

5.3 The MTFP financial modelling tool has assessed a likely 'base case' scenario in terms of savings required over the period 2017-18 to 2019-20. Chart 1 below provides an analysis of those forecast savings required in each year.

CHART 1 – FORECAST BUDGET SAVINGS REQUIREMENT (CUMULATIVE) 2017 TO 2021 (BASE CASE) - £MILLIONS



5.4 Chart 1 illustrates that further savings will be required beyond 2017-18 to plan for a balanced budget over the next three years to 2020-21. Should the Authority decide to freeze council tax in 2017-18 (Option A) and the following three years then the MTFP forecast that further savings of £8.2m need to be planned for. As is stated earlier in this report each 1% increase in council tax results in additional precept of £0.472m. Should it be agreed to increase council tax by 1.99% in 2017-18 (Option C) and by a further 1.99% (not subject to a decision at this meeting) in each year from 2018-19 to 2020-21 then the saving target by 2020-21 would be reduced from £8.2m to £4.2m.

6. PLANS TO DELIVER SAVINGS 2017-2020

Our Plan 2017 onwards

6.1 This budget report proposes a balanced budget for the next financial year 2017-18 including proposals as to how budget savings can be achieved.

6.2 Looking beyond 2017-18 it is clear that the Authority needs to plan for the delivery of further recurring savings to ensure that balanced budgets can be set in each year of the Spending Review period. The strategic approach to deliver the required savings is targeted against the three broad headings of:

- **Reducing our costs** (reductions against budget lines);
- **Reduce Support Costs** (staffing budget lines);
- **Reduce Operational Costs** (staffing budget lines).

6.3 On the 30 September 2016, the Authority approved the offer of a 4 year settlement proposed by the Home Office on the condition that it publishes a 4 year Efficiency Plan. This plan was submitted to and agreed by the Home Office and can be found at:

https://fireauthority.dsfire.gov.uk/documents/g332/Public%20reports%20pack%2030th-Sep-2016%2014.00%20Devon%20Somerset%20Fire%20Rescue%20Authority.pdf?T=10.

6.4 An analysis of the figures included in the draft 2017-18 revenue budget as per this report, compared to those figures included in the Efficiency Plan can be found in Appendix D.

7. PRECEPT CONSULTATION 2017-18

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

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

7.3 The issue of a council tax precept consultation in relation to the 2017/18 budget was therefore considered and this was undertaken via telephone surveys of both businesses and the general public.

7.4 The key specifications for the survey were:

- To ask four key questions on the precept, value for money and satisfaction;
- To request demographic information;
- To collect answers to both closed and open questions;

- To provide a representative sample of 400 businesses by constituent authority area (Devon County Council; Plymouth City Council; Somerset County Council; and Torbay Council).

7.5 The telephone survey ran from the week beginning Monday 19 December 2016 until Monday 9 January 2017, and was undertaken by BMG Research.

7.6 A summary of the results obtained from businesses and members of the public is set out below. The full results of the business and public surveys, as conducted by BMG, is available on request.

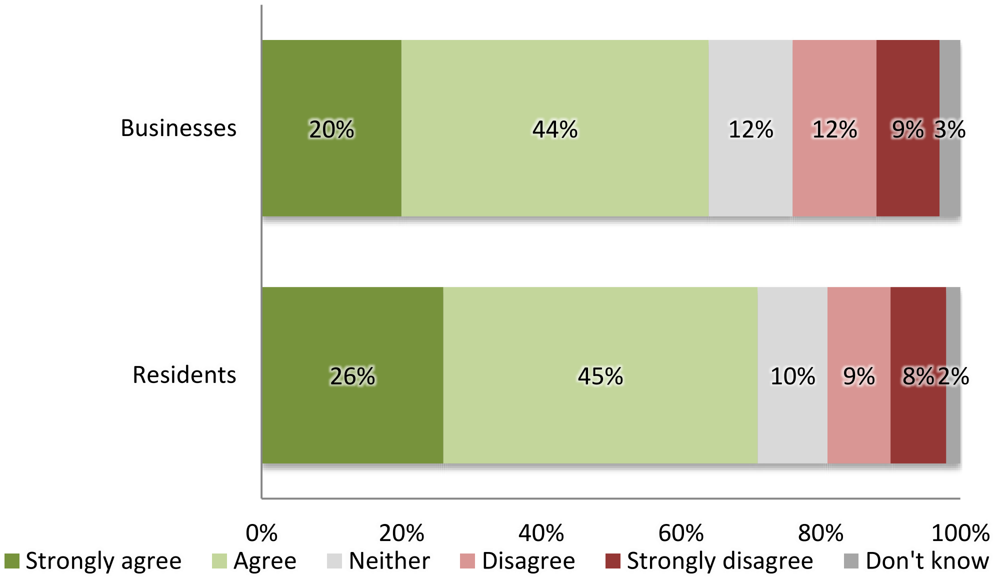
Results Overview

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

7.8 *Question 1: How strongly do you agree or disagree that it is reasonable for the Authority to consider increasing its council tax charge for 2017/18 in order to lessen the impact of the funding cuts?*

7.9 The results for Question one, shown in Chart 2, illustrate that the majority of business respondents (64%) agreed that it would be reasonable for the Authority to consider increasing the precept to lessen the impact of funding cuts. Members of the public were slightly more positive with 71% in agreement that it was reasonable for the Authority to consider increasing Council Tax charges.

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



Unweighted sample base: 400 businesses, 401 residents

7.10 The 2017 results of the business survey show a slight increase in the level of agreement for the Authority to consider an increase to the precept over the last three years: up from 53% in 2014, 57% in 2015 and 61% in 2016. The results from the survey with members of the public showed a decrease in agreement over previous years of 74% in 2014, 79% in 2015 and 85% in 2016. The decrease could be attributed to the move away from face to face surveys to a telephone survey, where a less personal survey elicits a different response.

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

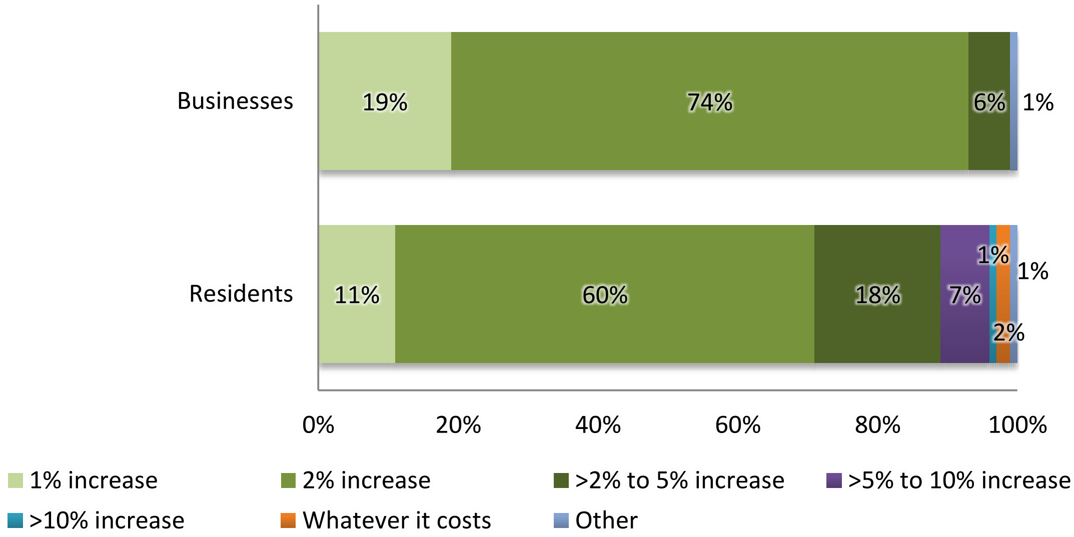
7.12 Those respondents who disagreed to Question 1 were asked why and their responses recorded. Typical comments received have been included in the BMG report in Appendix E.

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

7.14 *Question 2: What level of increase would you consider is reasonable for the Authority to increase its element of the Council Tax charge by?*

7.15 The majority of business respondents (74%) were in favour of a 2% increase to the precept as seen in Chart 3. Similarly, the majority of public respondents (60%) were also in favour of a 2% increase.

<u>Chart 3: Question 2 results of options to increase the precept</u>



Unweighted sample base: 255 businesses, 288 residents

7.16 There was a slight increase in support from businesses for a 2% increase in Council Tax when compared with the 2016 results of 72% and 2015 of 61%. There was a decrease in support for a 2% increase from the public compared with previous years, from 76% in 2016 and 67% in 2015. However, this is due to the significant increase in those who opted for a '>2% to 5% increase' or a '>5% to 10% increase'.

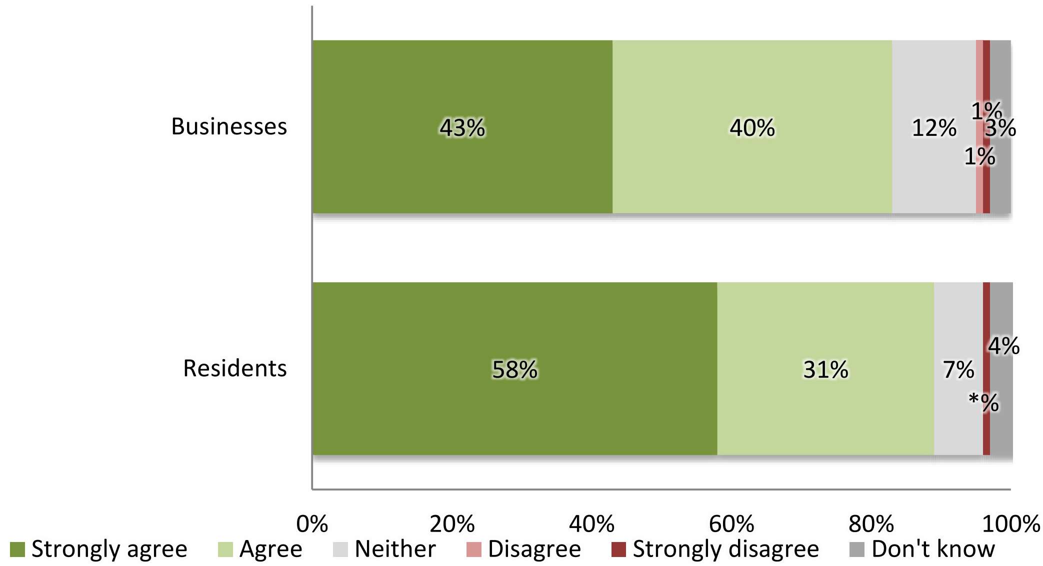
7.17 These results suggest support from businesses and members of the public for the Authority to consider increasing the precept by 2% to minimise the impact of cuts to the government grant.

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

7.19 Chart 4 overleaf shows that business respondents agreed that the Service provides value for money. The level of agreement from businesses (83%) was an increase to that recorded in the 2016 survey (79%) and 2015 survey (81%).

7.20 For members of the public, 89% agreed that the Service provides value for money. This result is lower than the 93% agreement recorded in the 2016 survey and 99% recorded in 2015.

Chart 4 – Question 3 How strongly do you agree or disagree that the Service provides value for money?

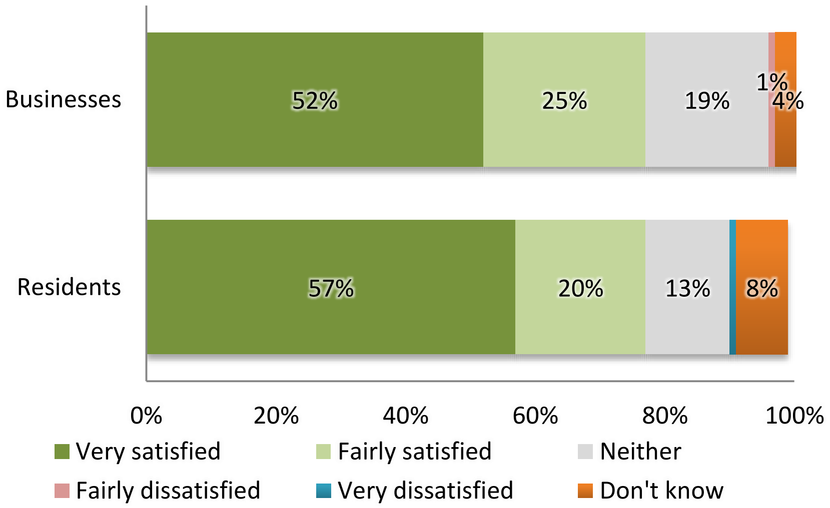


Unweighted sample base: 400 businesses, 401 residents

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

7.22 Chart 5 below shows that the majority of respondents were satisfied with the service provided by the Service (77% from businesses and 77% from members of the public). Levels of satisfaction for businesses appear fairly consistent over the last three years with results of 76% satisfaction recorded in 2016, 74% in 2015 and 78% in 2014. In previous years, this question was not included in the face to face survey with members of the public in order to reduce the time taken to complete the survey; therefore no trend analysis is available.

Chart 5: Question 4 results of satisfaction with Service.



Unweighted sample base: 400 businesses, 401 residents

Results Conclusion

7.23 The results of the consultation indicate that a significant majority of businesses and members of the public feel it would be reasonable for the Authority to consider increasing its precept for 2017/18. Those who agreed that it would be reasonable to consider an increase in the Council Tax precept were predominantly in favour of a 2% increase (80% of business respondents and 88% of public respondents who agreed it was reasonable to consider a 2% or more increase).

7.24 Both business respondents and members of the public agreed that the Service provides value for money, at around £43 per head of the population per year, and were satisfied by the service provided by Devon and Somerset.

7.25 Compared with the surveys conducted in 2014, 2015 and 2016 there appears to be an increasing sentiment from businesses that the Authority should consider increasing the Council Tax precept. However, there appears to be a decreasing sentiment from members of the public.

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

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

9. SUMMARY

9.1 The Authority is required to set its level of revenue budget and council tax for 2017-18 by 1 March so that it can meet its statutory obligation to advise each of the fifteen billing authorities in Devon and Somerset of the required level of precept. This report provides Members with the necessary background information to assist them in making decisions as to the appropriate levels for Devon and Somerset FRA.

9.2 At its meeting on 8 February 2017, the Resources Committee considered the options as set out in this report and resolved to recommend approval of Option C (increase in council tax of 1.99%) to the Authority (Minute RC/17 refers).

KEVIN WOODWARD **Treasurer**	**LEE HOWELL** **Chief Fire Officer**

DRAFT REVENUE BUDGET REQUIREMENT 2017-18 (BASED UPON OPTION C FOR ILLUSTRATIVE PURPOSES

		2017/2018	
	£'000	£000	%
Approved Budget 2016-17		**73,977**	
Provision for pay and prices increase			
Uniformed Pay Award (assume 1.0% from July 2016)	424		
Non-uniformed Pay Award (assume 1% from April 2016)	101		
Prices increases (assumed 2% CPI from April 2017)	93		
Pensions inflationary increase (2% from April 2017)	28		
		646	0.9%
Removal One-off Provisions for 2016/17 only			
Change and Improvement Programme	(116)		
		(116)	
Inescapable Commitments			
Support Staff Increments and LGPS contribution rate change	150		
Increase to pension charges for Ill Health and Injury on Duty	261		
Apprenticeship Levy	220		
Cumulative minor budget variances	115		
NNDR on Service premises	106		
		852	
New Investment			
Establishment of Civil Contingencies & Response support	70		
		70	
Income			
Reduce Red One Contribution target	26		
Reduced Co-responder Activity	34		
Investment income due to low returns	75		
NNDR/ Sparsity/ Transition Section 31 grant	-48		
		87	
Core Spending Requirement		**75,516**	
Savings in 2017-18			
Implementation of staffing reductions linked to IRMP	(1,280)		
Reduction in Retained activity levels	(86)		
Support staff reductions	(202)		
Reduction in lease charges	(305)		
Catering review	(106)		
Fuel savings as a result of vehicle efficiencies	(80)		
Fleet & Equipment Maintenance costs	(57)		
Estates (Property Maintenance)	(50)		
Light vehicles/ travel/ subs/ mileage	(62)		
Insurance Premium savings due to FRIC	(64)		
Occupational Health Contract	(50)		
		(2,341)	
Transfer from Reserves	(579)	(579)	
CORE BUDGET REQUIREMENT		**72,596**	

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 31st 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 proces 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. 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.

KEVIN WOODWARD
Treasurer

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Website : www.dsfire.gov.uk

Date : 17th October 2016
Please ask for : Mr Woodward
Email : kwoodward@dsfire.gov.uk

Telephone : 01392 872200
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Dear Sir,

LOCAL GOVERNMENT FINANCE SETTLEMENT 2017-18 – TECHNICAL CONSULTATION PAPER

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

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

Yours sincerely

Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority

RESPONSE TO QUESTIONS

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

Chapter 2 – Distribution of central resources.

Question 1: What other, additional grants, beyond those set out in para 2.2.2, should the Government consider including in the multi-year offer?

Response – We support the inclusion of revenue support grant and rural services delivery grant as they are more general grants and would come with "no strings attached" so it will be for local determination as to how those grants are to be used.. In relation to other grants we would comment that councils will inevitably want to know whether there is to be any ring fencing attached to any, or all, of these grants. This is even more relevant at a time of reducing budgets as there are some national grants which are there to protect the more vulnerable in society e.g. attendance allowances, and therefore could be at risk of cuts if absorbed into the retained business rates system.

Chapter 3 – Changes to local resources.

Question 3: Do you agree with the council tax referendum principles for 2017-18 proposed in paragraphs 3.2.1 to 3.2.2 for principal local authorities?

Question 4: Do you agree that referendum principles should be extended to larger, higher-spending town and parish councils in 2017/18 as set out in paragraphs 3.3.3 to 3.3.4?

Response – We welcome the additional flexibility of increasing council tax by a cash limit of £5 for some types of authority but are very disappointed that this flexibility is not being offered to fire and rescue authorities (FRAs).

As is illustrated below the average precept for FRAs is significantly less than that of those types of authority that are being offered the £5 flexibility.

Authority Type	**Average Band D Council Tax 2016-17**
Fire and rescue authorities	£71.50
Local precepting authorities (Band D >£75.46 and precept >£500k)	£134.28
Police authorities	£174.24
Shire district councils	£174.99

Your new proposal to introduce referendum limits to local precepting authorities indicates that of the total 8,800 local precepting authorities 120 will be affected by this proposal. **ALL of the relevant parish precepts are significantly higher than the average fire precept. In fact of the 120 parish precepts for 2016/17 only 22 are below the highest fire precept level:**

It is also important to note because of the relatively low Band D council tax figures for FRAs, typically only 4% of the total council tax bill for any area, the cost of holding the referendum would be totally disproportionate to the additional amount of precept that could possibly be achieved. For instance at our own Authority, which has 15 billing authorities across Devon and Somerset, the cost of holding the referendum has been estimated at £2.3m (equivalent to a 5.5% increase in council tax). Under the current system our Authority, and I would suggest all FRAs, would find it impossible to justify holding a referendum at such cost.

We request that consideration be given to extending the same freedom offered to all shire district councils and all relevant local precepting authorities to all fire authorities.

APPENDIX D TO REPORT DSFRA/17/1

2017/18 Revenue Budget Compared to Published 4 Year Efficiency Plan – Year 2

COMPARISON OF DRAFT 2017/18 BUDGET TO PUBLISHED EFFICIENCY PLAN				
Item	**Description**	Planned Budget	2017/18 Draft Budget	Variance
Opening available budget		(73,977)	(73,977)	0
Grant changes	2020/21 is estimate at present	3,001	2,990	(11)
NNDR Core funding changes	Estimated	0	162	162
Council Tax Precept changes	Assumes 1.99% increase	(922)	(938)	(16)
CT Base/ surplus adjustment	Estimated	(281)	(833)	(552)
Anticipated available budget for the year		(72,179)	(72,596)	(417)
Budget **movement** (closing less opening)		1,798	1,381	(417)
Cost **pressures** identified		1,610	1,568	(42)
Forecast changes to revenue **income**		339	87	(252)
Savings requirement (movement + pressures + income)		3,747	3,036	(711)

SAVINGS ANALYSIS				
Title	**Narrative/ Explanation for variance from plan**	Planned Budget	2017/18 Draft Budget	Variance
Programme 1 Savings (Change)				
2016 Middle Management Structure		(325)	(325)	0
Catering review	Fully implemented with closure of canteen facilities	(110)	(106)	4
Non Uniformed Salary reduction	Whilst there was no target attributed to support staff savings, these have been achieved by removal of vacant posts in year	0	(202)	(202)
Programme 2 Service Delivery Response Model				
Whole-time Flexible Working Duty Systems	This project is currently in progress and subject to discussion with Representative Bodies	(283)	0	283
Development of 'on call' availability models	Pilots of different availability models are being progressed	(100)	(86)	14
Co-responding	Due to a change in the level of call outs received from SWAST activity has reduced, however this is reflected in reduced costs	(50)	0	50
	Change Programme Savings Totals	**(868)**	**(719)**	**149**
Savings Initiatives				
Reduce change and improvement project baseline funding	Revenue budget requirement has reduced for 2017/18, seek to fund change programme from reserves subject to Authority approval	0	(116)	(116)
Non staff budget savings	Total target of £1.5m over four years. Work going on to lean budget but requires co-operation from budget holders to release excess budget	(300)	(313)	(13)
Electronic payslips	This project has not yet progressed with our current supplier	(40)	0	40
Lease charge savings	More vehicles/ equipment have been subject to lease buy-outs or return than expected	(200)	(305)	(105)
Align Whole-time budget with reduced establishment	Staff numbers have been further reduced as vacancies arose in year	(900)	(955)	(55)
Improvement Initiatives				
Estates structure and function	The departmental review has been on hold pending collaboration opportunities with the Police strategic alliance	(40)	0	40
Property management	Reduction in office spaces; Property Ownership models; Investment strategy (reduce expenditure)	(50)	(50)	0
	Other Initiatives Savings Totals	**(1,530)**	**(1,738)**	**(208)**
	SAVINGS TOTALS (Programme + Initiatives)	**(2,398)**	**(2,457)**	**(59)**
	Transfer (to) / from CSR reserve	**1,349**	**579**	**(769)**

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REPORT REFERENCE NO.	**DSFRA/17/2**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**17 FEBRUARY 2017**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2017-18 TO 2019-20**
LEAD OFFICER	**Chief Fire Officer and Treasurer**
RECOMMENDATIONS	***That, as recommended by the Resources Committee (Budget) meeting held on 8 February 2017 (Minute RC/18 refers)*** ***(a) the draft Capital Programme 2017-18 to 2019-20 and associated Prudential Indicators, as detailed in this report and summarised at Appendices A and B respectively, be approved; and*** ***(b) subject to (a) above, the forecast impact of the proposed Capital Programme (from 2020-21 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report be noted.***
EXECUTIVE SUMMARY	This report sets out the proposals for a three year Capital Programme covering the years 2017-18 to 2019-20 and also outlines the difficulties in meeting the full capital expenditure requirement for this Authority, given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced. All aspects of the capital requirement have been considered and the programme has been constructed based on the principle that debt charges emanating from external borrowing are kept within the 5% Prudential Indicator limit (debt charges as a percentage of the Revenue Budget) set by the Authority. The Committee has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator against a reducing revenue budget and has supported the Treasurer's recommendation that the Authority should seek alternative sources of funding other than external borrowing to support future capital investment. To inform longer term planning the Prudential Indicator has been profiled for a further three years beyond 2019-20 based upon indicative capital programme levels for the years 2020-21 to 2022-23. The proposed Capital Programme 2017-18 to 2019-20 and associated prudential indicators as set out in this report was considered by the Resources Committee (budget) meeting held on 8 February 2017, which resolved to commend it to the Authority for approval (Minute RC/18 refers).
RESOURCE IMPLICATIONS	As indicated within the report.

EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Summary of Proposed Capital Programme 2017-18 to 2019-20 (and indicative Capital Programme 2020-21 to 2022-23). B. Prudential Indicators 2017-18 to 2019-20 (and indicative Prudential Indicators 2020-21 to 2022-23).
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 Each year, the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme. In constructing the programme, considerable effort is made to ensure that the impact of borrowing is maintained below the 5% ratio of financing costs to net revenue stream – one of several Prudential Indicators previously agreed by the Devon and Somerset Fire and Rescue Authority (hereinafter referred to as “the Authority”).

1.2 Up until 2015-16, the Authority was in receipt of some direct grant funding towards capital spending as a share of a government allocation of £70m per annum towards Fire Sector capital investment. In 2014-15, this allocation was £1.4m and in previous years, as much as £2m. However, as part of government austerity measures, this funding has now been withdrawn meaning that from 2015-16 onwards the Authority no longer receives any direct grant funding towards its capital investment plans.

1.3 To mitigate the impact of this withdrawal of funding to the 5% debt ratio, the Authority agreed as part of the previous year budget setting to replace this funding with a significant revenue base contribution to funding the capital programme and building a capital reserve for the medium term.

1.4 The Fleet replacement programme continues with the introduction of smaller type appliances into the Service with a planned start to the Rapid Intervention Vehicle scheme during 2017-18 as well as other appliance replacements.

1.5 The Estates programme has been prepared using early feedback on the Estate Review undertaken over the past year in conjunction with the Capital Working Party. This programme includes provision for up to two major projects, which will depend on finalisation of operational considerations and future Authority approval.

1.6 The Authority has set a strategy to reduce reliance on external borrowing and therefore the proposed Capital Programme 2017-18 to 2019-20 and indicative Capital Programme 2020-21 to 2022-23 have been produced on the basis that no new borrowing will occur in the six year period.

1.7 The proposed Capital Programme 2017-18 to 2019-20 and associated prudential indicators as set out in this report was considered by the Resources Committee (budget) meeting held on 8 February 2017, which resolved to commend it to the Authority for approval (Minute RC/18 refers).

2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

2.1 The tests of affordability of future capital spending are measured by compliance with the Chartered Institute of Public Financial Accountants (CIPFA) Prudential Code for Capital Financing for Local Authorities. Under this code, the Authority is required to set a suite of indicators to provide assurance that capital spending is prudent, affordable and sustainable. The indicators are reviewed annually, although set for the three year period. They also include setting maximum borrowing limits to provide assurance around prudence and the setting of maximum debt ratios to provide assurances in relation to affordability and sustainability.

2.2 The issue of affordable capital spending has been the subject of several reports to both this Committee and the Authority in recent years. The most recent report was considered by the Authority on 19 February 2016 (Minute DSFRA/47(d) refers) when setting the existing capital programme.

2.3 The proposed programme and funding, as contained in this report, decreases the external borrowing requirement to £25.4m by 2019-20, and ensures that the debt ratio is maintained below 5% (forecast to be 4.17%). This compares to a current external borrowing of £25.7m as at 31 March 2017. Looking further ahead the external borrowing requirement is forecast to reduce to £24.3m by 2022-23.

2.4 The focus of this Authority over many years has been to control spending within the 5% limit. To achieve this, the Service has utilised revenue funding wherever possible through allocation of budget or revenue underspends. This approach has been successful because neither the 5% prudential indicator has been breached nor has external borrowing increased.

2.5 With increasing pressure on revenue budgets, the revised programme has been prepared on the basis that a strategy of long term affordability will be followed, with the indicative programme showing that no new external borrowing will be required over the six year period to 2022-23.

2.6 Due to current interest rates, it is not economically viable for the Authority to repay loans early. This means that whilst no new borrowing will be required, existing loans will be applied to the current capital programme until repayment is made in order to avoid an over-borrowed situation. The debt portfolio and interest rates will be regularly reviewed with a view to early repayment if this option becomes more affordable.

2.7 Elsewhere on the agenda for this meeting is a separate report "2017-18 Revenue Budget and Council Tax Levels". The draft 2017-18 revenue budget included in that report makes provision for a further revenue contribution towards capital of £3.673m. The Committee has been made aware as part of previous year budget setting reports that, in order that the capital programme can be achieved without the need to increase borrowing, then a revenue contribution to Capital will be required. This needs to be built into revenue base budget to replace the direct grant funding previously received from the government but withdrawn from 2015-16. The proposed programme within this report has been constructed to include the same level of contribution as in 2016-17 i.e. £3.673m. This figure will need to be reviewed annually as part of the annual budget setting process.

3. REVISED CAPITAL PROGRAMME FOR 2017-18 to 2019-20

3.1 Appendix A of this report provides an analysis of the proposed programme for the three years 2017-18 to 2019-20 as contained in this report. This programme represents a net increase in overall spending of £8.4m over the previously agreed indicative programme as illustrated in Figure 1 overleaf:

Figure 1

	Estates	Fleet & Equipment	Total
	£m	£m	£m
Existing Programme			
2016-17	2.1	4.3	6.4
2017-18	2.4	2.6	5.0
2018-19 (provisional)	1.5	3.0	4.5
2019-20 (provisional)	1.1	2.9	4.0
Total 2016-17 to 2019-20	**7.1**	**12.8**	**19.9**
Proposed Programme			
2016-17 (forecast spending)	1.6	2.4	4.0
2017-18	1.5	5.1	6.6
2018-19 (provisional)	5.4	5.6	11.0
2019-20 (provisional)	2.4	4.3	6.7
Total 2016-17 to 2019-20	**10.9**	**17.4**	**28.3**
Proposed change	**3.8**	**4.6**	**8.4**

ESTATES

3.2 After a period of significant investment, the Estates programme was reduced from 2013/14 to accommodate other capital programmes. Furthermore, it was becoming apparent that a revised Integrated Risk Management Plan (IRMP) strategy needed to be considered before a final decision on an Estates Programme could be made. As a result, there was a reduced investment in some key stations over a number of years whilst plans were being developed to meet changing community risk profiles.

3.3 An investment was made by the Estates Department in 2016 in new Asset Management Software and a major exercise commenced to undertake a complete condition survey of every site in the property portfolio. The outcome of that has been a significant set of data captured that now allows the Department to forecast with a much greater degree of certainty the planned and anticipated capital and revenue investment on each station over the next 25 years.

3.4 In 2016, through the Capital Programme Working Party, an Estate review was commissioned to explore the value of key sites and identify any possible development opportunities. In addition, an exercise was carried out to identify the availability of potential new sites that would provide options for alternative delivery models that may emerge from the risk profiling work in support of the IRMP.

3.5 The progress of that review, which included a full range of options and scenarios (including modelling of new and alternative sites to any impact on emergency response times) has been regularly discussed at the Capital Programme Working Party. This work is now being progressed by the Assistant Chief Fire Officer to establish the value and merit of the various options within the context of a full review of the IRMP to meet current and forecast community risks.

3.6 Whilst the outcome of that review is awaited, a programme of expenditure has been submitted for sites that reflects the current understanding of the likely outcome of the review for the purposes of appropriate financial planning. Investment on specific sites is uncertain at this time and final proposals will be subject to the outcome of the IRMP review and detailed business cases at the relevant time.

3.7 It should be noted that the increasing co-operation between Bluelight partners in the region may also generate co-location or development opportunities (such as at Minehead and Yeovil). However, no budget has been allocated for such projects because there is still a degree of uncertainty over detailed requirements and timings for specific projects. Again, detailed business cases will be submitted for funding for specific schemes at the relevant time.

OPERATIONAL ASSETS

Vehicle Replacements/Equipment

3.8 The Authority has agreed to the implementation a 'Tiered Response' approach to emergency response. As part of this approach, the programme of vehicle replacement was reviewed to ensure that the fleet would meet future service delivery requirements, provide more cost effective vehicles, improve emergency response service to local communities and improve firefighter safety. This started with Light Rescue Pumps with the final appliances of this replacement cycle coming into service during 2016/17. The programme continues with the introduction of Rapid Intervention Vehicles (RIV) over the next three years (2017/18 to 2019/20). When complete, this programme will not only have dealt with the backlog of vehicle replacements that built up over recent years (because of funding constraints) but will also result in a reduced level of capital expenditure for the replacement programme going forward. The full business case that supports the RIV recommendation identifies savings of over £20m in capital expenditure compared to the previous approach using the standard Medium Rescue Pump on a 12 year replacement cycle.

3.9 The capital programme for the four year period between 2016/17 and 2019/20 has increased for a number of reasons. As part of the RIV replacement project it has been identified that an additional six Incident Support Units and equipment will be required at a cost of £0.990m. The 4x4 vehicles the Service operates to deal with heathland and moorland fires are coming to end of life and are programmed into the capital programme over this period at a cost of £1.948m. Other vehicle replacements have also been identified including an additional medium rescue pump, two water bowsers and RIV reserves. Prices have also been updated to reflect the market place.

4. <u>FORECAST DEBT CHARGES</u>

4.1 Appendix A also provides indicative capital requirements beyond 2019-20 to 2022-23. The estimated debt charge emanating from this revised spending profile is illustrated in Figure 2 overleaf.

Figure 2 - Summary of Estimated Capital Financing Costs

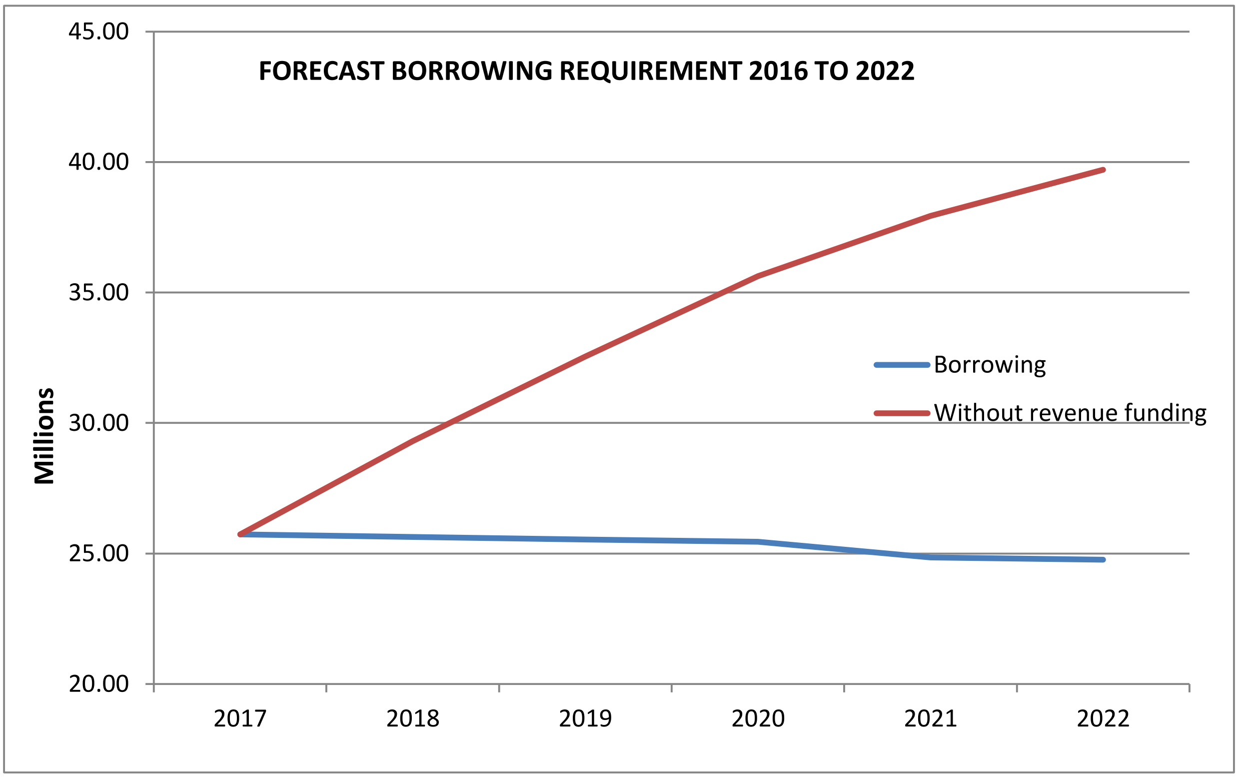
	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Base budget for Capital Financing costs debt charges and operating leasing rentals	3.573	3.528	3.562	3.527	3.477	3.206
Change over previous year		(0.045)	0.034	(0.035)	(0.051)	(0.271)
Debt ratio	4.25%	4.18%	4.17%	4.08%	3.97%	3.62%

4.2 The forecast figures for external debt and debt charges beyond 2019-20 are based upon the indicative programmes as included in Appendix A for the years 2020-21 to 2022-23. The affordability of these programmes will need to be subject to annual review based upon the financial position of the Authority.

5. PRUDENTIAL INDICATORS

5.1 Appendix B provides a summary of the Prudential Indicators associated with this level of spending over this period. It is forecast that Capital Financing Requirement (the need to borrow to fund capital spending) will have reduced from current levels of £25.7m to £24.3m (including impact of proposed revenue contributions) by 2022-23. Figure 3 provides further analysis of forecast borrowing for each year and for comparison purposes the borrowing requirement if the strategy to utilise revenue funding had not been agreed by the Authority.

Figure 3



5.2 The reducing revenue budget impacts significantly upon the borrowing capacity of this Authority. Whilst the programme now presented maintains borrowing within 5% to 2022-23, this will only be possible with regular revenue contributions to the capital programme to maintain an affordable and sustainable Capital Programme.

6. <u>CONCLUSION</u>

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

6.2 The capital programme has been constructed on the basis that the revenue budget includes a base contribution to capital which will avoid the need for any new borrowing over the next six years. However, the programme proposed in this report does not commit any spending beyond 2019-20. Decisions on further spending will be subject to annual review based upon the financial position of the Authority. The programme is therefore recommended for approval.

LEE HOWELL **Chef Fire Officer**	**KEVIN WOODWARD** **Treasurer**

Capital Programme 2017/18 to 2022/23

2016/17 £000 Budget	2016/17 £000 Forecast Outturn	Item	PROJECT	2017/18 £000 Budget	2018/19 £000 Budget	2019/20 £000 Budget	2020/21 £000 Indicative Budget	2021/22 £000 Indicative Budget	2022/23 £000 Indicative Budget
			Estate Development						
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
2,095	**1,581**		**Estates Sub Total**	**1,498**	**5,400**	**2,400**	**3,300**	**1,800**	**1,800**
			Fleet & Equipment						
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
4,322	**2,440**		**Fleet & Equipment Sub Total**	**5,085**	**5,600**	**4,300**	**2,900**	**2,900**	**2,900**
6,417	**4,021**		**Overall Capital Totals**	**6,583**	**11,000**	**6,700**	**6,200**	**4,700**	**4,700**
			Programme funding						
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
6,417	**4,021**		**Total Funding**	**6,583**	**11,000**	**6,700**	**6,200**	**4,700**	**4,700**

PRUDENTIAL INDICATORS

				INDICATIVE INDICATORS 2020/21 to 2022/23		
	2017/18 £m Estimate	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate
Capital Expenditure						
Non - HRA	6.583	11.000	6.700	6.200	4.700	4.700
HRA (applies only to housing authorities)						
Total	6.583	11.000	6.700	6.200	4.700	4.700
Ratio of financing costs to net revenue stream						
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%
Capital Financing Requirement as at 31 March	£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
Total	26,929	26,746	26,555	25,861	25,665	25,055
Annual change in Capital Financing Requirement	£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
Total	(169)	(183)	(191)	(695)	(196)	(611)
Incremental impact of capital investment decisions	£ 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
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£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
Total	28,276	28,084	27,883	27,154	26,948	26,307
Operational Boundary for external debt	£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
Total	26,929	26,746	26,555	25,861	25,665	25,055
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	Lower Limit %
Limits on borrowing at fixed interest rates	70%
Limits on borrowing at variable interest rates	0%
Maturity structure of fixed rate borrowing during 2016/17	
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%

REPORT REFERENCE NO.	**DSFRA/17/3**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**17 FEBRUARY 2017**
SUBJECT OF REPORT	**TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS REPORT 2017-18 TO 2019-20)**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***(a). the Treasury Management Strategy and the Annual Investment Strategy as set out in this report be approved;*** ***(b). the Minimum Revenue Provision (MRP) statement for 2017-18, as contained as Appendix B to this report be approved.***
EXECUTIVE SUMMARY	This report sets out a treasury management strategy and investment strategy for 2017-18, including the Prudential Indicators associated with the capital programme for 2017-18 to 2019-20 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2017-18 is also included for approval.
RESOURCE IMPLICATIONS	As indicated in this report
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing human rights and equality legislation.
APPENDICES	A. Prudential and Treasury Management Indicators 2017-18 to 2019-20. B. Minimum Revenue Provision Statement 2017-18
LIST OF BACKGROUND PAPERS	Local Government Act 2003. Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code.

1. INTRODUCTION

Background

1.1 The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning, to ensure that the Authority can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

1.3 Treasury management is defined as:

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

Statutory requirements

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

1.5 The Act therefore requires the Authority to set outs its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 8 of this report); this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

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

CIPFA requirements

1.7 The Authority has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- Receipt by the Authority of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision

Policy for the year ahead, a mid-year review report and an annual report (stewardship report) covering activities during the previous year.

- Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for this this Authority the delegated body is Resources Committee, and for the execution and administration of treasury management decisions and for this Authority the responsible officer is the Treasurer.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and polices to a named body. For this Authority the delegated body is Resources Committee.

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

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

Treasury Management Strategy for 2017-18

1.9 The suggested strategy for 2017-18 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury advisor, Capita Asset Services (Capita).

1.10 The strategy for 2017-18 cover two main areas:

Capital Issues

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

Treasury Management Issues

- treasury limits in force which will limit the treasury risk and activities of the Authority
- treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers

2. CAPITAL PRUDENTIAL INDICATORS FOR 2017-18 TO 2017/18

2.1 It is a statutory duty for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

2.2 The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Authority tax levels is 'acceptable'.

2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in paragraph 3.5 of this report.

2.4 The capital expenditure plans which inform the indicators, as proposed in the Capital Programme report considered elsewhere on the agenda, are shown in Table 1 below. Other long term liabilities such as PFI and leasing arrangements which already include borrowing instruments are excluded.

TABLE 1 Capital programme	2016-17 Predicted outturn £m	2017-18 Budget £m	2018-19 Budget £m	2019-20 Budget £m
Land and buildings	1.581	1.498	5.400	2.400
Vehicles, Plant and Equipment	2.440	5.085	5.600	4.300
TOTAL CAPITAL EXPENDITURE	**4.021**	**6.583**	**11.000**	**6.700**

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

TABLE 2 Capital programme financing	2016-17 Predicted outturn £m	2017-18 Budget £m	2018-19 Budget £m	2019-20 Budget £m
Programme per Table 1	**4.021**	**6.583**	**11.000**	**6.700**
Financed by:				
Borrowing	1.992	1.922	1.867	1.897
Revenue	2.029	4.661	9.133	4.803
Grants	-	-	-	

The Authority's Borrowing Need (Capital Financing Requirement)

2.6 The Capital Financing Requirement (CFR) represents the authority's underlying need to borrow for capital purposes. The forecast CFR for 2017-18 to 2019-20, based on the spending plans are shown in Table 3.

TABLE 3 Capital Financing Requirements (CFR)	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Capital Financing Requirement as at 31 March – borrowing	25.724	25.631	25.537	25.444
Capital Financing Requirement as at 31 March – other long term liabilities	1.374	1.298	1.209	1.112
Total Capital Financing Requirement as at 31 March	**27.098**	**26.929**	**26.746**	**26.556**

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

TABLE 4 CFR projections	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Total CFR 1 April	27.265	27.098	26.929	26.746
Financing need for the year	1.992	1.922	1.867	1.897
Less MRP	(2.159)	(2.091)	(2.050)	(2.088)
Total Capital Financing Requirement as at 31 March	27.098	26.929	26.746	26.556
Movement in CFR	**(0.167)**	**(0.169)**	**(0.183)**	**(0.190)**

Minimum Revenue Provision (MRP) Strategy

2.8 The Authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

2.9 CLG regulations have been issued which require the full Authority to approve an MRP Statement in advance of each year. A variety of options are provided under which MRP could be made, with an overriding recommendation that the Authority should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.

2.10 Although four main options are recommended (as below), there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

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

Option 1 – Regulatory Method

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

Option 2 – CFR Method

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

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

Option 3 – Asset Life Method

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

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

Option 4 – Depreciation Method

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

2.11 It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the regulations. Whilst options 1 and 2 are available for unsupported borrowing before 1 April 2008, authorities are able to use options 3 and 4 if they choose to do so.

2.12 As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

2.13 A draft MRP statement for 2017-18 is attached as Appendix B for Authority approval. The financing of the approved 2017-18 capital programme, and the resultant prudential indicators have been set on the basis of the content of this statement.

Prudential Indicators for Affordability

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

2.15 A key indicator of the affordability of capital investment plans is the ratio of financing costs to the net revenue stream; this indicator identifies the trend in the cost of capital financing (borrowing costs net of investment income) against the Authority's net budget requirement. Annual capital financing costs are a product of total debt outstanding, the annual repayment regime and interest rates. The forecast ratios for 2017-18 to 2019-20 based on current commitments and the proposed Capital Programme are included in Table 5.

TABLE 5 Financing v Net revenue	2016-17 Estimate %	2017-18 Estimate %	2018-19 Estimate %	2019-20 Estimate %
Ratio of Financing Costs to Net Revenue Stream	4.17	4.26	4.20	4.19

2.16 The estimate of the incremental impact of capital investment decisions proposed in the recommended Capital Programme over and above capital investment decisions that have previously been taken by the Authority are given in Table 6. These figures do not represent the total impact on the Authority tax over and above 2016-17 as a consequence of the total capital programme, only the incremental impact over and above previous decisions made on capital investment. The figures given represent the incremental impact for a Band D property.

TABLE 6	2017-18 Estimate £ p	2018-19 Estimate £ p	2019-20 Estimate £ p
Element of Authority tax for New Capital Spending	£0.06	£0.09	£0.09

3. BORROWING

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

Current borrowing position

3.2 The Authority's treasury portfolio position at 31st March 2016, with forward projections are summarised below in Tables 7 & 8. Table 7 shows the actual external debt (the treasury management operations). Table 8 shows the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

TABLE 7 Gross debt	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
	Estimate	Estimate	Estimate	Estimate
External Debt (1 April)	25.818	25.724	25.630	25.537
New Borrowing	-	-	-	
Replacement debt	-	-	-	-
Repaid debt	(0.094)	(0.094)	(0.093)	(0.093)
External debt (31 March)	25.724	25.630	25.537	25.444
Other long-term liabilities (OLTL) (1 April)	1.444	1.374	1.299	1.209
Expected in year changes to OLTL	(0.070)	(0.075)	(0.090)	(0.097)
OLTL (31 March)	1.374	1.299	1.209	1.112
Total Gross debt at 31 March	**27.098**	**26.929**	**26.746**	**26.556**

TABLE 8 Capital Financing Requirement	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
	Estimate	Estimate	Estimate	Estimate
Total Gross Debt from Table 7	27.098	26.929	26.746	26.556
Capital Financing Requirement 31 March from Table 4	27.098	26.929	26.746	26.556
Under / (over) borrowed 31 March	**-**	**-**	**-**	**-**

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

Limits to Borrowing Activity

3.4 Two Treasury Management Indicators control the level of borrowing. They are:

- **The *authorised limit*** - this represents the maximum limit beyond which any additional borrowing is prohibited until the limit is revised by the Authority. Revision may occur during the year if there are substantial and unforeseen changes in circumstances, for example, a significant delay in achieving forecast capital receipts. In normal circumstances this limit will not require revision until the 2018-19 budget process.

- **The *operational boundary* –** this indicator is based on the probable external debt during the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year.

3.5 Tables 9 and 10 detail, respectively:

- the recommended Authorised Limits for 2017-18 and the medium term; and
- the recommended Operational Boundaries for 2017-18 and the medium term.

TABLE 9 Authorised limits	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Authorised limit for External Debt				
- External Debt	26.824	26.912	26.814	26.716
- Other long term liabilities	1.278	1.364	1.270	1.167
TOTAL AUTHORISED LIMIT FOR EXTERNAL DEBT	**28.101**	**28.276**	**28.084**	**27.883**

TABLE 10 Operational boundary	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Operational Boundary for External Debt				
- External Debt	25.537	25.631	25.537	25.444
- Other long term liabilities	1.209	1.299	1.209	1.112
TOTAL OPERATIONAL BOUNDARY FOR EXTERNAL DEBT	**26.746**	**26.930**	**26.746**	**26.556**

3.6 It is estimated that the actual external debt at 31 March 2017 will be £25.724 million.

Prospects for interest rates

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

TABLE 11 – Forecast Interest Rates

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

3.8 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

3.9 During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

3.10 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

3.11 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy.

3.12 Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

3.13 PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

3.14 The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

3.15 Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
  - Italian constitutional referendum 4.12.16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
  - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
  - Dutch general election 15.3.17;
  - French presidential election April/May 2017;
  - French National Assembly election June 2017;
  - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

3.16 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

3.17 Investment returns are likely to remain low during 2017/18 and beyond;

3.18 Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;

3.19 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Borrowing strategy

3.20 As reported in the separate report on this agenda "Capital Programme 2017-18 to 2019-20", it is the strategic intent of the Authority not to increase its exposure to external borrowing during the next six years. To achieve this a recommendation the Authority has supported the inclusion in the base revenue budget a revenue contribution to capital investment (£3,7m in 2017-18).

3.21 This being the case there is no intention to take out any new borrowing during 2017-18. Should this position change then the Treasury Management Strategy will need to be reviewed to reflect any change to the borrowing strategy and would be subject to a further report to the full Authority.

Treasury management limits on activity

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

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

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

TABLE 12 – Treasury management Indicators 2017-18

Interest Rate Exposures			
	2017-18	**2018-19**	**2019-20**
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%

Maturity structure of fixed interest rate borrowing 2017-18		
	Lower	**Upper**
Under 12 months	30%	0%
12 months to 2 years	30%	0%
2 years to 5 years	50%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	50%

.***Policy on borrowing in advance of need***

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

Debt rescheduling

3.24 As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the authority's maturity profile as in recent years there has been a skew towards longer dated PWLB.

3.25 Consideration will also be given to identify if there is any potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

3.26 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings,
- helping to fulfil the adopted borrowing strategy, and
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.27 All rescheduling will be reported to the Resources Committee, at the earliest meeting following its action.

4. ANNUAL INVESTMENT STRATEGY

Investment Policy

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

(a) the security of capital and

(b) the liquidity of its investments.

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

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

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

Creditworthiness Policy

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

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

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

4.7 The Capita Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

4.8 Typically the minimum credit ratings criteria the Authority use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

4.9 All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

4.10 Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Approved Instruments for Investments

4.11 Investments will only be made with those bodies identified by the authority for its use through the Annual Investment Strategy.

Non-specified Investments

4.12 Non specified investments are those which do not meet the Specified Investment Criteria and covers those counterparties where there is either no recognised credit rating and/or an anticipation that an investment will be for greater than one year in duration.

4.13 The Authority had not previously placed non-specified investments as a result of its prudent approach to place security and liquidity over yield. However from April 2015 it was agreed that the strategy be amended to include investments with maturity of longer than 364 days. The maximum duration limit on any non-specified deposit will be determined by the colour assigned to the Counterparty on the Capita Asset Services credit list on the date the investment is placed, but typically will be for no longer than 24 months. Where such investments are placed via the Secondary Market i.e. buying the remaining term of an existing instrument, then the term will be for 24 months.

4.14 A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories outlined in Table 13 overleaf.

4.15 The maturity limits recommended will not be exceeded. Under the delegated powers the Section 151 Officer can set limits that are based on the latest economic conditions and credit ratings.

4.16 Table 13 overleaf shows those bodies with which the Authority will invest.

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

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

Investment Strategy

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

4.19 Interest rate outlook: The Authority has appointed Capita Asset Services (Capita) as treasury advisor to the Authority and part of their service is to assist the Authority to formulate a view on interest rates. Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

Capita Bank Rate forecast for financial year ends (March)

2016-17 0.25%

2017-18 0.25%

2018-19 0.25%

2019-20 0.50%

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

2016/17 0.25%
2017/18 0.25%
2018/19 0.25%
2019/20 0.50%
2020/21 0.75%
2021/22 1.00%
2022/23 1.50%
2023/24 1.75%
Later years 2.75%

4.21 The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

Investment treasury indicator and limit (total principal funds invested for greater than 364 days)

4.22 These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 364 days			
£m	**2017-18**	**2018-19**	**2019-20**
Principal sums invested > 364 days	£5m	£5m	£5m

End of year investment report

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

Policy on the use of external service providers

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

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

Treasury Management Scheme of Delegation

Full Authority

- Receiving and reviewing reports on treasury management policies, practices and activities

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

Resources Committee;

- Receiving and reviewing regular monitoring reports and acting on recommendations

Role of the Section 151 officer

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

5. SUMMARY AND RECOMMENDATIONS

5.1 The Authority is required to consider and approve the treasury management strategy to be adopted prior to the start of the financial year. This strategy must also include proposed prudential indicators and a minimum provision statement (MRP). Approval of the strategy for 2017-18 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice.

KEVIN WOODWARD
Treasurer

PRUDENTIAL INDICATORS

	2017/18 £m Estimate	2018/19 £m Estimate	2019/20 £m Estimate	INDICATIVE INDICATORS 2020/21 to 2022/23 2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate
Capital Expenditure						
Non - HRA	6.583	11.000	6.700	6.200	4.700	4.700
HRA (applies only to housing authorities)						
Total	6.583	11.000	6.700	6.200	4.700	4.700
Ratio of financing costs to net revenue stream						
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%
Capital Financing Requirement as at 31 March	£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
Total	26,929	26,746	26,555	25,861	25,665	25,055
Annual change in Capital Financing Requirement	£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
Total	(169)	(183)	(191)	(695)	(196)	(611)
Incremental impact of capital investment decisions	£ 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
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£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
Total	28,276	28,084	27,883	27,154	26,948	26,307
Operational Boundary for external debt	£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
Total	26,929	26,746	26,555	25,861	25,665	25,055
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	Lower Limit %
Limits on borrowing at fixed interest rates	70%
Limits on borrowing at variable interest rates	0%
Maturity structure of fixed rate borrowing during 2016/17	
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%

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.

REPORT REFERENCE NO.	**DSFRA/17/4**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**17 FEBRUARY 2017**
SUBJECT OF REPORT	**"CREATING SAFER COMMUNITIES – OUR PLAN 2017 – 2022"**
LEAD OFFICER	**Chief Fire Officer**
RECOMMENDATIONS	***(a) That the draft "Creating Safer Communities – Our Plan 2017 – 22" as appended to this report be approved;*** ***(b) that the intention, during 2017, to produce a separate Integrated Risk Management Plan be noted.***
EXECUTIVE SUMMARY	This report presents the draft of the next Corporate Plan, covering a five year time period 2017 to 2022. The contents of this iteration of the Plan represent an evolution of *"Creating Safer Communities - Our Plan 2016 to 2021"* approved by the Authority at its budget meeting last year (Minute DSFRA/49 of the meeting held on 19 February 2016 refers). This flexible approach allows the Service to review strategy as part of the annual planning cycle and accommodate changes as necessary. At this stage, this is a light-touch refresh of the plan and key changes are highlighted at Section 2 of this report, for clarification. This style of document embeds the Integrated Risk Management Plan (IRMP) with the Corporate Plan. As reported to the Community Services and Corporate Planning Committee on 13 February 2017, moving forwards it is intended to separate out these aspects and produce a stand-alone Integrated Risk Management Plan during 2017. This will change the style and content of the Corporate Plan from 2018.
RESOURCE IMPLICATIONS	The Corporate Plan is designed with sufficient flexibility to enable it to be delivered from within resources approved by the Authority. Approval of the four-year finance settlement will add additional certainty to this process.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are compatible with existing equality and human rights legislation. Additionally, this iteration of the Corporate Plan now includes, at page 8, specific reference to the Service priorities to promote equality, diversity and inclusion.
APPENDICES	A. "Creating Safer Communities - Our Plan 2017 – 2021" DRAFT
LIST OF BACKGROUND PAPERS	Nil.

1. BACKGROUND

1.1 The draft Corporate Plan '*Creating Safer Communities: Our Plan 2017 to 2022'*, attached at Appendix A, sets the direction that the Service is striving to achieve through implementing improvements and fulfilling its business as usual activities.

1.2 At present, the Corporate Plan encompasses the Integrated Risk Management Plan which the Authority is required to produce and publish in accordance with Fire and Rescue National Framework England 2012. This Framework in turn sets out that an Integrated Risk Management Plan must:

- demonstrate how prevention, protection and response activities will be used to mitigate the impact of risk on communities;
- set out the management strategy and risk-based programme for enforcing the provisions of the Regulatory Reform (Fire Safety) Order 2005 in accordance with the principles of better regulation set out in the Statutory Code of Compliance for Regulators and the Enforcement Concordat;
- reflect the provision to respond to incidents such as fires, road traffic accidents and emergencies both within the authority's particular area and in other areas in line with mutual aid agreements;
- be easily and publically available;
- have been subject to effective consultation with the community, partners, the workforce and representative bodies both throughout its development and at all review stages;
- cover a minimum three year time span and be reviewed and revised as often as necessary to ensure delivery against the requirements of the National Framework; and
- reflect up to date risk analyses and the evaluation of service delivery outcomes.

2. KEY CHANGES

2.1. *'Creating Safer Communities: Our Plan 2017 – 2022'*, the next iteration of the Corporate Plan which is now appended to this report in draft, represents a "light-touch" refresh of the previous plan approved by the Authority at its budget meeting on 19 February 2016 (Minute DSFRA/49 refers), thereby facilitating consistency in delivery over a longer period of time and flexibility to incorporate any changes as necessary. This process is, in turn, assisted by the recently-approved four-year financial settlement.

2.2. The key changes in this current iteration of the Plan are:

- Page 6 - updated graph on 10 year service demand;
- Page 7 – Service Core Values have been included;
- Page 8 - equality, diversity and inclusion priorities have been included; and
- Pages 19 and 20 - updated financial information

2.3 It should be noted, however, that the updated financial information as set out in the draft plan is based on the Fire Authority approving, at this meeting, a 1.99% increase in Council Tax precept for 2017-18. As such, should the Authority make a different decision then it will be necessary to amend the financial information contained in the draft Plan accordingly.

3. MOVING FORWARDS

3.1. The Service has previously adopted the approach of embedding its Integrated Risk Management Plan (IRMP) within its Corporate Plan. Although the latest iteration of the Corporate Plan as attached continues this approach, moving forwards the Integrated Risk Management Plan and Corporate Plan will be separated out to facilitate greater transparency and clarity for both, to better serve the implementation of change and improvement within the Service and support the objectives of the 4 year efficiency plan.

3.2. As reported to the meeting of the Community Safety and Corporate Planning Committee on 13 February 2017, a full review process has been initiated to propose a new planning framework for the Service and support the introduction of a separate Corporate Plan and IRMP. It is intended that the process for production of the documents should feature, amongst other things, a series of staff workshops together with engagement by the Community Services and Corporate Planning Committee.

3.3. In the meantime, however, the Authority is asked to consider with a view to approving the current iteration of the Corporate Plan as attached in draft form at Appendix A.

LEE HOWELL
Chief Fire Officer

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DRAFT

Creating safer communities
Our plan 2017-2022

an Integrated Risk Management Plan

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Creating safer communities

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

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

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

All public services will have to operate with less money and we are no exception. Significant financial pressures mean we must review every part of our business to make sure that it meets our objective of creating safer communities. At the same time, we must make sure our staff's skills are used effectively to support communities in becoming stronger, improving their own safety and reducing the demand on public resources.

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

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

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

Lee Howell QFSM FIFireE
Chief Fire Officer/Chief Executive

Councillor Mark Healy
Chairman
Devon & Somerset Fire & Rescue Authority

Our vision and mission

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

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

Our journey towards creating safer communities

We take a whole service and community view to integrated risk management planning. While this plan is our strategic level Integrated Risk Management Plan, it is supported by 85 local community plans. Visit our website to see our local community plans.

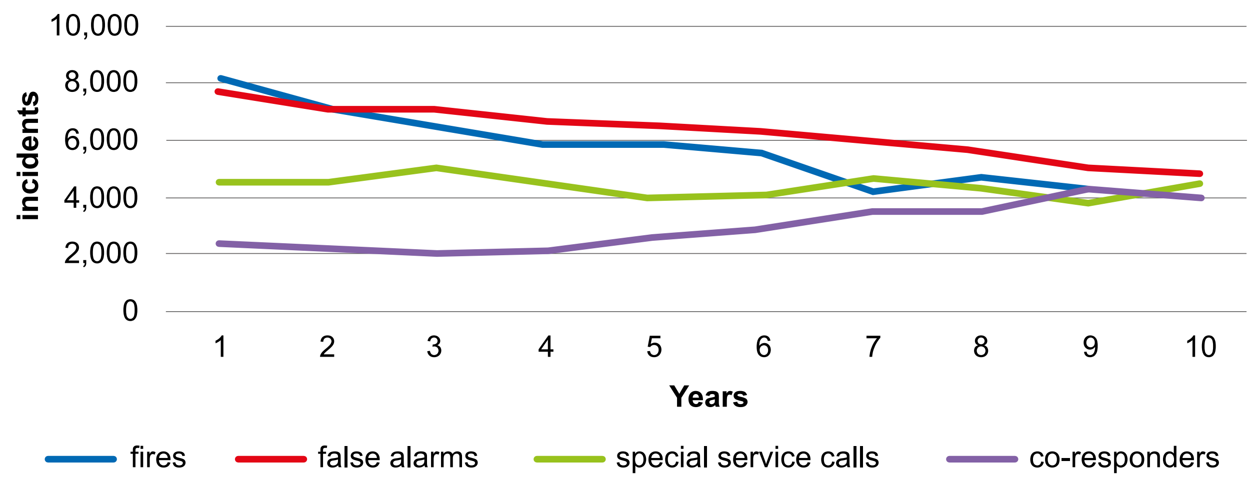
http://www.dsfire.gov.uk/YourArea/Index.cfm?siteCategoryId=12

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

The service will need to reflect the changes in the types of incident we attend. It is good news that the number of fire-related incidents has reduced significantly, as this means our communities are safer from fire. However, we now attend more medical emergencies through our co-responder service - see note below. At the same time, we need to make sure we are able to deal with new and different challenges such as those related to severe weather, complex non-fire-related rescues, the threat of terrorism and the changing population of our communities.

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

Service demand over 10 years (2006/2007 to 2015/2016)



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

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

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

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

Core Values

Our core values set out what the Service stands for and what matters most to us as individuals and as an organisation.

They are:

- honesty, clarity and accountability
- respect for each other
- working together to improve
- a ‘can do’ attitude.

We are working hard to make sure that these important principles underpin everything we do and the way we operate.

Our values guide us in the way we approach these challenges. We understand that change creates uncertainty for both our staff and our communities, but we also know that some of this uncertainty comes from a lack of understanding of how the environment in which we operate has changed. By analysing in detail existing and emerging risks, communicating this effectively and making sure we have the right resources in the right place at the right time, we know we will be able to keep our communities safe. To help with our risk analysis, we attend local and regional resilience forums. The information from these forums we use to inform our risk analysis and response arrangements.

Equality, diversity and inclusion

We put people and their individual needs at the heart of service planning and delivery and in our workplace practices. Our main equality, diversity and inclusion priorities are:

- Increasing public and community awareness of risk in order to reduce harm
- Delivering improved, tailored services by analysing and acting upon equality, diversity and inclusion considerations
- Achieving a workforce that reflects the diversity of our communities and that is closely aligned to our core values.

Our priorities

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

Public safety

Staff safety

Effectiveness and efficiency

Priority 1

Public safety

'Focused on improving public safety'

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

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

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

The outcomes we expect to see

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

How we will achieve our outcomes

We will provide community-safety services

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

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

Our community-safety work will be better targeted to the most vulnerable members of society. This targeting will help people live in safer homes where the number of preventable deaths or injuries from fires will be reduced and kept at the lowest levels possible. We know that providing advice to our communities, particularly our most vulnerable groups through home fire safety visits, is very effective and our research clearly shows this to be the case. In 2015/16 we carried out approximately 10,000 home fire safety checks and we plan to do many more in future years.

We will continue to support safer business and community sectors where fire losses are reduced to the lowest levels possible and where we have seen no preventable deaths or injuries in fires in the last five years.

Following an evidence-based assessment, our safety activities will be targeted to those business premises we believe present the greatest risk to their staff, customers and visitors. Visit our website to see more details about our enforcement policy.

http://www.dsfire.gov.uk/YourSafety/SafetyAtWorkAndOtherPlaces/documents/EnforcementPolicyStatement.pdf

Businesses will receive the same advice and information to help make sure they can remain open and, where issues arise, we will be consistent in how we enforce our work.

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

Our community-safety activities include:

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

We will provide an emergency response

Emergencies

We attend a wide range of emergencies to save lives, limit damage to property and protect the natural environment. As well as responding to local incidents, we also have arrangements to attend emergencies in Cornwall and Dorset where our resources are better located. We are also ready to provide regional and national response if called upon. The emergencies we are ready to respond to include:

- fires
- road traffic collisions
- rescues (including animal, confined space and at height)
- collapsed structures
- hazardous chemical spills
- flooding
- medical emergencies (co-responding), and
- chemical, biological, radiological and nuclear events

Vehicles and equipment

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

The reduction in the number of incidents and the significant differences in calls between our stations have led to a review of how we provide our emergency response. For example, we know that approximately 80% of our stations attend fewer than two incidents per week and 54% attend fewer than one incident per week (incidents in the area covered by the station, not including co-responding and false alarms). Most of our fire engines are broadly similar and are usually crewed by five staff who are all trained in the same way, regardless of the risks they face and the demand for their services. On average, 72% of all incidents could have been dealt with using much smaller vehicles and some of the new technological advances in firefighting and rescue techniques.

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

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

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

Fire stations

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

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

Staff

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

Most of our firefighters work on an on-call basis, making us the largest employer of on-call firefighters in the country. The contracts we have in place with our on-call (retained duty system) staff do not always meet our needs of maintaining emergency cover. We are currently working with a trade union to introduce agreed changes that will reduce the cost of providing on-call cover. Our aim is to look for the best solution for improving emergency cover at a price that we can afford while meeting the needs of our on-call staff at the same time.

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

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

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

In summary, we will:

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

Our key plans for improvement include:

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

Priority 2

Staff safety

'Passionate about improving staff safety'

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

The outcomes we expect to see

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

How we will achieve our outcomes

We will focus on firefighter safety and training

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

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

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

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

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

In summary, we will:

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

Our key plans for improvement include:

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

Priority 3

Effectiveness and efficiency

‘Continuously improve the organisation’s effectiveness and efficiency’

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

The outcomes we expect to see

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

How we will achieve our outcomes

We will transform the way we work

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

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

Transforming the service will help us to:

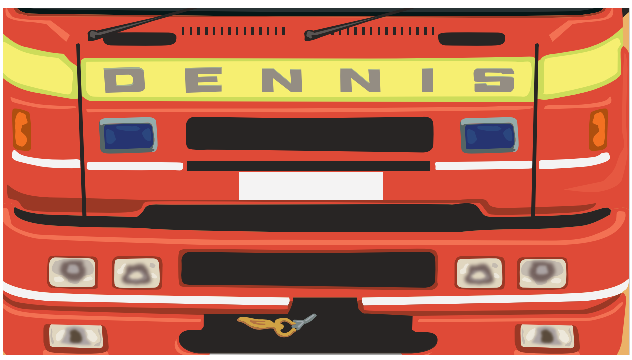
- move away from doing things a certain way because they've always been done that way
- reduce wasted effort and deliver efficiencies
- free up staff time to focus on our main priorities and support front-line staff
- provide a service which is led by demand and meets public safety needs, and
- release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

We will focus on our stakeholders

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

We will manage our assets

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



We will sell our services to provide an income

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

In summary, we will:

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

Our key plans for improvement include:

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

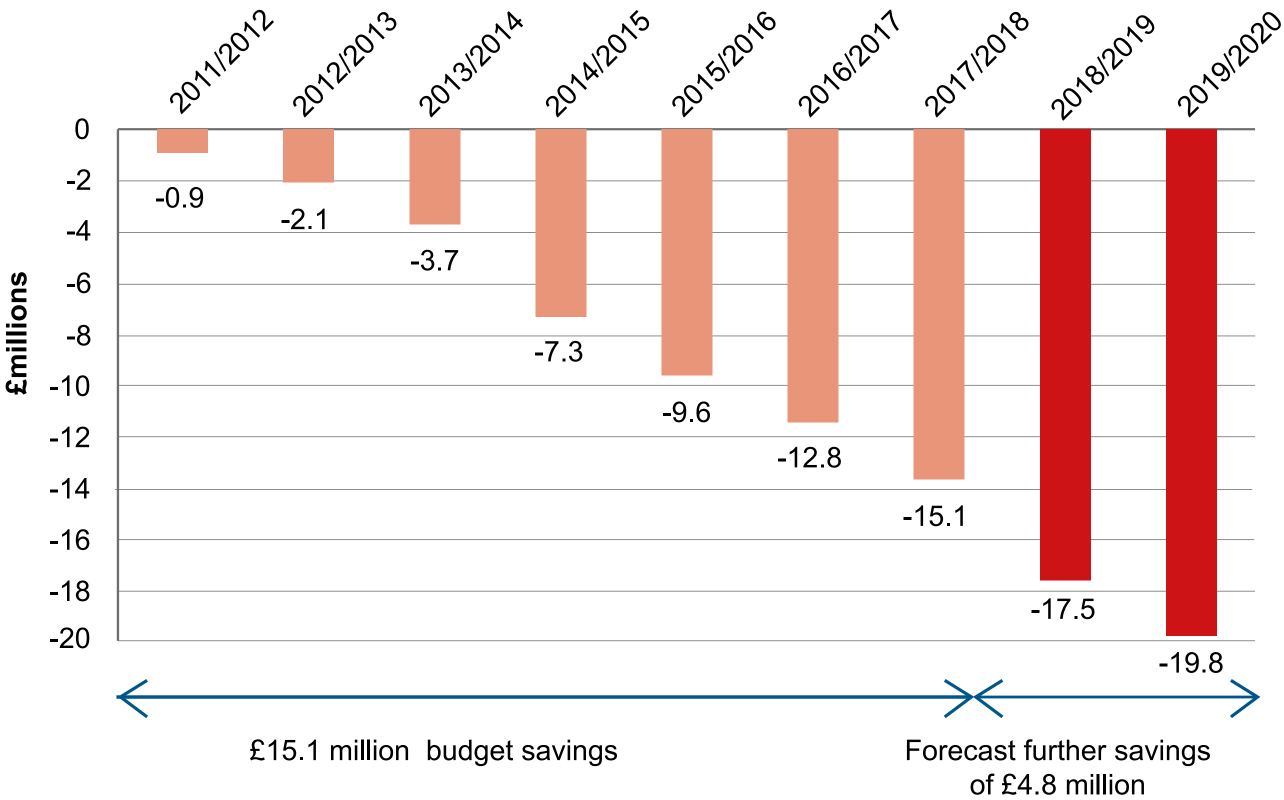
Our financial future

We continue to face a difficult financial future as a result of significant reductions in government funding. In the last four years, from 2013/2014 to 2016/2017, we have seen our revenue support grant reduce by 32%.

The most recent Local Government Finance Settlement in December 2016 reduced our government funding by 10.5% for 2017/2018, a reduction of £2.8million. For the two years from 2018/2019 to 2019/2020, further funding reductions of 4.2% and 1.6% are expected. In total, our government grant funding will reduce by £4.7million over the next three years to 2019/2020. The service has already identified £15.1million of efficiency savings since 2011, and will continue to meet the ongoing financial challenge of reductions in funding.

The chart below provides a summary of the savings we have achieved to date (2017/2018) and the forecast savings required up to (2019/2020).

Summary of savings made to date and predicted savings



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

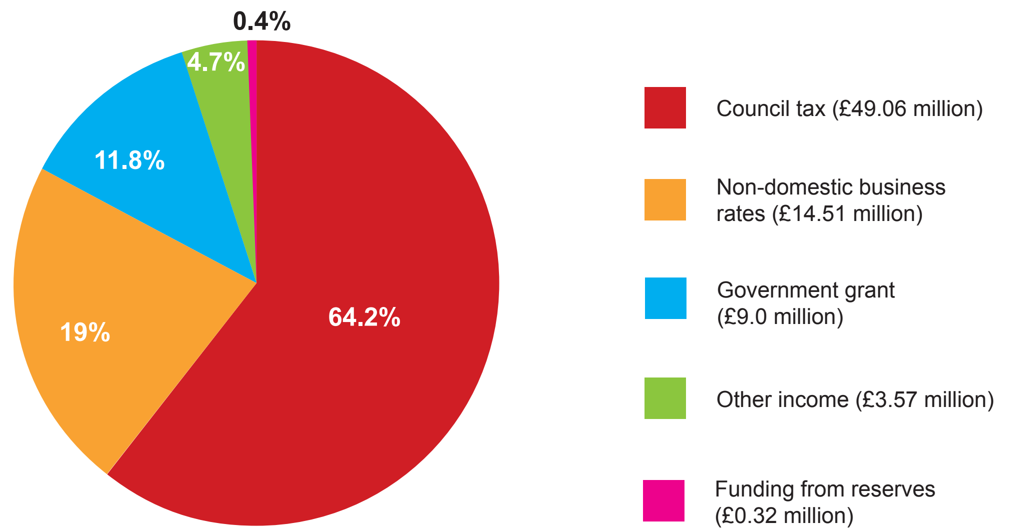
To meet the ongoing financial challenges, we know that we have to plan an approach to make sure that savings can be maintained over the longer term. We will need to change the way we do business and the approach outlined earlier in this document will help us to do this. Decisions on council tax will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

How our service is funded

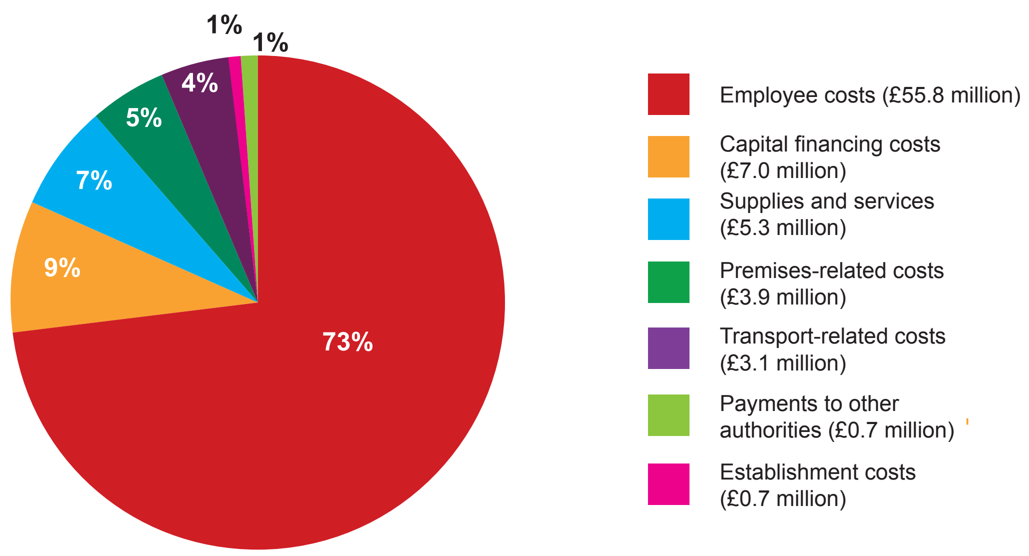
The information below is based on a 1.99% increase to the council tax charge which is still to be decided on by the Fire Authority.

Our funding for 2017/2018 is £76.52 million

For a 'Band D' property the 2017/18 council tax charge is £81.57



Our planned spending for 2017/2018



Measuring our success

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

Outcomes

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

Have your say

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

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

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

Post: Post your comments on the proposal to:

Consultation Officer

Devon & Somerset Fire & Rescue

Service Headquarters

The Knowle

Clyst St George

Devon

EX3 0NW

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

DEVON & SOMERSET
FIRE & RESCUE SERVICE


FIRE
FIRE
HOME FIRE SAFETY CHECK

REPORT REFERENCE NO.	**DSFRA/17/5**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**17 FEBRUARY 2017**
SUBJECT OF REPORT	**LOCALISM ACT 2011 – PAY POLICY STATEMENT 2017-18**
LEAD OFFICER	**Director of Corporate Services**
RECOMMENDATIONS	***That, subject to any amendments that may be agreed at the meeting, the Authority approves the Pay Policy Statement as appended to this report and agrees to its publication in accordance with the Localism Act 2011.***
EXECUTIVE SUMMARY	The Authority is required under the Localism Act 2011 to approve and publish a Pay Policy Statement, by 31 March of each year, to operate for the forthcoming financial year. This Statement sets out the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees. This paper provides further background information in relation to the requirements of the Localism Act and includes a draft Pay Policy Statement for the forthcoming (2017-18) financial year. The principal differences between this iteration and previous versions relates to the stated salaries of senior officers on the Service Executive Board and the salaries of other staff that have been reviewed to reflect nationally agreed pay increases. Other than this, the Pay Policy Statement for 2017/18 is as approved by the Authority in previous years.
RESOURCE IMPLICATIONS	There are no resource implications associated with production of the Pay Policy Statement. Funding for staffing costs etc. are contained within the approved Authority revenue budget.
EQUALITY RISK & BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Draft Pay Policy Statement 2017-18
LIST OF BACKGROUND PAPERS	1. Localism Act 2011 Sections 38 to 43. 2. "Pay Policy and Practice in Local Authorities: A Guide for Councillors" produced by the Local Government Association, published January 2013. 3. Code of Recommended Practice for Local Authorities on Data Transparency.

1. INTRODUCTION

1.1 The Localism Act 2011 (“the Act”) introduced a new requirement for all public authorities, including combined fire and rescue authorities, to approve and publish annually a Pay Policy Statement. There were numerous reasons for the introduction of this new duty, including:

- the estimation that, between 2001 and 2008 median top salaries in local government grew at faster rate than entry salaries and that, in that context, around 800 local government employees were in the top 1% of all earners;
- the commitment of the [then] Coalition Government to strengthen councillors powers to vote on large salary packages for council officers;
- the outcome of the Hutton review into fair pay in the public sector which made several recommendations for promoting pay fairness in the public sector by increasing transparency over pay and tackling disparities between the lowest and the highest paid in public sector organisations.

1.2 The provisions on pay in the Act are designed to bring together the strands of Government thinking to address pay issues in local government as outlined above.

1.3 Pay Policy Statements must articulate an authority’s policy towards a range of issues relating to the pay of its workforce, particularly its senior staff (or “chief officers”) and its lowest paid employees. Pay Policy Statements must be prepared and approved by the full Authority by 31 March in each year and be published as soon as reasonably practicable thereafter. Publication can be in such a manner as the Authority considers appropriate, but must include publication on the Authority’s website. A Pay Policy Statement may be amended “in year” but, should it be amended, the revised Statement must again be published.

1.4 In essence, the purpose of the Pay Policy Statement is to ensure that there is the appropriate accountability and transparency of top salaries in local government. Under the Act, elected Members have the ability to take a greater role in determining the pay for top earners and therefore ensuring that these decisions are taken by those who are directly accountable to the local people. In addition, communities should have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility.

2. CONTENT OF THE PAY POLICY STATEMENT

2.1 The Act requires that each authority’s Pay Policy Statement must include its policies on:

- the level and elements of remuneration for each chief officer;
- the remuneration of its lowest paid employees (together with its definition of “lowest paid employees” and its reasons for adopting that definition);
- the relationship between the remuneration of its chief officers and other employees;
- other specific aspects of chief officers’ remuneration namely:
  - remuneration on recruitment;
  - increases and additions to remuneration;
  - use of performance-related pay and bonuses; termination payments; and

- transparency (i.e. the publication and access to information on the remuneration of chief officers).

2.2 The term remuneration is defined as the chief officer's salary, any bonuses payable, any charges, fees or allowances payable, any benefits in kind to which the chief officer is entitled as a result of their office or employment, any increase in or enhancement of the chief officer's pension entitlement where the increase or enhancement is as a result of the resolution of the Authority and any amounts payable by the Authority to the chief officer on the chief officer ceasing to hold office under or be employed by the Authority other than amounts that may be payable by virtue of any enactment.

2.3 The term "chief officers" in a fire and rescue service context will refer to the Chief Fire Officer but "chief officers" are defined in Section 43 of the Act to include a Head of Paid Service, a Monitoring Officer, any other statutory chief officer, or a deputy chief officer or other non-statutory chief officer as defined in the Local Government and Housing Act 1989 (these include officers reporting directly either to the Head of Paid Service or the Authority).

3. <u>SENIOR EMPLOYEES AND PAY RATIOS</u>

3.1. Whilst the Localism Act 2011 does not require details on salary levels to be published in the Pay Policy Statement, the Accounts and Audit Regulations require the published Statement of Accounts for an authority to include information on senior employees who are identified by job title and paid over £50,000, in bands of £5,000. Any senior employee earning in excess of £150,000 must be identified by name.

3.2. "Senior employees" are defined as per the Local Government and Housing Act 1989 (see para. 2.3 above) but also include "a person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money), whether solely or collectively with other persons".

3.3. The Localism Act requires authorities to explain what they think the relationship should be between the remuneration of its chief officers and its employees who are not chief officers. The Hutton Review of Fair Pay recommended the publication of the ratio between the highest paid employee and the median pay-point of the organisation's whole workforce as a way of illustrating that relationship. Guidance produced by the Department for Communities and Local Government (DCLG) on openness and accountability in local pay provides that:

> *"While authorities are not required to publish data such as a pay multiple within their pay policy statement, they may consider it helpful to do so, for example, to illustrate their broader policy on how pay and reward should be fairly dispersed across their workforce. In addition, while they are not required to develop local policies on reaching or maintaining a specific pay multiple by the Act they may wish to include any existing policy".*

3.4. Section 5 of the proposed Pay Policy Statement shows two pay multiples, comparison with the median earnings of the whole workforce (as recommended by Hutton), using the basic pay for full-time equivalents. The second multiple is for the lowest pay point, which has previously been used as a benchmark in the media following suggestions by the Government that a ratio of 20:1 should be regarded as a maximum level which public sector organisation should not exceed.

4. RE-EMPLOYMENT OF OFFICERS

4.1 In 2013 the Local Government Association (LGA) published guidance titled “Pay Policy in Practice in Local Authorities – A Guide for Councillors”. However, unlike other guidance published by DCLG, it does not constitute statutory guidance and is perhaps best viewed as “best practice”. In November 2013 the LGA specifically issued the guidance to all fire and rescue authorities in England and Wales. Within the covering letter the LGA highlighted that the practice of re-employment of individuals who have been made redundant or have retired and are in receipt of a pension should be used only in exceptional and justifiable circumstances (such as business continuity). Within the guide is an LGA model Pay Policy Statement which suggests the following paragraph:

> *“It is not the council’s policy to re-employ or to contract with senior managers who have been made redundant from the council unless there are exceptional circumstances where their specialist knowledge and expertise is required for a defined period of time or unless a defined period of (define number of years) has elapsed since the redundancy and circumstances have changed”*

4.2 The covering letter to this LGA guidance suggests that this paragraph should be widened to incorporate retirements in addition to redundancies. These modifications were incorporated into the 2014-15 Pay Policy Statement and remain unchanged in the draft now attached for 2017-18.

5. THE TRANSPARENCY CODE

5.1 The introduction of the The Local Government (Transparency Requirements) (England) Regulations 2014 also resulted in further additional requirements in terms of publishing data relating to the Authority. The requirements are set out in a Local Government Transparency Code. The LGA has produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code 2014 and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information.

5.2 The Transparency Code requirements overlap to a degree with certain staffing information required to be published both as part of the annual Statement of Accounts and the Pay Policy Statement. There are, however, some additions including requirements for further details of Senior Manager organisational structures, grading and responsibilities where salary levels are in excess of £50,000 and also Trade Union Facility time.

6. PAY POLICY STATEMENT 2017-18

6.1 This is now the sixth iteration of the Pay Policy Statement, the Authority having approved and published a Statement for each of the last 5 consecutive years following introduction of the requirement by the Localism Act 2011.

6.2 The draft Pay Policy Statement to operate for the 2017-18 financial year is now attached at Appendix A to this report. The only significant difference between this iteration and the previous version relates to the salaries of senior officers that have been reviewed to reflect nationally agreed pay increases. Other than this, there are no substantial changes to the Pay Policy Statement as approved by the Authority in 2016.

7. CONCLUSION

7.1 The Localism Act requires the Authority to adopt, prior to the commencement of each financial year, a Pay Policy Statement to operate for the forthcoming financial year. This Statement sets out, amongst other things, the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees.

7.2 The Authority is invited to consider this draft Statement with a view to approving it (subject to any further amendments that may be indicated at the meeting).

MIKE PEARSON
Director of Corporate Services

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

LOCALISM ACT 2011 – PAY POLICY STATEMENT 2017-18

1. INTRODUCTION

1.1 Under section 38(1) of the Localism Act 2011, Devon & Somerset Fire & Rescue Authority (the Authority) is required to prepare a Pay Policy Statement. The Authority is responsible for ensuring that the pay policy will set out the issues relating to the pay of the workforce and in particular the senior officers and the lowest paid employees. This will ensure that there is the appropriate accountability and transparency of the salaries of the Authority's senior staff. The Authority will also publish the statement on its website and update it on an annual basis or at such times as it is amended. The purpose of the statement is to provide greater transparency on how taxpayer's money is used in relation to the pay and rewards for public sector staff.

1.2 This is the sixth such Pay Policy Statement that the Authority has produced and it will continue to be reviewed and refined by the Authority as part of its rewards & recognition strategies.

1.3 It should be noted that Regulation 4 of the Accounts and Audit (Amendment number 2) Regulations 2009 also provides a legal requirement to increase transparency and accountability within local authorities. The amended Regulations require authorities to disclose individual remuneration details for senior employees and these can be viewed at the Senior Management Salaries page on the Authority's internet. In addition, the rates of pay for all other categories of staff can be found at Rates of Pay.

1.4 The introduction of the Local Government (Transparency Requirements) (England) Regulations 2014 has also resulted in additional requirements in terms of publishing data relating to the Authority. The requirements are set out in a Local Government Transparency Code. The Local Government Association has produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code 2014 and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information and this open data is accessible via the following link:

DSFRS Transparency Data

1.5 There is some overlap within the Transparency Code with certain staffing information that is already required as part of the annual Statement of Accounts and the Pay Policy Statement but there are also some additions including further details of organisational structures relating to Senior Managers, including grading and responsibilities, where salary levels are in excess of £50,000 and also Trade Union Facility time.

2. CATEGORIES OF STAFF

2.1 As part of the Pay Policy Statement, it is necessary to define the categories of staff within the Service and by which set of Terms and Conditions they are governed:

2.2 ***Executive Board Officers (including Chief Fire Officer)***: The Executive Board is a mix of uniformed Brigade Managers and non-uniformed Officers who are the Directors of the Service. The salary structure for Brigade Managers and other Executive Board members has previously been determined by the Authority and is subject to annual reviews in accordance with the Constitution and Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Local Authorities' Fire Brigades (the "Gold Book"). The two non-uniformed Executive Board Officers are conditioned to the Gold Book for pay purposes only. The minimum remuneration levels for Chief Fire Officers are set nationally in relation to population bands and in accordance with the Gold Book. At a national level, the National Joint Council for Brigade Managers of Fire and Rescue Services reviews annually any cost of living increase applicable to all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration over and above the minimum levels for Chief Fire Officers are taken locally by the full Authority, arrangements for which are set out in paragraph 3.5.

2.3 ***Uniformed Staff***: This includes Whole-time and On-call (Retained Duty) staff and also the Control Room uniformed staff. The remuneration levels for these staff are subject to national negotiation as contained in the Scheme of Conditions of Service of the National Joint Council for Local Authority Fire & Rescue Services which is known as the "Grey Book". Any other remuneration is subject to local agreement.

2.4 ***Support Staff***: This category is the non-uniformed employees who support our Operational Service. The Scheme of Conditions of Service for these employees is set out within the National Joint Council for Local Government Services known as the "Green Book". The 2004 national pay agreement included an Implementation Agreement requiring local pay reviews to be completed and implemented by all authorities by 31 March 2007. The local pay review required the introduction of a Job Evaluation Scheme and this, together with a Grading Structure, was negotiated and agreed with the recognised trade union for this staff category which is UNISON. The Job Evaluation Scheme and Grading Structure were approved by the Authority. The National Joint Council negotiates the level of any annual pay increases applicable to the nationally recognised local government pay spine and these increases are applied across the Authority's "Green Book" staff grading structure.

3. REMUNERATION OF THE CHIEF FIRE OFFICER AND EXECUTIVE BOARD

3.1. The position of Chief Fire Officer is subject to minimum remuneration levels as set out in the "Gold Book" and according to population bands. The Authority is in Population Band 4 (1.5m people and above). The minimum salary level for this position is currently £119,668 per annum. The Authority is the largest non-metropolitan fire and rescue authority in the UK.

3.2. In 2006, prior to the combination of Devon Fire & Rescue Service and Somerset Fire & Rescue Service, the [then] Shadow Devon and Somerset Fire and Rescue Authority reviewed the remuneration of the Chief Fire Officer and undertook a salary survey of other fire & rescue services within the same population band. The average salary, based on 2005 data, was found to be £124,184 and the salary level for the Chief Fire Officer for the new, combined service, was set at a notional level of £124,800 per annum for 2007. Since then, national annual pay awards, and the review of Executive Board Officers' pay conducted by the Authority in 2015, have increased the salary to £148,966.

3.3. The other positions within the Executive Board are as follows:

Assistant Chief Fire Officer – Director of Operations

Director of Corporate Services

Director of People and Commercial Services

Further details of their responsibilities can be found at Devon and Somerset Fire and Rescue Service - Organisational Structure

3.4. The Assistant Chief Fire Officer salary has previously been set locally at 75% of the Chief Fire Officer salary, which reflected the previous minimum salary level set by the National Joint Council. However, following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary has been removed by mutual agreement. The current Assistant Chief Fire Officer salary is £111,724. Uniformed Brigade Managers (Chief Fire Officer and Assistant Chief Fire Officer) also provide "stand-by" hours outside of the normal working day within a Brigade Manager rota.

3.5. The remaining two "non-uniformed" Executive Board positions are on Grade 3 within a four point grading structure which was determined by an external, independent Job Evaluation process. The salary levels for these grades were set as a percentage of the Chief Fire Officer's salary but, as with the Assistant Chief Fire Officer, following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary has been removed by mutual agreement. The current salary levels for the four grades are:

Grade	Salary
4	£93,106
3	£85,345
2	£77,589
1	£69,829

3.6. The Gold Book NJC recommended minimum increases are with effect from the 1st January of each year and as yet have not been determined by the NJC for 2017.

3.7. The relevant sections 9 – 11 from the Gold book in relation to salary increases are set out below:

Salaries

The NJC will publish annually recommended minimum levels of salary applicable to chief fire officers/chief executives employed by local authority fire and rescue authorities.

There is a two-track approach for determining levels of pay for Brigade Manager roles. At national level, the NJC shall review annually the level of pay increase applicable to all those covered by this agreement. In doing so, the NJC will consider affordability, other relevant pay deals and the rate of inflation at the appropriate date. Any increase agreed by the NJC will be communicated to fire authorities by circular.

All other decisions about the level of pay and remuneration to be awarded to individual Brigade Manager roles will be taken by the local Fire and Rescue Authority, who will annually review these salary levels.

3.8. Any locally determined increases in the Executive Board Officers' remuneration are subject to approval by the full Authority. In accordance with the conditions within the Gold Book, the Authority is required to conduct an annual review of the remuneration afforded to members of the Executive Board. Any such reviews will be conducted by way of an expert, independent report to a full Authority meeting which will contain such relevant data as to enable the Authority to reach a determination on levels of appropriate remuneration. As a minimum, comparative benchmark data will be provided on chief executive and other senior officer salary levels in other relevant public bodies as may be determined, e.g. other fire and rescue authorities, constituent authorities, neighbouring police authorities etc. The annual review will also consider the level of pay awards made for other groups of employees and the relationship between the remuneration of the Chief Fire Officer and the median basic pay of the Authority's whole workforce.

3.9. In 2015 the Authority conducted a review of Executive Board Officers' pay. Following that review, it was agreed with the Executive Board Officers that:

i) the percentage link to the Chief Fire Officer salary for other Executive Board Officers would be removed;

ii) the annual review process will be considered on an individual basis;

iii) in conducting the annual review, any pay rise above the annual cost of living increases agreed nationally by the NJC for Brigade Managers, will be no greater than the percentage pay rise received by a Firefighter, unless such a pay rise is as a result of good performance, a reorganisation, restructure or other substantial reason.

4. REMUNERATION OF THE LOWEST PAID EMPLOYEES

4.1 The lowest grade in the Service is within the Support Staff category which has a grading structure from Grade 1 to 11. The lowest paid worker is at Grade 2 (following the outsourcing of cleaning, there are no employees on Grade 1). Each grade has five levels referred to as spinal column points and a new joiner will progress through these with increasing service. Since the lowest paid employees are part-time the actual salary levels are pro-rata. The salary range at Grade 2 is currently £15,823 to £17,169 for a 37 hour week and is subject to review from the 1st April 2017. For contextual purposes the salary level for a full-time firefighter is £29,638 per annum and is subject to review from the 1st July 2017.

5. THE RELATIONSHIP BETWEEN THE REMUNERATION OF CHIEF OFFICERS AND THE REMUNERATION OF THOSE EMPLOYEES WHO ARE NOT CHIEF OFFICERS.

5.1 In terms of pay multiples, in line with recommendations contained within the Hutton Review of Fair Pay, the Authority will use two ratios to explain the relationship between the remuneration of the Chief Fire Officer and the remuneration of those employees who are not chief officers. The first is a comparison with the median earnings of the whole workforce using the basic pay for full-time equivalents. The second multiple is for the lowest pay point, which has previously been used as a benchmark following suggestions by the Government that a ratio of 20:1 should be regarded as a level which public sector organisations should not exceed.

- the median basic pay of the Authority's whole workforce is £29,638 and
- the lowest pay point is £15,823.

The current pay multiple ratios are:

median basic pay	5.0:1
lowest pay point	9.4:1

5.2 In terms of the pay multiple between the Chief Fire Officer and other staff across the organisation, the Authority's Pay Policy is that this will remain at the current level when compared with the median basic pay across the organisation, subject to the national pay settlements and any review by the Authority. The Pay Policy Statement for future years will continue to be determined by the full Authority.

6. ADDITIONAL ELEMENTS OF THE REMUNERATION FOR THE CHIEF OFFICER

6.1 These additional elements relate to the following elements:

- Bonuses or Performance Related Pay
- Charges, Fees or Allowances
- Benefits in Kind
- Any increase or enhancement to the pension entitlement as a result of the resolution of the Authority
- Any amounts payable by the Authority to the Chief Fire Officer on the Chief Fire Officer ceasing to hold office other than amounts that may be payable by virtue of any enactment.

6.2 The Chief Fire Officer does not receive any additional bonuses, performance related pay, charges, fees or allowances. As a Brigade Manager, the Chief Fire Officer has an operational requirement for a vehicle and this is in accordance with the Authority's Contract Car Hire Scheme. The benefit-in-kind attributable to the private usage of this Service car was £5,001 for 2015/16. The figure for 2016/17 will not be available until after 31 March 2017.

6.3 In relation to the pension entitlement, the Chief Fire Officer is eligible to be a member of the Firefighters' Pension Scheme. All members of this pension scheme (which is closed to new members) can retire on reaching age 50, provided they have at least 25 years' service. The maximum pension entitlement that a member of the pension scheme can accrue is 30 years' service. Chief Fire Officers appointed before 2006 are required to seek approval to retire at age 50 whilst those appointed after 2006 do not. All other members of the pension scheme are not required to obtain such approval. This requirement for Chief Fire Officers to have to seek approval has been recognised nationally as being potentially discriminatory on the grounds of age but can be overcome by agreement with the Authority to permit retirement from age 50. The Authority has previously given approval for the Chief Fire Officer to retire at age 50 and there are no additional financial implications to the Authority associated with this decision.

6.4 Should the Chief Fire Officer cease to hold his post then the notice period from either the employee or employer is three months. There are no additional elements relating to the Chief Fire Officer ceasing to hold this post other than those covered under any other enactments.

7. REMUNERATION OF CHIEF OFFICERS ON RECRUITMENT

7.1 Within the Localism Act there is a requirement to state the remuneration of Chief Officers on recruitment. The pay level for the Chief Fire Officer was determined by the Authority in 2006, based on 2005 data, in preparation for the new combined Devon & Somerset Fire & Rescue Service commencing on 1 April 2007. The appointment of the Chief Fire Officer is subject to approval by the full Authority. The current rate of remuneration would apply to any Chief Fire Officer on recruitment, subject to any review that may take place in accordance with the arrangements set out within this Pay Policy Statement.

8. RE-EMPLOYMENT OF EMPLOYEES

8.1 The Authority will not normally re-employ or contract with employees who have been made redundant by the Authority unless:

- there are exceptional circumstances where their specialist knowledge and expertise is required for a defined period of time **and** there has been a break in service of at least one month; or
- a defined period of 12 months has elapsed since the redundancy and circumstances have changed; or
- the re-employment is in a different role **and** there has been a break in service of at least six months; or
- the re-employment is in the same role but at a lower cost and is within the context of an approved business case at the time of the redundancy **and** there has been a break in service of at least one month.

8.2 For each of the above scenarios:

- the approval of the Human Resources Management and Development Committee will be required for the re-employment, following redundancy, of any former employee up to Executive Board posts; or
- the approval of the full Authority will be required for the re-employment, following redundancy, of any Executive Board post-holder; and

For both of the above two approval processes, the Authority may require the repayment of one 24th part of any redundancy payment made by the Authority for every month less than 24 months between the date of redundancy and the date of re-employment.

8.3 The Authority will, in principle, allow the re-employment of employees who have retired, subject to a break in service of at least one month, because it is recognised that this often represents an effective way of retaining specialist knowledge and skills without any increase in cost to the Authority (and noting that costs to the Pension Scheme are no more than would be the case for normal retirement). The re-employment of any employee who has retired will, however, be subject to:

- the approval of the Human Resources Management and Development Committee for all employees up to Executive Board posts; or
- the approval of the full Authority for any Executive Board post-holder.

8.4 Where retired uniformed staff are re-employed, then the Fire-Fighters' Pension shall be abated such that the income from the gross annual rate of pay whilst re-employed together with the gross annual pension (after commutation) will not exceed the gross annual rate of pay immediately prior to retirement. For staff within the Local Government Pension Scheme, where an individual is re-employed on the same terms and conditions [salary] as previously, the same abatement rules as apply to those within the Fire Fighters Pension Scheme will be applied. However, the Authority's policy on Pension Discretions refers to flexible retirement and states that this "may be subject to abatement during such time as the individual remains employed by the Service". This allows the Authority to use flexible retirement opportunities where key employees may wish to continue working as they get older but step down in grade or reduce their working hours. This can be beneficial to the Authority in retaining key skills, knowledge and experience whilst also reducing costs. The authorisation of any such flexible retirement arrangements will be subject to the approval mechanism detailed above.

8.5 The appointment, or re-employment, of any members of the Executive Board (the Chief Fire Officer, Assistant Chief Fire Officer, Director of Corporate Services and Director of People and Commercial Services) will always be subject to approval of the full Authority and any re-employment following redundancy or retirement will be subject to consideration of a robust business case and fully scrutinised against the above criteria.

9. THE PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS

9.1 In order to make this information in relation to the Pay Policy Statement accessible to members of the public, the statement will be published on the Authority website.

10. REVIEW OF THE PAY POLICY STATEMENT

10.1 This document will be reviewed at least annually by the full Authority.

REPORT REFERENCE NO.	**DSFRA/17/6**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**17 FEBRUARY 2017**
SUBJECT OF REPORT	**REQUEST FROM EXETER CITY COUNCIL FOR MEMBERSHIP ON THE AUTHORITY**
LEAD OFFICER	**Director of Corporate Services**
RECOMMENDATIONS	***That the Authority writes to Exeter City Council and the Minister of State for Policing and the Fire Service advising that the Authority is not able to support the request of Exeter City Council for a place on the Authority as to do so would be incompatible with existing legislation.***
EXECUTIVE SUMMARY	Exeter City Council, at its full meeting on 13 December 2016, passed a motion to write to the Fire Minister to request that the City Council be given a place on the Devon and Somerset Fire and Rescue Authority. This report provides details of that request and the response received from the Minister of State for Policing and the Fire Service (the Rt. Hon. Brandon Lewis MP) to that request. The report also sets out the historical background to the establishment of combined fire and rescue authorities and the current legislative position.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable
APPENDICES	A. Letter from the Rt. Hon. Brandon Lewis MP (Minister of State for Policing and the Fire Service
LIST OF BACKGROUND PAPERS	Fire & Rescue Services Act 2004 The Devon & Somerset Fire & Rescue Authority (Combination Scheme) Order 2006

1. INTRODUCTION

1.1 At its full meeting on 13 December 2016, Exeter City Council passed a motion to:

> *"…write to the Fire Minister Brandon Lewis MP to request under the Fire Service Act 2004 that a member of the Council sit on the County Fire Authority so that a clear voice from this City is heard in how the Fire service is run and how the monies raised through Council Tax are used".*

1.2 A letter was duly sent and a copy of the response received from the Minister is attached (Appendix A).

2. HISTORICAL BACKGROUND

2.1 From 1947 to 1974, Exeter City was responsible for the fire and rescue service (as was Plymouth City). This position changed with local government reorganisation in 1974, when responsibility for the discharging fire and rescue functions was transferred to the [then] newly created Devon County.

2.2 Further local government reorganisation in Devon in 1998 saw the establishment of two unitary authorities – namely, Torbay and Plymouth. More significantly, it also saw the establishment – by the Devon Fire Services (Combination) Scheme Order 1997 ("the 1997 Order) under the [then] Fire Services Act 1947 – of the Devon Fire Authority as a body corporate (i.e. separate, legal entity) with responsibility for discharging fire and rescue functions in the "combined area", defined as:

> "…the areas of the following councils, namely the councils of the City of Plymouth and Borough of Torbay and Devon County Council…" (Part 2, Paragraph 3 of the 1997 Order) i.e. the combined areas of those authorities ("constituent authorities") which, were it not for the 1997 Order, would otherwise have had responsibility for discharging fire and rescue functions.

2.3 Exeter City Council also sought unitary status during this reorganisation but this was rejected.

2.4 The 1997 Order also specified, amongst other things:

- the overall size of the Devon Fire Authority *("…The Authority shall consist of not more than 25 members save that, where the minimum number of members of the Authority resulting from the operation of paragraph 12 would be greater than 25, the Authority shall consist of that number of members")*; and
- the apportionment mechanism for determining the number of members each constituent authority can appoint *("…proportionate to the number of local government electors in its area in relation to the number of such electors in each of the other constituent authorities' areas")* i.e. by relative electoral roll.

2.5 The current Devon & Somerset Fire & Rescue Authority was the first voluntary merger of its kind and came into being from 1 April 2007. It was established by the Devon & Somerset Fire & Rescue Authority (Combination Scheme) Order 2006 ("the 2006 Order" – made under Section 2 of the Fire and Rescue Services Act 2004 ("the Act"). The 2006 Order redefined the "combined area" to include Somerset County Council (which, until that point, had responsibility for the discharge of fire and rescue functions in Somerset) as an appointing constituent authority. The overall size of the Authority and apportionment mechanism remained as per the 1997 Order.

3. CURRENT LEGISLATIVE CONTEXT – THE FIRE AND RESCUE SERVICES ACT 2004 ("THE ACT")

3.1 Section 2 of the Act gives the Secretary of State power to constitute combined fire and rescue authorities ***"…from the combined area of two or more existing fire and rescue authorities"*** (Section 2[1]) where to do so would be in the interests of ***"…economy, efficiency or effectiveness…"*** or ***"public safety"*** (Section 2[2]).

3.2 Section 1 of the Act defines (subject to Sections 2 and 4 which deal with schemes constituting combined fire and rescue authorities for particular areas) a fire and rescue authority for England as:

(a) a non-metropolitan county council is the fire and rescue authority for the county;

(b) a non-metropolitan district council for an area for which there is no county council is the fire and rescue authority for the area (i.e. a unitary authority such as Plymouth and Torbay);

(c) the London Fire and Emergency Planning Authority is the fire and rescue authority for Greater London;

(d) a metropolitan county fire and civil defence authority is the fire and rescue authority for the county; or

(e) the Council of the Isles of Scilly is the fire and rescue authority for the Isles of Scilly.

3.3 Exeter City Council, as currently constituted, does not fall within any of the above definitions in Section 1 of the Act.

3.4 For the purposes of request from Exeter City Council for a place on the Authority, the key provision of the Act – as indicated in the response from the Minister – is Section 2(6) of the Act which gives the Secretary of State the power to vary a combination scheme made under Section 2. Further, by virtue of amendments to the Act made by the Deregulation Act 2015, where the variation is proposed by the existing fire and rescue authority in question, the Secretary of State is ***not*** required to consult any of the organisations which he would otherwise be required to consult under Section 2(6) of the Act, namely:

(a) any fire and rescue authority which appears to him likely to be affected,

(b) any other authority which would, apart from the scheme, be a fire and rescue authority under section 1 and which appears to him likely to be affected,

(c) any local authority all or part of whose area forms part of the combined area or would, under the scheme as varied, form part of the combined area, and

(d) any other persons he considers appropriate.

3.5 Section 2(8) of the Act, however, requires that the Secretary of State ***must*** cause "an inquiry" to be held before agreeing to any variation to an existing scheme unless "…the combined fire and rescue authority ***and any other authority which would, apart from the scheme, be a fire and rescue authority under section 1 and which would be affected by the variation or revocation***, agree to the variation or revocation."

3.6 What is unclear in the Act is whether Section 2(6) gives the Secretary of State power to vary a combination scheme to provide for representation on an existing fire and rescue authority by a local authority that ***would not*** otherwise by a fire and rescue authority. Given Sections 1 and 2 as a whole, however, this would seem unlikely.

4. IMPLICATIONS OF EXETER CITY REQUEST ON APPORTIONMENT OF PLACES ON THE AUTHORITY

4.1 As set out in paragraph 2.4 above, both the 1997 Order (which established the former Devon Fire Authority) and the 2006 Order establishing this Authority provides for indicative overall Authority membership (25) and the mechanism - by reference to relative electoral rolls - for appointments by constituent authorities.

4.2 Unless any variation to the 2006 Order was to alter either of these matters in affording representation on the Authority for Exeter City Council then, to undertake the necessary calculation to determine the apportionment of places, it would be necessary to deduct the electoral roll for Exeter City Council from that of Devon County Council (the electoral roll for which is the total for all non-unitary district councils in Devon) to avoid double-counting. The effect of this on appointments to the Authority would be as set out in the table below.

Authority	***Current Position***			***Position with Exeter City Council as additional constituent authority***		
	A	**B**	**C**	**D**	**E**	**F**
	Electoral Roll	No. of seats (ind. authority electoral roll/total electoral rolls x 25)	No. of seats to nearest whole	No. of seats to nearest whole	No. of seats (ind. authority electoral roll/total electoral rolls x 25)	Electoral Roll
Devon CC	584,426	11.60	12	10	9.94	500,366
Somerset CC	395,388	7.85	8	8	7.85	395,388
Plymouth	179,871	3.57	4	4	3.57	179,871
Torbay	99,338	1.97	2	2	1.97	99,338
Exeter	-	-	-	2	1.67	84,060
TOTALS	1,259,023	25.00	26	26	25.00	1,259,023

4.3 From the above it can be seen that, by application of the apportionment method for places on the Authority, agreement to the request would see two seats allocated to Exeter City Council (which would ***not otherwise*** be a fire and rescue authority in its own right) at the expense of places currently filled by Devon County Council (which ***would otherwise*** be a fire and rescue authority).

4.4 Extending this argument, if the Secretary of State was minded to approve a variation to allow for representation by Exeter City Council, it would then seem difficult to decline any similar request that may be made by any - or, indeed, all - of the other non-unitary district councils in both Devon and Somerset, who could each mount an identical argument to that put forward by Exeter City Council (i.e. having a voice in how the Authority is run and how monies raised through Council Tax are used).

4.5 The end result of this would be that the non-unitary district councils (who would ***not otherwise*** be fire and rescue authorities in their own right) would have seats on the combined fire and rescue authority whereas Devon and Somerset County Councils (which ***would otherwise*** be fire and rescue authorities) would not. This would be incompatible with the existing legislation which provides for establishment of combined fire and rescue authorities ***from authorities which would otherwise be fire and rescue authorities in their own right***.

5. CONCLUSION

5.1 Following a meeting in December 2916, Exeter City Council wrote to the Minister of State for Policing and the Fire Service requesting a place on the Devon & Somerset Fire & Rescue Authority. The response of the Minister advocates, in the first instance, that this Authority might wish to propose the variation to obviate the need for a consultation.

5.2 This report highlights, though, that - irrespective of whether or not this Authority was minded to agree – giving effect to the request would be incompatible with the legislation as currently drafted.

5.3 The Authority is therefore invited to consider the contents of this report with a view to advising Exeter City Council and the Secretary of State that it is not able to support the request of Exeter City Council as to do so would be incompatible with existing legislation.

MIKE PEARSON
Director of Corporate Services

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Home Office

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CHIEF EXECUTIVE
24 JAN 2017

Karime Hassan
Chief Executive and Growth Director, Exeter City Council
Civic Centre, Paris Street
Exeter
EX1 1JN

Reference: M287/17

19 JAN 2017

Dear Karime

Thank you for your letter dated 20 December 2016 seeking membership of Exeter City Council on Devon and Somerset Fire and Rescue Authority. In the first instance I recommend that you raise this with Devon and Somerset Fire and Rescue Authority for consideration.

Devon and Somerset Fire and Rescue Authority is a combined authority constituted by an order made under section 2 of the Fire and Rescue Services Act 2004. The determination of a fire and rescue authority of an area by section 1 of 2004 Act is subject to schemes constituting fire and rescue authorities under section 2 and section 4 of that Act. Accordingly, for the area of the Devon and Somerset Fire and Rescue Authority, the combined authority is the fire and rescue authority not the county of Devon or the county of Somerset for their respective areas.

The Order under section 2 (Devon Fire Services (Combination Scheme) Order 1997/2698 set out a scheme. Under the scheme a body corporate was constituted (i.e. a body with separate legal identity) for the combined area for the purposes of discharging fire and rescue functions for that area.

Each member of that corporate body was to be appointed by a constituent authority from its own members, with as you know, the constituent authorities being: Devon County Council, Plymouth City Council, Torbay Borough Council and Somerset County Council.

An order under section 2 of the 2004 Act may be varied and so it is possible to include Exeter City Council as a constituent authority. Our preference would be for this variation to be proposed by Devon and Somerset Fire and Rescue Authority as, if a variation is proposed by them, no consultation would be needed for the Secretary of State to vary the order. While the Secretary of State is also able to propose a variation, if she does, under section 2(5) of the 2004 Act, she is under a duty to consult interested parties who of course could object to the order being varied. If any objection is received, the Secretary of State is required to constitute an inquiry into the matter with no certainity as to its outcome.

I hope my reply is helpful. At this stage the department will take no further action until we hear further from either you or Devon and Somerset Fire and Rescue Authority on how you wish to proceed.

Rt Hon Brandon Lewis MP