M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Resources Committee

(see below)

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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Wednesday 8t February 2017

A meeting of the Resources Committee is to be held on the above date, **commencing at 2.00 pm in Committee Room B in Somerset House, 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 - 4)

of the previous meeting held on 16 November 2016 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 Treasury Management Performance 2016-2017: Quarter 3 (Pages 5 - 12)

Report of the Treasurer (RC/17/1) attached.

5 **Revenue Budget and Council Tax Level 2017/18 (Pages 13 - 56)**

Report of the Treasurer and Chief Fire Officer (RC/17/2) attached.

6 **Capital Programme 2017-18 to 2019-20 (Pages 57 - 66)**

Report of the Chief Fire Officer and Treasurer (RC/17/3) attached.

7 **Financial Performance Report 2016/17: Quarter 3 (Pages 67 - 80)**

Report of the Treasurer (RC/17/4) attached.

8 **Exclusion of the Press and Public**

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

- Paragraph 3 (information relating to the financial and business affairs of a particular person).

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

9 **Red One Performance Report 2016/17**

Report of the Treasurer (RC/17/5) **TO FOLLOW**

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

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

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.

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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

16 November 2016

Present:-

Councillors Dyke (Chair), Burridge-Clayton, Coles (sub Greenslade), Hendy, Thomas and Yeomans.

Apologies:-

Councillors Chugg.

* **RC/9** **Minutes**

RESOLVED that the Minutes of the meeting held on 1 September 2016 be signed as a correct record.

* **RC/10** **Treasury Management Performance 2016/17: Quarter 2**

The Committee received for information a report of the Treasurer (RC/16/13) that set out details of the treasury management performance for the second quarter of 2016 (to September 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:

- Post Brexit, the interest rate forecast had been reviewed and the bank rate had been reduced to 0.25% with interest rates expected to remain low until at least June 2019;
- The Authority was outperforming the 3 month LIBID benchmark return of 0.308% with investment interest at £60,696k (0.46%) in quarter 2;
- There had been no additional external borrowing undertaken with the debt reducing slightly to £25.790m. 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%, possible 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.

Reference was made to the position in respect of the impending Government cuts to the Revenue Support Grant (RSG) to local authorities and the need for this Authority to continue to be ultra cautious in future. The Treasurer reported that the Government had issued a consultation document recently that made reference to the move towards self-sufficiency for local authorities and the question had been asked as to whether fire authorities should remain within this system.

*** RC/11 Financial Performance Report 2016-17: Quarter 2**

The Committee received for information a report of the Treasurer (RC/16/14) that set out the financial performance for the second quarter of2016/17 (to 30 September 2016) as compared with the agreed financial targets for2016/17. 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 £1.612 less than the approved revenue budget at this stage in the year, equivalent to 2.18% 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. However, there were some emerging budgetary issues which may require consideration in due course, such as the Emergency Services Mobile Communications Project (ESMCP), which may require some funding in the event that the government grant was insufficient to cover all of the costs of implementation, and there may also be a requirement to enhance the Change and Improvement reserve to support transformational projects and collaborative work in 2017/18 and beyond.

Attention was drawn to the position in respect of the costs associated with the recent fire in Cathedral Yard, Exeter which had required extensive resources. Whilst the full impact of this incident had not been assessed as yet, it was anticipated that costs may be in the region of £300k.

Reference was made to the position in respect of the Capital Budget which was anticipated to have a year-end spend £4.2m against a budget of £6.417m. This was partly due to slippage and some timing issues and as a result, some projects had been removed from the Programme.

RESOLVED

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

(b) That performance against the 2016-17 be noted.

*** RC/12 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/13 Estate Development Review Options**

(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 (RC/16/15) that provided an update in respect of the progress made with the Estates Development Review.

RESOLVED that the principle of pursuing the potential options listed in paragraph 3.10 of report RC/16/15 be endorsed, subject to the detailed information in respect of each scheme being submitted to the Committee for approval.

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

The meeting started at 10:00hours and finished at 11:55hours

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REPORT REFERENCE NO.	**RC/17/1**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2017**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2016-2017 – QUARTER 3**
LEAD OFFICER	**TREASURER**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2016-17 (to December 2016) be noted.***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice for Treasury Management. The Code suggests that Members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Authority is embracing Best Practice in accordance with CIPFA's Code of Practice.
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 – Investments held as at 31 December 2016.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/16/3 – as approved at the meeting of the DSFRA meeting held on the 19 February 2016.

1. INTRODUCTION

1.1 The Treasury Management Strategy for Devon and Somerset Fire & Rescue Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code. The Code recommends that Members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report, therefore, ensures this Authority is implementing best practice in accordance with the Code and includes:

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

1.2 Treasury management in this context is defined as:

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

1.3 The preparation of this report demonstrates that the Authority is implementing best practice in accordance with the code.

2. ECONOMIC BACKGROUND

2.1 UK Growth Domestic Product (GDP) has been quite strong since 2013 with annual growth rate above 2% in all years other than 2015 when it fell to 1.8%. As a result, the UK has one of the leading rates among the G7 countries. Economic growth has been fairly robust at +0.6% quarter on quarter, +2.2% year on year in quarter 3 of 2016 to confound the pessimistic forecasts by the Bank of England in August 2016 and by other forecasters, which expected to see near zero growth during 2016 after the referendum. Prior to the referendum, the UK economy had been facing headwinds for exporters from the appreciation of sterling against the Euro plus weak growth in the European Union (EU), China and emerging markets, and the dampening effect of the Government's continuing austerity programme.

2.2 The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, there was then a sharp recovery in confidence and business surveys and the fall in the value of sterling has had a positive effect in boosting manufacturing in the UK due to improved competitiveness in world markets.

2.3 The Bank of England meeting on 4 August 2016 addressed its forecast of a slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report cut the forecast for growth in 2017 from 2.3% to just 0.8%. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. Whilst the Monetary Policy Committee (MPC) was prepared to cut the Bank Rate again by the end of 2016, Carney also warned that the Bank could not do all the heavy lifting and suggested that the Government would need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor, Phillip Hammond, announced after the referendum result, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November 2016 and which he duly delivered.

2.4 The robust growth in quarter 3 of +0.6%, plus forward indicating business surveys also being very positive on growth, caused the MPC in November to pull back from another cut in Bank Rate. The November Inflation Report also included a forecast for inflation to rise to around 2.7% in 2018 and 2019, well above its 2% target, due to a sharp rise in the cost of imports as a result of the sharp fall in the value of sterling after the referendum. However, the MPC is expected to look thorough a one off upward blip from this devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures within the UK economy.

2.5 The American economy had a patchy 2015 with sharp swings in the growth rate leaving the overall growth for the year at 2.4%. Growth in quarter 1 of 2016 of +0.8% on an annualised basis, and quarter 2 at +1.4%, was disappointing. However, quarter 3 came in very strongly at +3.5% and forward indicators are pointing towards robust growth in 2017, especially if Trump's expansionary plans are put into effect.

2.6 The Federal Bank (Fed) embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, caused a delay in the timing of the second increase of +0.25% until this December's meeting. Three or four further increases are now expected in both 2017 and 2018.

2.7 In the Eurozone, the European Central Bank (ECB) commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected Eurozone countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December 2015 and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March 2006 meeting, it also increased its monthly asset purchases to €80bn. In December 2016, it extended its QE programme; monthly purchases at €80bn will continue to March 2017 and then continue at €60bn until December 2017.

2.8 These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 3 2016 (1.7% year on year) but forward surveys are, at last, positive about a modest upturn to growth while inflation has also started to increase significantly. There have been many comments from forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in the their economies and economic growth.

2.9 Japan has struggled for many years to boost anaemic growth despite massive fiscal and monetary stimulus, but quarter 3 came in at +2.7% year on year. Chinese economic growth has been weakening and medium term risks have been increasing.

Interest Rate Forecasts

2.10 The Authority's treasury advisor, Capita Asset Services, has provided the following forecast:

	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%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	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%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	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%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

2.11 The MPC, cut Bank Rate from 0.50% to 0.25% on 4 August 2016 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 of 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 after early August. Consequently, the 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.

2.12 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 retain a loose monetary policy to deal with the weaker growth outlook and is expected to keep bank rate on hold at 0.25% until June 2019 with gradual increases to end at 0.75% in March 2020. This approach will support growth prospects, which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. 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. Based on the current forecast, the cost of medium to long term borrowing is expected to rise from current levels as UK inflation increases to around 3% over the next couple of years.

3. TREASURY MANAGEMENT STRATEGY STATEMENT

ANNUAL INVESTMENT STRATEGY

3.1 The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement (TMSS) was approved by the Authority on the 19 February 2016. It outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

3.2 The Authority will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate, it is considered appropriate to keep a significant proportion of investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months. The highly credit rated financial institutions will be using the Capita suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Capita.

3.3 A full list of investments held as at 31 December 2016 are shown in Appendix A of this report.

3.4 The average level of funds available for investment purposes during the quarter was £38.800m (£37.998m in previous quarter). These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Benchmark Return	Authority Performance	Investment interest to quarter 3
3 Month LIBID	0.26%	0.54%	£78,769.

3.5 As illustrated, the Authority outperformed the 3 month LIBID benchmark by 0.28bp. Whilst investment future returns will inevitably be adversely impacted by the reduction in the bank base rate to 0.25% during Q2, it is currently forecast that the actual investment return for 2016-17 will exceed the Authority's budgeted investment target of £0.154m.

BORROWING STRATEGY

Prudential Indicators:

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

3.7 A full list of the approved limits (as amended) are included in the Financial Performance Report 2016-2017, considered elsewhere on the agenda for this meeting, which confirms that no breaches of the Prudential Indicators were made in the period to December 2016 and that there are no concerns that they will be breached during the financial year.

Current external borrowing

3.8 External borrowing as at 31 December 2016 was £25.770m, a small reduction from the figure of £25.790m as at 30 September 2016. All of this debt was at fixed rate with the remaining principal having an average rate/life of 4.233%/28.45 years.

Loan Rescheduling

3.9 No debt rescheduling was undertaken during the quarter. The Authority will continue to work closely with our treasury advisors to explore any opportunities to repay existing loans, however current Public Works Loan Board (PWLB) early repayment rates mean there is no financial benefit in undertaking premature loan repayment at this time.

New Borrowing

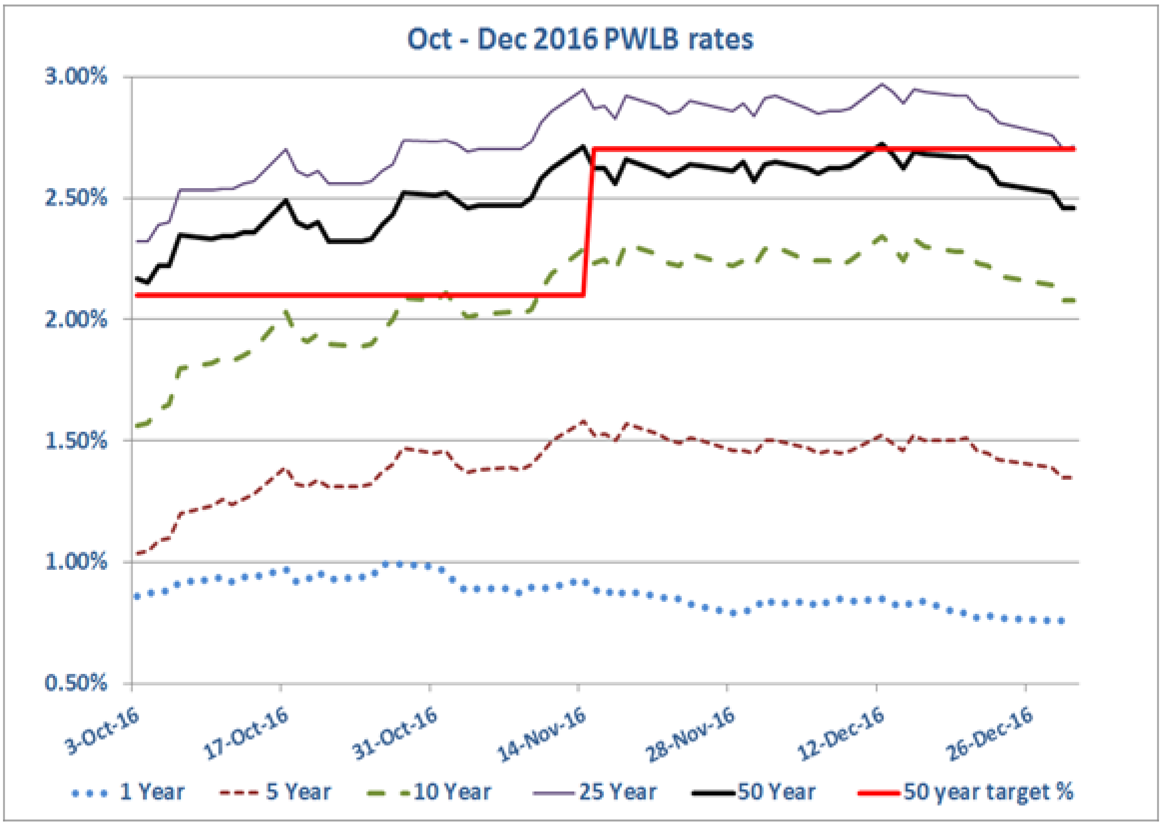
3.10 As depicted in the graph(s) below there has been some volatility in PWLB rates during the quarter. The 50 year PWLB target (certainty) rate for new long term borrowing started at 2.10% and ended at 2.70%.

3.11 No new borrowing was undertaken during the quarter and none is planned during 2016-17. It is anticipated that use of internal borrowing will avoid the need to borrow from the PWLB in year.

PWLB rates quarter ended 31 December 2016

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.76%	1.04%	1.56%	2.32%	2.15%
Date	28/12/2016	03/10/2016	03/10/2016	03/10/2016	04/10/2016
High	0.99%	1.58%	2.34%	2.97%	2.72%
Date	26/10/2016	14/11/2016	12/12/2016	12/12/2016	12/12/2016
Average	0.88%	1.40%	2.09%	2.74%	2.51%

3.12 Borrowing rates for this quarter are shown below.



Borrowing in Advance of Need

3.13 The Authority has not borrowed in advance of need during this quarter.

4. SUMMARY AND RECOMMENDATION

4.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with the second quarter report of the treasury management activities for 2016-2017 to December 2016. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken so far, with priority being given to liquidity and security over yield. Whilst investment returns are still low as a consequence of the fall in interest rates, the Authority is still anticipating that investment returns will meet the budgeted target.

KEVIN WOODWARD
Treasurer

Investments as at 31 December 2016					
Counterparty	**Maximum to be invested**	**Total amount invested**	**Call or Term**	**Period invested**	**Interest rate(s)**
	£m	**£m**			
Bank of Scotland	5.000	2.100	T	1 yr	1.050%
		1.400	T	6 mths	0.650%
		1.500	T	6 mths	0.650%
Qatar National Bank	5.000	1.000	T	1 yr	1.000%
		3.000	T	1 yr	0.820%
		1.000	T	1 yr	0.750%
Santander UK PLC	5.000	1.000	T	6 mths	0.510%
		2.000	T	6 mths	0.460%
		2.000	T	6 mths	0.460%
Leeds Building Society	2.000	1.000	T	6 mths	0.430%
Coventry Building Society	2.000	2.000	T	6 mths	0.370%
Nationwide Building Society	2.000	2.000	T	6 mths	0.400%
Goldman Sachs	5.000	5.000	T	6 mths	0.595%
Sumitomo Mitsui	5.000	3.200	T	6 mths	0.420%
		1.800	T	6 mths	0.460%
Svenska Handelsbanken	5.000	2.000	C	Instant Access	Variable
Federated Liquidity Fund	5.000	0.330	C	Instant Access	Variable
Black Rock Money Market Fund	5.000	0.987	C	Instant Access	Variable
Ignis Sterling Liquidity Money Market Fund	6.000	2.749	C	Instant Access	Variable
Total invested as at 31 December 2016		**£36.066M**			

REPORT REFERENCE NO.	**RC/17/2**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2017**
SUBJECT OF REPORT	**2017-18 REVENUE BUDGET AND COUNCIL TAX LEVELS**
LEAD OFFICER	**Treasurer and Chief Fire Officer**
RECOMMENDATIONS	***That the Committee consider this report with a view to recommending to the budget meeting of the Devon and Somerset Fire and Rescue Authority on 17 February 2017, an appropriate level of revenue budget and council tax for 2017-18.***
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 Committee is asked to consider the implications associated with each option, with a view to making a recommendation of one option to the full Authority budget meeting on 17 February 2017. As included in 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.
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. E. BMG Report on Precept Consultation for 2017-18 Revenue Budget
LIST OF BACKGROUND PAPERS	Nil.

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.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2017-18

2.1 The provisional Local Government Finance Settlement was announced 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 Table 1 overleaf 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%**

2.3 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.

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

2.5 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.

2.6 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.

2.7 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.

2.8 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.

Please note that at the time of writing this report, the Service is still awaiting figures from some billing authorities relating to the amount of estimated business rates income in 2017-18 and therefore, the figures in Table 2 will be subject to change. The impact of any changes will be reported at the meeting.

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)
Increase in Retained Business Rates from Business Rate Retention System.	0.187	0.187	0.187
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 Funds	(0.051)	(0.051)	(0.051)
Net Change in precept income	**0.832**	**1.304**	**1.770**
TOTAL FUNDING AVAILABLE 2017-18	**72.006**	**72.477**	**72.943**
NET REDUCTION IN FUNDING	**(1.971)**	**(1.500)**	**(1.034)**

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	0.851	*1.15%*
PLUS New Investment	0.070	*0.09%*
PLUS Changes to income targets	0.177	*0.24%*
CORE SPENDING REQUIREMENT 2017-18	**75.606**	
INCREASE IN BUDGET OVER 2016-17 (£m)	**1.629**	***2.20%***

4.7 ***Budget Savings***

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 £75.606m. 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 £0.321m.

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 £0.321m referred to in paragraph 4.8 above, it is proposed as part of this draft budget that an amount of £0.321m 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 £0.786m for Option B (1.0% increase) or £1.259m for Option A (Council Tax freeze).

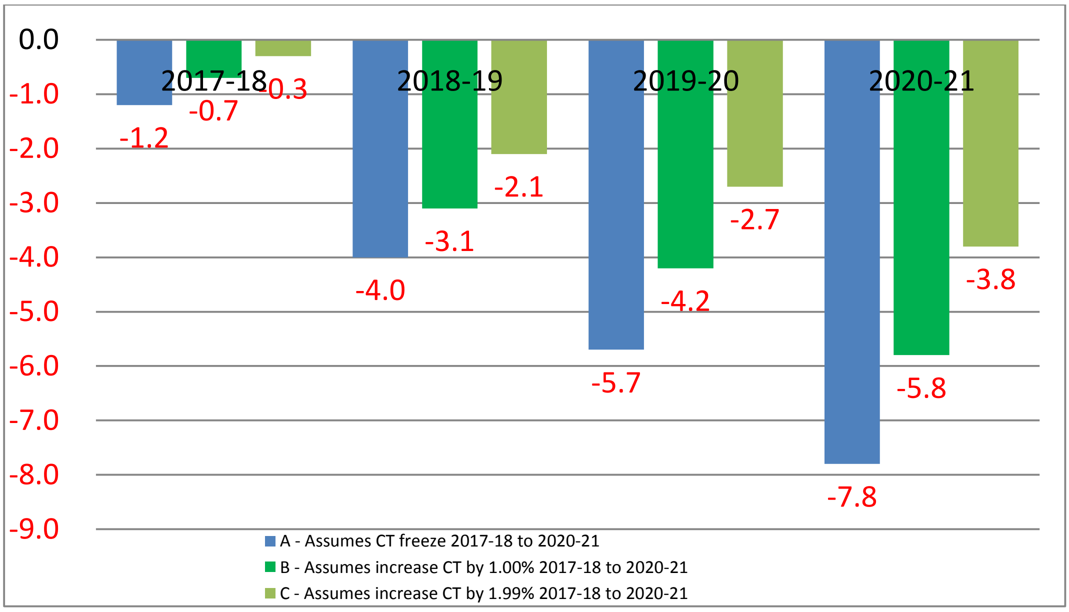
5. MEDIUM TERM FINANCIAL PLAN

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 £7.8m 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 £7.8m to £3.8m.

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 have been displayed below. The full results of the business and public surveys can be found in a report produced by BMG in Appendix E.

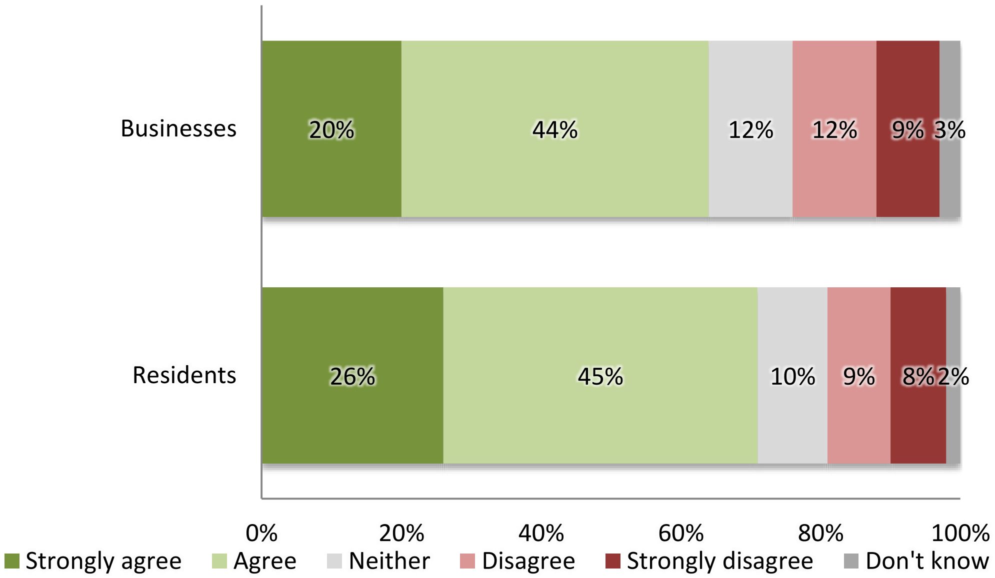
RESULTS

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?*

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

7.9 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.

7.10 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.

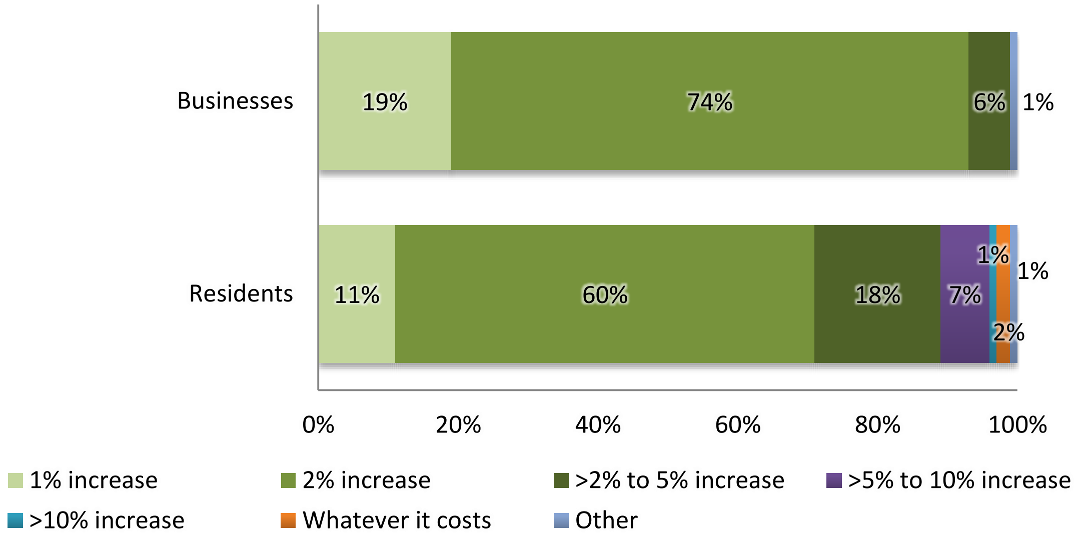
7.11 Those respondents who disagreed to Question 1 were asked why and their responses recorded. Typical comments received have been included in the BMG report in Appendix E.

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

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

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.

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



Unweighted sample base: 255 businesses, 288 residents

7.14 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'.

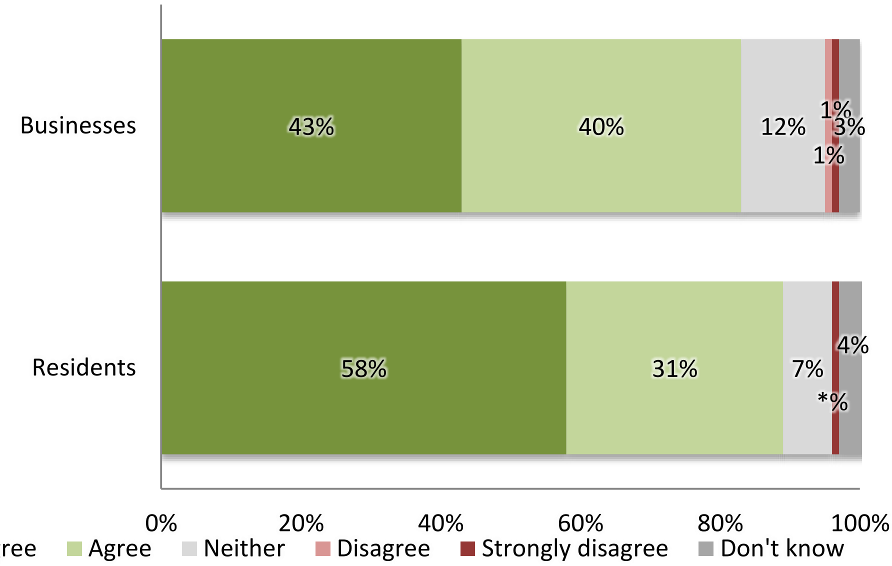
7.15 These results suggest support from businesses and members of the public for the Authority to consider increasing the precept by 2% to minimise the impact of cuts to the government grant.

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

Chart 4 below 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%).

7.17 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?

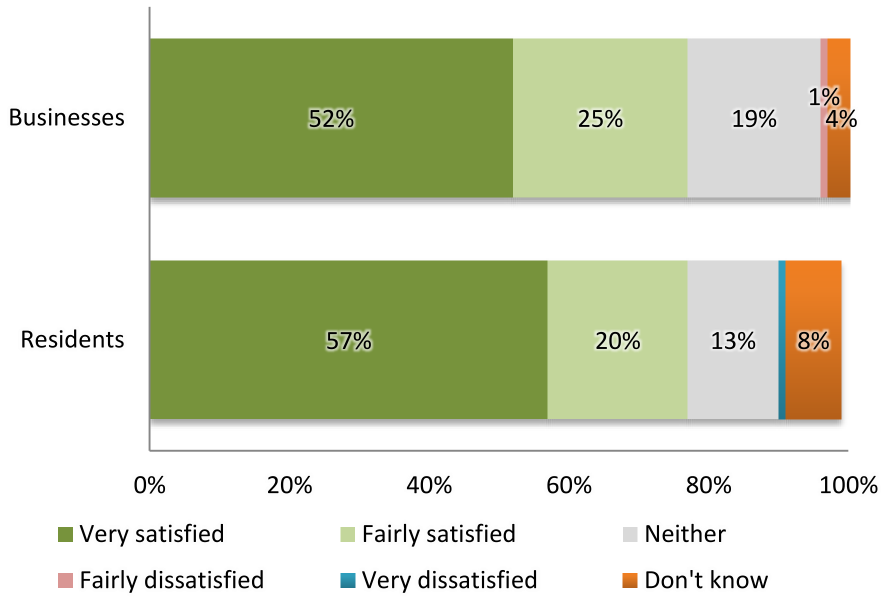


Unweighted sample base: 400 businesses, 401 residents

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

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

CONCLUSION

7.19 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 (74% of business respondents and 60% of public respondents who agreed it was reasonable to consider a 2% increase).

7.20 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.

7.21 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 the Authority.

9.2 The report considers three potential options A, B and C and asks the Committee to consider the financial implications associated with each option with a view to recommending one of these options to the budget setting meeting of the full Authority, to be held on the 17 February 2017.

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

APPENDIX A TO REPORT RC/17/2

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		
		851	
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	42		
		177	
Core Spending Requirement		**75,606**	
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)		
Decrease in debt charges emanating from agreed capital programme			
		(2,341)	
Transfer from Reserves	(321)	(321)	
CORE BUDGET REQUIREMENT		**72,943**	

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 £72.943m (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.

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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**	**LEE HOWELL** **Chief Fire Officer**

APPENDIX C TO REPORT RC/17/2

James Livingston
Department for Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London SW1P 4DF

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

Your ref:
Our ref :
Website : www.dsfire.gov.uk

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

Telephone : 01392 872200
Fax : 01392 872300
Direct Telephone : 01392 872317

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 RC/17/2

2017/18 Revenue Budget Compared to Published 4 Year Efficiency Plan – Year 1.

COMPARISON OF DRAFT 2017/18 BUDGET TO PUBLISHED EFFICIENCY PLAN				
Item	**Description**	Planned Budget	2017/18 Draft Budget	Variance
Opening avaiable budget		**(73,977)**	**(73,977)**	**0**
Grant changes	2020/21 is estimate at present	3,001	2,745	(256)
NNDR Core funding changes	Estimated	0	58	58
Council Tax Precept changes	Assumes 1.99% increase	(922)	(921)	1
CT Base/ surplus adjustment	Estimated	(281)	(849)	(568)
Anticipated available budget for the year		**(72,179)**	**(72,943)**	**(764)**
Budget **movement** (closing less opening)		1,798	1,034	(765)
Cost **pressures** identified		1,610	1,547	(63)
Forecast changes to revenue **income**		339	177	(161)
Savings requirement (movement + pressures + income)		**3,747**	**2,758**	**(989)**
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**	**301**	**(1,048)**

Public Consultation Results

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Research Report

Council Tax Precept Survey 2017/18

Prepared for: Devon and Somerset Fire and Rescue Service

Council Tax Precept Survey 2017/18

Prepared for: Devon and Somerset Fire and Rescue Service

Prepared by: Lys Coleman, Research Director

Date: January 2017

Produced by BMG Research

www.bmgresearch.co.uk

Project: 1156

Registered in England No. 2841970

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Table of Contents

1 Introduction

1.1 Background and method

In November 2016, Devon and Somerset Fire and Rescue Service (DSFRS) commissioned BMG Research to undertake a survey amongst 400 businesses and 400 residents. The purpose of the surveys was to assess the opinions of business decision makers and residents on how DSFRS should approach setting its budget for 2017/18 and on whether the Service is currently deemed to be providing value for money.

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

In total, 400 interviews with businesses and 401 interviews with residents were completed during December 2016 and January 2017. Details of the profile of the sample can be found in appendix 1.

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

This report summarises the main findings from both surveys.

2 Survey Findings

2.1 Whether it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2017/18

Respondents were provided with the following contextual information regarding DSFRS:

> *"Devon and Somerset Fire and Rescue Authority is committed to maintaining a professional service across the two counties whilst addressing the funding cuts passed down by the Government. The Service provides 85 local fire stations across Devon and Somerset and employs approximately 2050 staff, helping to keep safe a population of 1.7 million. On average the Service attends around 18,000 incidents each year, which includes flooding, road traffic collisions, fires and other emergencies. The Authority is seeking feedback about its level of Council Tax precept for the coming year and how satisfied you are with the service it provides."*

They were then informed of the following:

> *"Devon & Somerset Fire & Rescue Authority is considering its Council Tax charges for 2017/18. The current charge is £79.98 a year for a Band 'D' property. Over the last few years the Government has been reducing the funding provided for the fire and rescue service and this means that by 1 April 2017 the funding for Devon & Somerset Fire & Rescue Service will have been reduced by approximately £11million in the last four years. A further £4.8million reduction will be made by 2019/20.*

Respondents were asked how strongly they agree or disagree that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2017/18 in order to lessen the impact of the funding cuts.

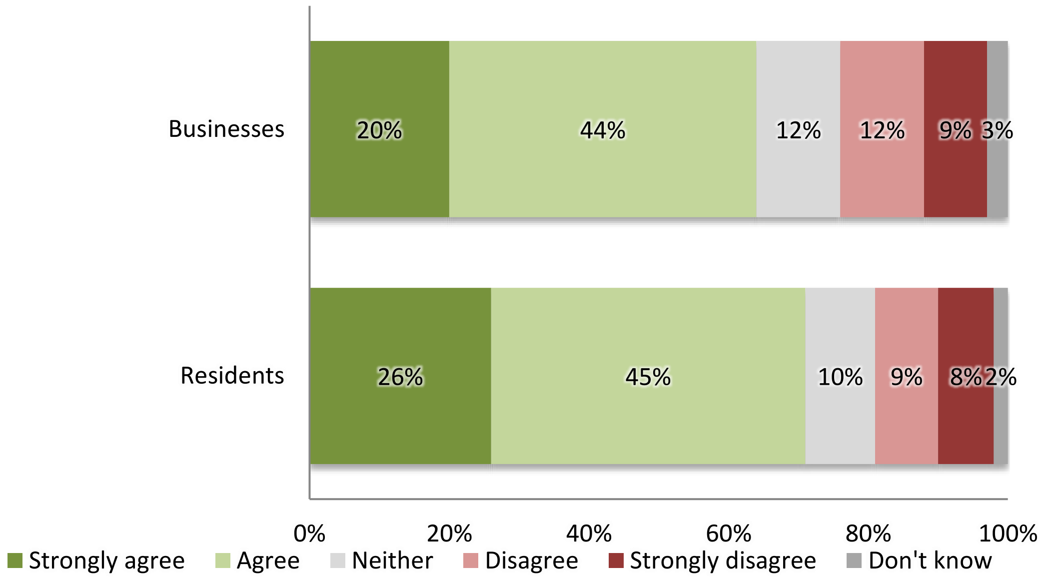
Over three in five (64%) of businesses agreed that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2017/18, while a fifth (21%) disagreed that it is reasonable for them to do so, resulting in a net agreement[1] of +43%.

Agreement was consistent by industry sector, gender and age, although respondents in Devon were somewhat more positive (68% agreed it is reasonable for DSFRS to consider increasing its Council Tax charge) and respondents in Plymouth somewhat less so (52% agreed).

Agreement was higher amongst residents than businesses (71% compared to 64%), and disagreement correspondingly lower (17% compared to 21%), giving a net agreement of +54%.

Those aged over 55 were significantly more likely to agree (78%) than younger residents.

Figure 1: Agreement or disagreement that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2017/18 (All respondents)



Unweighted sample base: 400 businesses, 401 residents

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

2.2 Level of increase that would be reasonable

Those respondents who agreed that it is reasonable for DSFRS to consider increasing its Council Tax Charge for 2017/18 were asked at what level the increase should be;

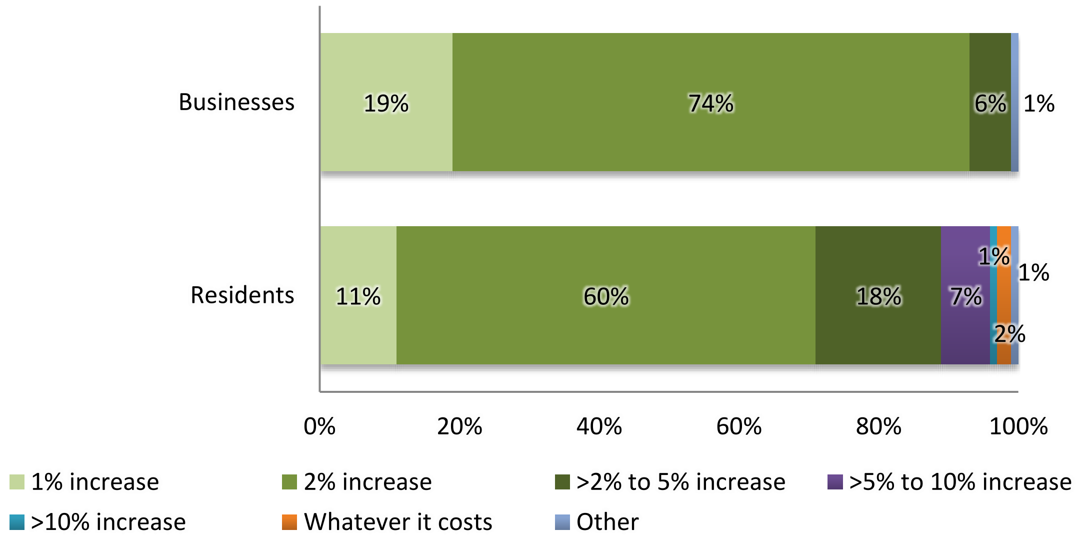
- 1%, this would be an increase of 80 pence per year
  This will raise an additional £466,800 for the fire and rescue service

- 2%, this would be an increase of £1.60 per year
  This will raise an additional £933,600 for the fire and rescue service

- 3 Some other level of increase

The largest proportion of businesses and residents opted for a 2% increase (74% and 60% respectively). However, while one in twenty (6%) businesses suggested a greater increase of between 2% and 5%, this proportion rose to a fifth (18%) of residents, with a further one in ten (10%) of this group suggesting an even greater increase, or whatever it takes to address requirements.

Figure 2: Level of increase that would be reasonable (Those respondents agreeing that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2017/18)



Unweighted sample base: 255 businesses, 288 residents

2.3 Reasons for disagreeing that it is reasonable for DSFRS to increase its element of the Council Tax charge for 2017/18

Those respondents who disagreed that it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2017/18 (21% of businesses and 17% of residents) were asked why they disagreed. Typical comments made by respondents are highlighted below.

2.3.1 Businesses

'We pay enough tax to the government and it should not increase any further.'

'The government should sort out something else, people should not provide the charges, it should come out of government profits, such as speeding fines or parking fines.'

'I don't think they make the best use of the money they get. I don't like how they deal with roads. They send a man to check potholes but no one ever comes.'

'Because they should run their business more efficiently and they should use their money wisely.'

'We cannot afford it. Small businesses are crippled. Bigger businesses can but we cannot.'

'It may need to require more funding, but I don't agree as the business can't put its rates up. Non-domestic rates have gone up a lot.'

'Because they are over-staffed. They should look at the council itself before the services.'

'Because, most of it is going on pension schemes for the fire service where they go on pension at the age of 50.'

'Because the service is not getting any better, so it should not be increased.'

2.3.2 Residents

'I do not think the fire and rescue, police and other separate services' funding should come out of local council tax. For instance the fire and rescue service should be making charges to some of the calls as the police take their own fines to support themselves and not the government. On a personal note I have noticed a reduction in free service from Somerset fire authority in that when I wanted technical support and advice regarding number of exits related to a church premises that it was no longer available due to lack of funding where as before, I could call upon the fire officer who could give advice on a domestic basis.'

'I am now at the age where I just work part time, and most of the money I earn goes on council tax. So if I was earning a lot in the year, then I wouldn't worry about it, but we don't have enough incoming money and they keep raising the cost of the council tax and it's too difficult to keep up with. They can only take so much from everyone.'

'I think that they shouldn't have their funds cut by the government because that's wrong. I think that the government should make cuts from other sectors.'

'I think that the council needs to look at how other services are funded. I think that other services should be reduced so that the fire service get more funding from the government. I think that there's too much waste from the council and the priority should go to services like the fire and police service which it does not.'

'Firstly this should not be a local government issue but rather a central government issue. Secondly the fire & rescue service along with the police are getting special treatment compared to social care service in regards to funding.'

'Because for the first time in 8 years they're recruiting. They're cutting back on full time fire fighters and keeping people on retainers that do it voluntarily and they get paid a certain amount.   So I don't see why we should pay more when they're cutting the service back.'

'Because the service is over-tiered in management and if they were to cut some of the layers of management and leave those people that were productive than just administrative it would therefore be more efficient.'

2.4 Agreement or disagreement that DSFRS provides value for money

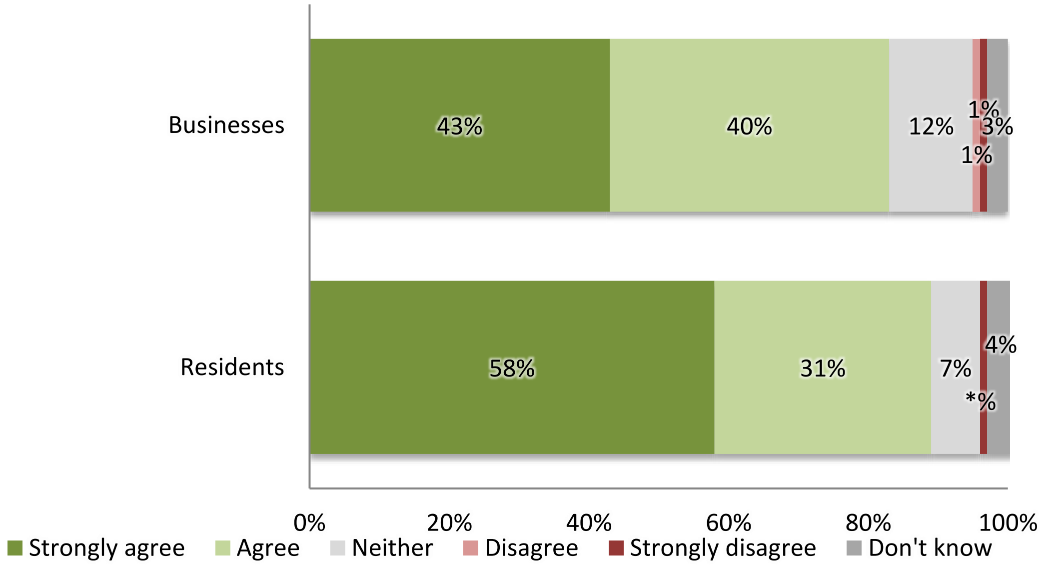
All respondents were asked if they agree or disagree that DSFRS provides value for money.

Four in five (83%) businesses agreed that DSFRS does provide value for money, with only 1% disagreeing, resulting in a net agreement of +82%. Views were consistent by LAD and industry sector.

Views were even more positive among residents, with 89% agreeing that DSFRS does provide value for money and 1% disagreeing, resulting in a net agreement of +88%.

Women were more likely than men to agree that this is the case (92% compared to 85%).

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



Unweighted sample base: 400 businesses, 401 residents

2.5 Reasons for disagreeing that DSFRS provides value for money

The 7 businesses and 3 residents who disagreed that DSFRS provides value for money were asked why they disagreed, and, where provided, their reasons for this are listed below.

2.5.1 Businesses

'Levels of management.'

'They don't operate like a commercial business would do.'

'Because they have to start changing the way they do things, and we cannot afford to give people a pension from 50 years.'

'Because they waste a lot of money.'

2.5.2 Residents

'Because they cut back on the amount of firemen/women. They take a certain amount of fire engines out of the company and it's putting more pressure on the fire brigade.'

'I think the level of service in the fire and rescue service across the country is too militant and too powerful and the level of spending is too much.'

'I believe Devon and Somerset Fire and Rescue Service do not provide value for money as the money is wasted in areas that are not going to affect how they do their jobs. They have to also stop the pension funds as other people working in the same sector do not receive them.'

2.6 Services used

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

Overall, over three in five (59%) businesses reported using at least one of the services, most commonly a fire safety audit (27%) at a business, and 46% of residents did so, most commonly via a community event (17%).

Businesses in Somerset were least likely to report having used any of the services (49%, compared to 62% in Torbay, 64% in Plymouth and 63% in Devon).

Table 1 Services used

	Businesses	Residents
Fire safety audit / check in a business	27%	7%
Community event	18%	17%
Home fire safety visit / smoke alarm fitting	18%	15%
Emergency response – house fire	10%	8%
Youth education	8%	14%
Community use of fire stations	9%	8%
Other fire safety advice	9%	8%
Emergency response – other rescue	6%	6%
Emergency response – co-responder	6%	5%
Emergency response – road traffic collision	5%	6%
Emergency response – flooding	3%	1%
Other service (please specify)	6%	3%
Unweighted sample base: 400 businesses, 401 residents		

2.7 Satisfaction with the service provided by DSFRS

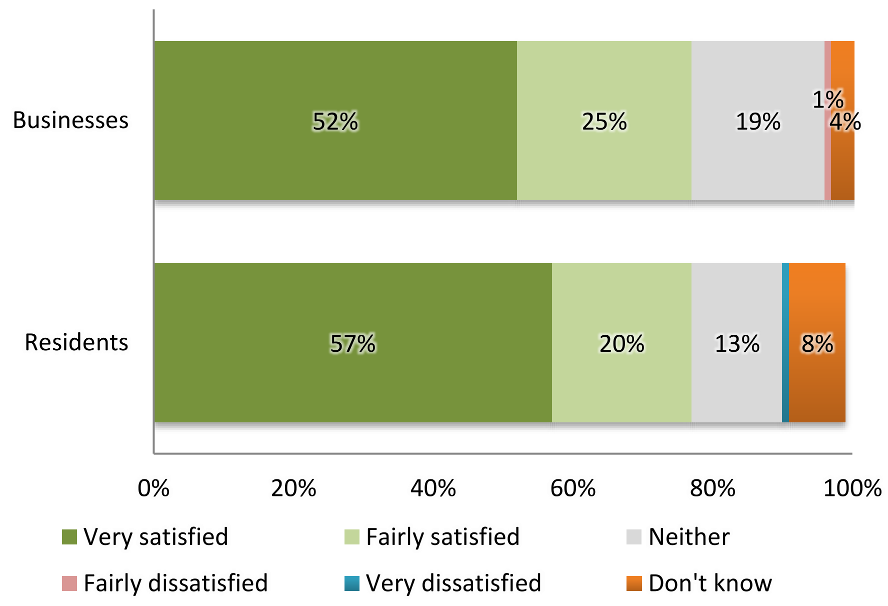
All respondents were asked how satisfied or dissatisfied they are with the service provided by DSFRS.

Three quarters (76%) of businesses were satisfied with the service provided, and only four respondents expressed dissatisfaction, yielding a net level of satisfaction of +75%. Again views were consistent by LAD and industry sector.

Three quarters (78%) of residents were satisfied with the service provided, and only six respondents expressed dissatisfaction, yielding a net level of satisfaction of +77%.

Levels of satisfaction increased with age, from 67% of those aged 16 to 34, to 75% of those aged 35 to 54, up to 85% of those aged 55 or older.

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



Unweighted sample base: 400 businesses, 401 residents

Only 3 businesses expressed dissatisfaction, and their reasons for doing so were as follows:

'They don't have enough people to come, too many cuts.'

'I have never used the services that you mentioned.'

'No contact.'

Only 2 residents expressed dissatisfaction, and their reasons for doing so were as follows:

'I was involved in an RT accident as per normal every tom dick and harry (all the emergency services plus city council) got called out. I felt that the only one required was the ambulance service. Subsequently I had to finance a sizable bill for attendance which as far as I was concerned was not warranted. I didn't see the requirement for all of these services to come out or for the bill when there was no need. The accident was admittedly nasty but

there was no possibility of people having to be extracted or removed out of the vehicle prior to the arrival of emergency services.'

'I think we are paying for a capability which is not essential in the modern era. This money could be spent on other things.'

3 Appendix 1: Profile Information

3.1 Businesses

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

Table 2 – Local authority district

Local authority district	Unweighted		Weighted	
	%	**Number**	**%**	**Number**
Torbay	12%	48	7%	26
Plymouth	13%	50	9%	35
Devon	46%	182	53%	211
Somerset	30%	120	32%	128

Table 3 – Industry sector

Industry Sector	Unweighted		Weighted	
	%	**Number**	**%**	**Number**
A to F	27%	106	28%	113
G to N, R + S	74%	294	72%	287

NB: **A to F** includes the following sectors: A: Agriculture, Forestry and Fishing; B Mining and Quarrying; C Manufacturing; D Electricity, gas, steam and air conditioning supply; E Water supply, sewerage, waste management and remediation activities; F Construction.

G to N, R and S includes the following sectors: G Wholesale and retail trade; repair of motor vehicles and motorcycles; H Transportation and storage; I Accommodation and food service activities; J Information and communication; K Financial and insurance activities; L Real estate activities; M Professional, scientific and technical activities; N Administrative and support service activities; R Arts, entertainment and recreation; S Other service activities

Table 4 – Job title

Industry Sector	Unweighted		Weighted	
	%	**Number**	**%**	**Number**
Owner/proprietor/managing director	50%	199	52%	209
Director	14%	57	14%	55
Manager/assistant manager	14%	57	13%	51
Partner	4%	15	4%	15
Tradesperson	3%	12	3%	12
Landlord/landlady	2%	9	2%	9
Accountant/book keeper	2%	8	2%	8
Administrator	1%	4	1%	4
Other	10%	39	9%	37

Table 5 – Gender

Gender	Unweighted		Weighted	
	%	**Number**	**%**	**Number**
Male	63%	251	63%	250
Female	37%	149`	37%	150

Table 6 – Age

Age	Unweighted		Weighted	
	%	**Number**	**%**	**Number**
16 – 24 years	2%	6	1%	5
25 – 34 years	10%	39	10%	39
35 – 44 years	16%	63	16%	62
45 – 54 years	25%	100	24%	98
55– 64 years	26%	103	26%	105
65+	22%	86	22%	88
Prefer not to say	1%	3	1%	3

Table 7 – Ethnic Origin

Ethnic Origin	Unweighted		Weighted	
	%	**Number**	**%**	**Number**
White	94%	376	95%	379
Black/Black British	<0.5%	1	<0.5%	1
Asian/Asian British	2%	8	2%	7
Mixed/Other	1%	4	1%	3
Prefer not to say	3%	11	3%	11

3.2 Residents

The following tables outline the unweighted demographic profile of the sample of residents.

Table 8 – Local authority district

Local authority district	Unweighted		Weighted	
	%	Number	%	Number
Torbay	25%	99	8%	32
Plymouth	25%	100	15%	61
Devon	25%	100	45%	181
Somerset	25%	102	32%	127

Table 9 – Age

Age	Unweighted		Weighted	
	%	Number	%	Number
16 – 24 years	1%	5	2%	8
25 – 34 years	9%	35	19%	76
35 – 44 years	11%	44	20%	82
45 – 54 years	15%	59	15%	58
55– 64 years	19%	76	19%	74
65+	45%	181	25%	101
Prefer not to say	<0.5%	1	<0.5%	2

Table 10 – Gender

Gender	Unweighted		Weighted	
	%	Number	%	Number
Male	53%	212	48%	193
Female	47%	189	52%	208

Table 11 – Ethnic Origin

Ethnic Origin	Unweighted		Weighted	
	%	Number	%	Number
White	96%	386	95%	381
Asian/Asian British	1%	3	2%	6
Mixed	1%	6	2%	8
Prefer not to say	1%	6	2%	6

4 Appendix 2: Call outcomes

The following tables show a breakdown of call outcomes.

4.1 Businesses

	Outcome	Contacts	% of total	% of in scope
In scope	**Complete**	**400**	10%	18%
	Refusal	903	22%	41%
	Respondent busy	918	22%	41%
	Sub-total	**2,221**	**54%**	**100%**
Out of scope	Unobtainable (modem, fax etc)	308	8%	16%
	Ineligible	162	4%	9%
	No contact made	1,402	34%	75%
	Sub-total	**1,872**	**46%**	**100%**
	Total	**4,093**		

4.2 Residents

	Outcome	Contacts	% of total	% of in scope
In scope	**Complete**	401	8%	33%
	Refusal	298	6%	25%
	Respondent busy	500	10%	42%
	Sub-total	**1,199**	**23%**	**100%**
Out of scope	Unobtainable (modem, fax etc)	1,295	25%	33%
	Ineligible	212	4%	5%
	No contact made	2,404	47%	61%
	Sub-total	**3,911**	**77%**	100%
	Total	**5,110**		

Appendix: Statement of Terms

Compliance with International Standards

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

Interpretation and publication of results

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

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

Ethical practice

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

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

With more than 25 years' experience, BMG Research has established a strong reputation for delivering high quality research and consultancy.

BMG serves both the public and the private sector, providing market and customer insight which is vital in the development of plans, the support of campaigns and the evaluation of performance.

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REPORT REFERENCE NO.	**RC/17/3**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2017**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2017-18 TO 2019-20**
LEAD OFFICER	**Chief Fire Officer and Treasurer**
RECOMMENDATIONS	***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.***
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
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.

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.

3.7 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.

3.8 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

3.9 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.

3.10 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. **FORECAST DEBT CHARGES**

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

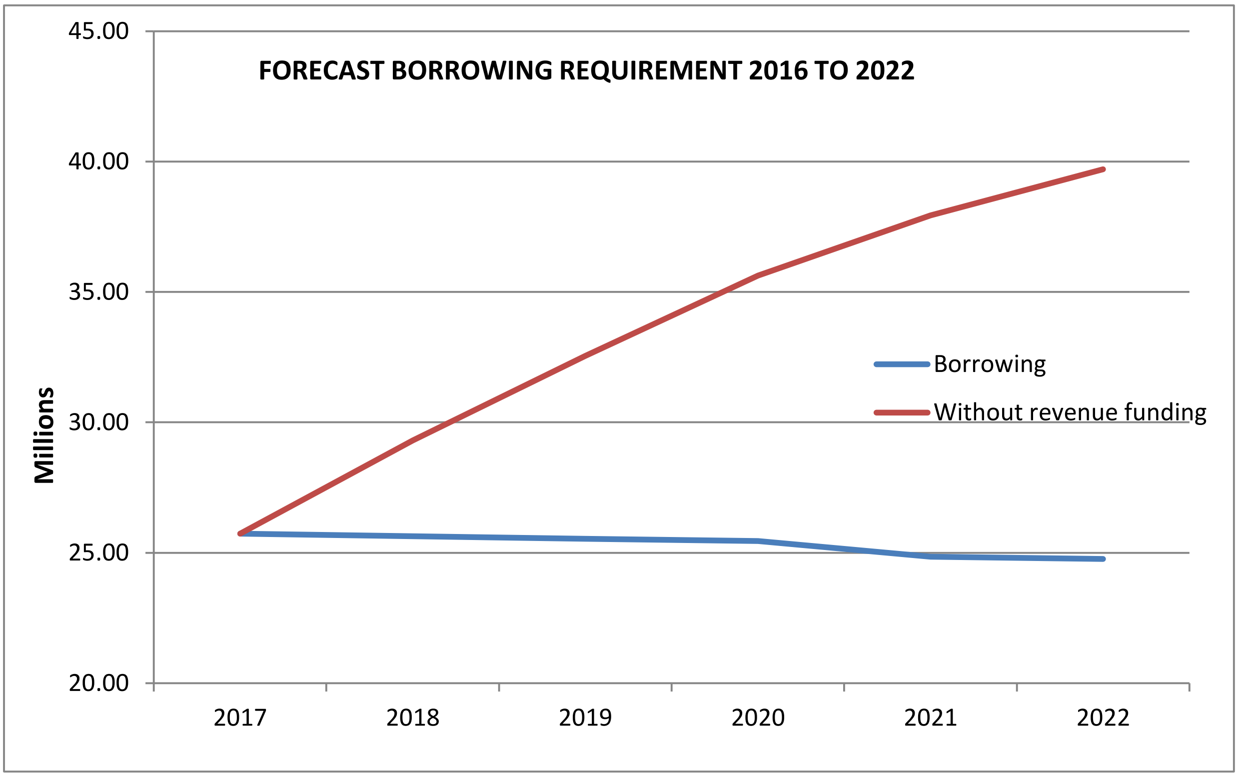
	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Base budget for Capital Financing costs debt charges and operating leasing rentals	3.573	3.528	3.562	3.527	3.477	3.206
Change over previous year		(0.045)	0.034	(0.035)	(0.051)	(0.271)
Debt ratio	4.25%	4.18%	4.17%	4.08%	3.97%	3.62%

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. CONCLUSION

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

APPENDIX A TO REPORT RC/17/3

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**

APPENDIX B TO REPORT RC/17/3

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	28,194	28,091	27,988	27,336	27,234	26,690
Other long term liabilities	1,364	1,270	1,167	1,061	953	830
Total	29,557	29,361	29,155	28,396	28,186	27,520
Operational Boundary 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	1,299	1,209	1,112	1,010	907	791
Total	28,211	28,023	27,828	27,103	26,903	26,268

REPORT REFERENCE NO.	**RC/17/4**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**8 FEBRUARY 2017**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2016-17 – QUARTER 3**
LEAD OFFICER	**Treasurer to the Authority**
RECOMMENDATIONS	***(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 this report;*** ***(ii) the proposed budget virements, as outlined in paragraph 11.6 of this report, 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.***
EXECUTIVE SUMMARY	This report provides the Committee with the third quarter performance (to December 2016) against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2016-17 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £1.957m less than budget, equivalent to 2.64% of the total budget. This saving aligns with the strategy to deliver in-year savings and is largely attributable to the ongoing crewing changes as a result of the last Corporate Plan together with a strategy to hold vacancies when staff leave the organisation. The report includes a recommendation to utilise an amount of £0.281m from this year's forecast underspend to invest in a new approach to the delivery of Home Fire Safety Visits (HFSV) and checks.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Summary of Prudential Indicators 2016-17.
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1 This report provides the third quarterly financial monitoring report for the current financial year, based upon the position as at the end of December 2016. As well as providing projections of spending against the 2016-17 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 Table 1 below provides a summary of performance against the key financial targets.

TABLE 1 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2016-17

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 3	Previous Quarter	Quarter 3 %	Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£73.977m	£72.020m	£72.365m	(2.64%)	(2.18%)
2	General Reserve Balance as %age of total budget (minimum)	5.00%	7.14%	7.14%	(2.14)bp*	(2.14)bp*
	Capital Targets					
3	Spending within agreed capital budget (*revised*)	£6.417m	£4.021m	£4.217m	(37.33%)	(34.28%)
4	External Borrowing within Prudential Indicator limit (*revised*)	£28.101m	£27.098m	£27.098m	(3.57%)	(3.57%)
5	Debt Ratio (debt charges over total revenue budget)	4.18%	4.17%	4.17%	(0.01)bp*	(0.01)bp*

**bp = base points*

1.3 The remainder of the report is split into the three sections of:

- **SECTION A** – Revenue Budget 2016-17.
- **SECTION B** – Capital Budget and Prudential Indicators 2016-17.
- **SECTION C** – Other Financial Indicators.

1.4 Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

2. SECTION A - REVENUE BUDGET 2016-17

2.1 Table 2 overleaf provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending by the year end will be £72.020m compared with an agreed budget figure of £73.977m, representing a saving of £1.957m, equivalent to 2.64% of the total budget.

TABLE 2 – REVENUE MONITORING STATEMENT 2016-17

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2016/17

Line No		2016/17 Budget £000	Year To Date Budget £000	Spending to Month 9 £000	Projected Outturn £000	Projected Variance over/ (under) £000
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	28,462	21,316	20,551	27,185	(1,277)
2	Retained firefighters	12,340	8,949	8,607	12,263	(77)
3	Control room staff	1,564	1,165	1,134	1,522	(41)
4	Non uniformed staff	10,152	7,606	7,358	9,683	(469)
5	Training expenses	953	715	637	812	(141)
6	Fire Service Pensions recharge	2,786	2,309	6,281	2,919	133
		56,256	**42,060**	**44,568**	**54,384**	**(1,872)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,192	894	922	1,228	36
8	Energy costs	612	410	205	586	(26)
9	Cleaning costs	450	337	384	450	0
10	Rent and rates	1,686	1,475	1,465	1,657	(29)
		3,939	**3,116**	**2,976**	**3,920**	**(19)**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	629	472	373	593	(36)
12	Running costs and insurances	1,372	1,099	1,286	1,296	(76)
13	Travel and subsistence	1,394	961	967	1,340	(54)
		3,395	**2,532**	**2,625**	**3,229**	**(166)**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,341	1,756	1,528	2,239	(102)
16	Hydrants-installation and maintenance	175	132	107	179	4
17	Communications	2,007	1,505	571	1,998	(9)
18	Uniforms	587	440	417	661	74
19	Catering	171	128	64	74	(97)
20	External Fees and Services	59	44	62	52	(7)
21	Partnerships & regional collaborative projects	141	106	103	142	1
		5,481	**4,111**	**2,878**	**5,345**	**(136)**
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	351	278	185	292	(59)
23	Advertising	35	26	19	35	0
24	Insurances	329	319	463	343	14
		715	**623**	**667**	**670**	**(45)**
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	716	503	534	737	21
		716	**503**	**534**	**737**	**21**
	CAPITAL FINANCING COSTS					
26	Capital charges	3,615	774	843	3,515	(100)
27	Revenue Contribution to Capital spending	3,159	-	-	1,694	(1,465)
		6,773	**774**	**843**	**5,209**	**(1,565)**
28	**TOTAL SPENDING**	**77,275**	**53,719**	**55,091**	**73,494**	**(3,781)**
	INCOME					
29	Investment income	(154)	(115)	(79)	(190)	(36)
30	Grants and Reimbursements	(3,150)	(2,362)	(2,500)	(2,991)	159
31	Other income	(590)	(443)	(365)	(634)	(44)
32	Internal Recharges	(30)	(23)	(31)	(30)	0
33	**TOTAL INCOME**	**(3,923)**	**(2,943)**	**(2,975)**	**(3,844)**	**79**
34	**NET SPENDING**	**73,352**	**50,776**	**52,116**	**69,650**	**(3,702)**
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to Earmarked Reserve	625	469	625	906	281
37	Capital Funding	0		0	1,465	1,465
		625	**469**	**625**	**2,370**	1,746
38	**NET SPENDING**	**73,977**	**51,245**	**52,740**	**72,020**	**(1,957)**

2.2 These forecasts are based upon the spending position at the end of December 2016, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to volatility in spending patterns during the year e.g. retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report.

2.3 This projection for an underspend of £1.957m is largely attributable to savings on staffing costs primarily as a result of in year leavers and retirees not being replaced as agreed as part of the 2013 Corporate Plan implementation

2.4 In addition, all budget managers have been tasked by the Chief Fire Officer and Executive Board to reduce spending 'in year' and managers are responding accordingly.

2.5 Explanations of the more significant variations from budget (over £50k variance) are explained below in paragraphs 3 to 7.

3. EMPLOYEE COSTS

Whole-time Staff

3.1 At this stage it is projected that spending on whole-time pay costs will be £1.277m less than budget largely as a result of more staff retirements and leavers during the year than had been budgeted, reducing staffing levels towards those required post Corporate Plan crewing changes. Given the level of retirements, vacancies are at a level to initiate recruitment of new whole time fire-fighters – the first recruitment for 8 years.

3.2 ***Retained Pay Costs***

At this stage in the financial year spending is forecast to be under budget by £0.077m. In making this projection an assumption has been made that activity levels in the remainder of the financial year are consistent with the average for the same period for the last three financial years. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather

Non Uniformed Pay

3.3 It is anticipated that savings of £0.469m will be achieved against non-uniformed pay costs primarily as a result of staffing vacancies and management action to challenge whether vacancies are filled, as per the agreed strategy. This figure also includes a savings of £0.059m as a result of a reduction in the number of courses to be run this year in relation to the Job Centre Plus initiative. Members are reminded that this initiative is delivering courses on behalf of the Department of Work and Pensions to young adults having trouble securing themselves jobs. This has had a compensatory effect on the Grants & Reimbursements line.

3.4 ***Training Expenses***

The forecast for training expenses is an underspend of £0.141m mainly as a result of delays in planned training for Station 60 (Urban Search & Rescue) of £0.050m and a reduction in the requirement for Organisational Development of £0.023m. The Academy are forecasting to underspend by £0.041m. As mentioned above, there is a reduction in the number of courses being delivered for Job Centre Plus, this also means savings of £0.032m in this financial year relating to associated training costs.

Pensions Recharge

3.5 It is forecast that expenditure will be £0.133m over budget relating to Firefighters Pensions recharges due to anticipated cases of ill-health retirements in 2016-17. This figure is more than had been previously forecast at Q2 (£0.088m). This is due to an ill health pensioner who had service prior to the 2006 pension scheme which Retained staff are able to join, as such, he was entitled to a greater lump sum which is charged against the revenue budget. This figure may be subject to change as given the long term nature of these retirement cases, the leaving date may slip into future financial years. It should be noted that the large difference between the spend to date figure (£6.281m) and the forecast outturn figure (£2.919m) is due to the amount of top-up grant due from the Home Office to balance the pension account.

4. TRANSPORT RELATED COSTS

Running costs and insurances

4.1 Forecast savings of £0.050m on vehicle insurance as a result of the Service moving to new insurance arrangements through the Fire and Rescue Insurance Consortium (FRIC), and £0.026m resulting from savings on vehicle fuel.

Travel and subsistence

4.2 Forecast savings on Travel and Subsistence of £0.054m are mostly due to anticipated savings on lease car costs.

5. SUPPLIES AND SERVICES

5.1 **Equipment and Furniture**

Forecast savings of £0.102m - £0.015m Breathing Apparatus maintenance, £0.020m operational equipment, £0.021m from Community Safety due to fewer Job Centre Plus courses (income offsets) and £0.029m CS Prevention. The Business Intelligence department had been forecasting to spend £0.030m on a replacement system, however this is no longer going to happen in 2016/17. .

Catering

5.2 As a result of the Service decision to close both of the canteens at Service Headquarters and at our Plympton site the spend associated with catering purchases will reduce. We are therefore forecasting an underspend of £0.097m – this will be partially off-set by a reduction in meals income.

Uniforms

5.3 As a result of the requirement to issue additional uniform to stations involved in the Marauding Terrorist Firearms Attack (MTFA) project, we are forecasting an overspend on this line of £0.074m. The MTFA Project has been established to help protect against terrorist threats as recently suffered in Paris and Nice and involves equipping firefighters with the necessary protection to engage in these incidents.

6. ESTABLISHMENT COSTS

6.1 Printing, Stationery and office expenses is anticipated to underspend by £0.059m. A large proportion of this £0.031m comes from the fact that there is a significant reduction in the running of the Job Centre Plus courses detailed earlier in the report.

7. CAPITAL FINANCING COSTS

Capital Charges

7.1 We are anticipating an under spend of £0.100m on this budget line to reflect the fact a number of leased vehicles have now been either returned or the leases have been bought out.

Revenue Contribution to Capital Spending

7.2 Due to reduced in-year capital expenditure, as reported in Section B of this report, it is forecast that £1.465m of the Revenue Contribution to Capital will not be utilised in 2016-17. The final amount of unutilised budget at year end will be transferred to the Capital funding reserve for use in future years.

8. INCOME

Grant and Reimbursements

8.1 It is anticipated that there will be a £0.159m under recovery against a budget of £3.150m. This is mainly due to fewer Job Centre Plus courses in this year – as reported earlier in this report there will be a corresponding reduction in costs to match this reduction of income.

9. TRANSFERS TO EARMARKED RESERVES

Proposed Transfer to Earmarked Reserve

9.1 There has been a pilot operating since October 2014 within Central Command to introduce a new approach to the delivery of Home Fire Safety checks and visits as part of our continued drive to reduce fatal fires and injuries in domestic properties. Following completion of this pilot, it has been agreed that that this new approach be rolled out across the Service for an initial period of two years.

9.2 This will involve the leasing of vehicles, purchasing of equipment, development of a new reporting system and the provision of mobile hand held devices. A new team of technicians will deliver visits using these fully equipped vehicles across DSFRS with a potential capacity to deliver over 20,000 visits per year. This approach will provide DSFRS with a resilient platform on which to develop efficient collaborative approaches to community risk reduction through joint working with the police, health, and other key partners. Through the use of technicians it will also address the risks raised in both the Peer Review and by Internal Audit regarding the reliance on advocates.

9.3 The cost of this new approach is estimated to be £0.463m per annum. An amount of £0.182m of this cost can be funded from the existing earmarked reserve for Community Safety investment leaving a balance of £0.281m of additional cost in the first year.

9.4 Elsewhere within the agenda for the meeting is a separate report to consider the proposed revenue budget and council tax for 2017-18. This new investment of £0.281m would ordinarily be included within that budget proposal, however given the underspend position in the current year an alternative approach is to utilise an amount of £0.281m from the underspend to increase the Community Safety earmarked reserve. This alternative approach would secure the funding for the first year and avoid the need to increase the 2017-18 revenue base budget by this amount. The 2018-19 cost will need to be considered as part of the 2018-19 budget setting process.

9.5 The Committee is asked to make a recommendation to the next meeting of the Devon and Somerset Fire and Rescue Authority that, from the 2016-17 underspend, an amount of £0.281m be transferred to the existing earmarked reserve for Community Safety investment. It should be emphasised that the figures reported in Table 2 already reflect this transfer on the basis that the Committee support this request.

10. RESERVES AND PROVISIONS

10.1 As well as the funds available to the Authority by setting an annual budget, the Authority also holds reserve and provision balances.

Reserves

10.2 There two types of Reserves held by the Authority:

Earmarked Reserves – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is **non-specific** and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

10.3 In addition to reserves the Authority may also hold provisions which can be defined as:

Provisions – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

10.4 A summary of predicted balances on Reserves and Provisions is shown in Table 3 overleaf. These figures includes the proposed in-year transfer to earmarked reserve of £0.281m outlined in paragraphs 9.1 to 9.5, and also the proposed transfer at year-end relating to unutilised revenue contribution to capital, currently forecast at £1.465m as outlined in paragraph 7.2. However the figures exclude utilisation of the year-end underspend which will be subject to a formal reserve request at year end.

TABLE 3 – FORECAST RESERVES AND PROVISION BALANCES 31 MARCH 2017

RESERVES AND PROVISIONS							
RESERVES	**Balance as at 1 April 2016 £000**	**Approved Transfers £000**	**Proposed Transfers £000**	**Spending to P9 £000**	**Projected Spend 2016-17 £000**	**Proposed Balance as at 31 March 2017 £000**	
Earmarked reserves							
Grants unapplied from previous years	(983)	-	-	241	352	(631)	
Change & improvement programme	(1,112)	-	-	429	852	(260)	
Budget Carry Forwards	(696)	-	-	169	380	(316)	
Commercial Services	(192)	-	-	2	58	(134)	
Direct Funding to Capital	(12,911)	(625)	(1,465)	-	321	(14,680)	
Comprehensive Spending Review*	(4,957)	-	-	-	-	(4,957)	
Community Safety Investment	(173)	-	(281)	69	152	(301)	
PPE & Uniform Refresh	(996)	-	-	367	344	(652)	
Pension Liability reserve	(1,525)	-	-	-	-	(1,525)	
National Procurement Project	(372)	-	-	68	-	(372)	
NNDR Smoothing Reserve	(612)	-	-	-	-	(612)	
Total earmarked reserves	**(24,529)**	**(625)**	**(1,746)**	**1,345**	**2,460**	**(24,440)**	
General reserve							
General fund balance	**(5,282)**		-	**-**	**-**	**(5,282)**	
Percentage of general reserve compared to net budget							7.14%
TOTAL RESERVE BALANCES	**(29,812)**					**(29,723)**	
PROVISIONS							
Fire fighters pension schemes	(694)		-	2	62	(632)	
PFI Equalisation	(295)		-	.	-	(295)	
TOTAL PROVISIONS	**(989)**		-	**2**	**62**	**(927)**	

** The CSR Reserve has been established to provide additional financial contingency during the period of austerity, which is now confirmed by the CSR 2015 to run until at least 2019-20. It provides contingency in the event that transfers from reserves are required to meet government grant reductions and spending pressures in the Authority's Medium Term Financial Plan.*

11. SUMMARY OF REVENUE SPENDING

11.1 At this stage it is forecast that spending will be £1.957m less than the agreed budget figure for 2016-17, which aligns with the strategy adopted to deliver in-year savings where possible to be available to enhance Reserve balances and prepare the Authority for future austerity measures.

11.2 Given that we are three quarters of the way through the financial year, and the figures will inevitably be subject to change, this report does not make any recommendation as to how this forecast saving is to be utilised at this stage.

11.3 At this time there are two emerging budgetary issues which may be required to bring forward to members as a recommendation to utilise in year underspend once further details are known and the risk has been assessed. Firstly, local partners have raised concerns about funding for the Emergency Services Mobile Communications Project (ESMCP) and whether the government grant will be sufficient to cover costs of implementation. Secondly, there may be a requirement to enhance the Change and Improvement reserve to support transformational projects and collaborative work.

11.4 Future decisions to be made by the Committee on utilisation of in-year savings will be influenced by other factors e.g. the need to support capital spending plans therefore reducing debt exposure, and also the need to maintain sufficient Reserve balances during the period of austerity.

Budget Virements

11.5 Financial Regulations require that in-year virements between objective budget lines in excess of £100,000 require the approval of the Resources Committee, and the full Authority where the amount exceeds £200,000 (Regulations A19 and A20 refers).

11.6 Table 4 below provides details of proposed transfers between objective budget headings to reflect changes to the organisational structure that was implemented earlier in this year. This resulted in £1.423m being moved between different Departments to reflect the change. The budget figures in Table 2 are not affected by the impact of these virements.

TABLE 4

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

12. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2016-17

Monitoring of Capital Spending in 2016-17

12.1 Table 5 overleaf provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.

TABLE 5 – FORECAST CAPITAL EXPENDITURE 2016-17

Item	PROJECT	2016/17 £000 Revised Budget	2016/17 £000 Forecast Outturn	2016/17 £000 Timing Differences	2016/17 £000 Re-scheduling/ Savings
	Estate Development				
2	Minor improvements & structural maintenance	2,095	1,581	(514)	0
	Estates Sub Total	**2,095**	**1,581**	**(514)**	**0**
	Fleet & Equipment				
3	Appliance replacement	1,854	1,660	(40)	(154)
4	Community Fire Safety	0	0	0	0
5	Specialist Operational Vehicles	265	217	(48)	(0)
6	Equipment	1,377	487	(7)	(883)
7	ICT Department	800	50	(750)	0
8	Water Rescue Boats	26	26	0	0
	Fleet & Equipment Sub Total	**4,322**	**2,440**	**(845)**	**(1,037)**
	Overall Capital Totals	**6,417**	**4,021**	**(1,359)**	**(1,037)**
	Programme funding				
	Earmarked Reserves:	**1,266**	**321**	**(945)**	**0**
	Revenue funds:	**3,159**	**1,708**	**(414)**	**(1,037)**
18	Application of existing borrowing	1,992	1,992	0	0
	Total Funding	**6,417**	**4,021**	**(1,359)**	**(1,037)**

12.2 Forecast Capital expenditure for the year is £4.021m against a revised budget of £6.417m. Previous slippage reported at Quarter 2 of £1.162m has increased to £1.359m for Quarter 3, the movements against budget represent timing differences whereby the budget for those projects will be spent in future years.

12.3 As previously reported, the majority of timing differences of £1.359m is due to delays to the purchase of new Mobile Data Terminals (MDTs) in fire appliances (£0.750m). There is uncertainty over this project due to the planned change of carrier for communications in 2019 (was Airwave) under the Emergency Services Mobile Communications Project. Analysis is underway to assess whether MDTs can be purchased which are compatible with both systems and offer good value for money for the transitional period whilst alternatives such as using second hand items from another service are also being explored.

12.4 Two projects for investment in equipment amounting to £0.904m have already been subject to programme rescheduling by the Resources Committee at Quarter 1. The L4P replacement pilot requires just one prototype now rather than the original two releasing a further £0.134m of Capital funding back to the Earmarked Reserve for Capital expenditure.

12.5 None of these changes require any increase in the external borrowing requirement.

Prudential Indicators (including Treasury Management)

12.6 Total external borrowing with the Public Works Loan Board (PWLB) as at 31 December 2016 stands at £25.770m (a slight reduction from the balance at the end of September which was £25.790m). This level of borrowing is well within the Authorised Limit for external debt of £28.101m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.

12.7 Investment returns in the quarter yielded an average return of 0.54% which outperforms the LIBID 3 Month return (industry benchmark) of 0.264%. The anticipated reduction in interest rates following the vote for Brexit hasn't materialised yet. It is therefore forecast that investment returns from short-term deposits is anticipated to come in over the budgeted figure of £0.154m by 31 March 2017.

12.8 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2016-2017, which illustrates that there was no breach of any of these indicators.

13. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

13.1 Total debtor invoices outstanding as at Quarter 3 were £172,332 (previous quarter £32,630). Table 5 below provides a summary of all debt outstanding as at 31 December.

13.2 Of this figure an amount of £835 (£9,623 as at 30 September 2016) was due from debtors relating to invoices that are more than 85 days old, equating to just 0.48% (29.49% as at 30 September 2016) of the total debt outstanding. Table 6 below provides an analysis of all debt in excess of 85 days.

TABLE 6 – OUTSTANDING DEBT AS AT 31 DECEMBER 2016

	Total Value £	**%**
Current (allowed 28 days in which to pay invoice)	38,842	22.54%
1 to 28 days overdue	126,122	73.19%
29-56 days overdue	4,288	2.49%
57-84 days overdue	2,245	1.30%
Over 85 days overdue	835	0.48%
Total Debt Outstanding as at 31 December 2016	**172,332**	**100.00%**

13.3 Table 7 below provides further analysis of those debts in excess of 85 days old.

TABLE 7 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	**Total Value**	**Action Taken**
Individual Debts less than £1,000	3	£835	Each debt being pursued by the Risk and Insurance Officer.

Payment of Supplier Invoices within 30 days

13.4 There is a statutory requirement from April 2015 for the Authority to pay all undisputed invoices within 30 days. The performance for this year to date is calculated to be 82%. The process for recording this data is very manually intensive, however we are exploring ways within the finance team, to ensure the system is able to capture the data for us in the future. Due to long-term absenteeism, this hasn't been feasible to explore until now.

13.5 The statutory requirement is to publish performance data on supplier performance on an annual basis and therefore there is not a current risk of breach. Information will be passed on to members on year to date performance when this becomes available.

KEVIN WOODWARD
Treasurer to the Authority

APPENDIX A TO REPORT RC/17/4

PRUDENTIAL INDICATORS 2016-17

Prudential Indicators and Treasury Management Indicators	Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure	**4.021**	**6.417**	**(2.369)**
External Borrowing vs Capital Financing Requirement (CFR) - Total	**27.098**	**27.098**	**0.000**
- Borrowing	25.724	25.724	
- Other long term liabilities	1.374	1.374	
External borrowing vs Authorised limit for external debt - Total	**27.098**	**28.101**	**(1.003)**
- Borrowing	25.724	26.824	
- Other long term liabilities	1.374	1.278	
Debt Ratio (debt charges as a %age of total revenue budget	**4.17%**	**4.18%**	**(0.01)bp**
Cost of Borrowing – Total	**1.092**	**1.092**	**(0.000)**
- Interest on existing debt as at 31-3-16	1.092	1.092	
- Interest on proposed new debt in 2016-17	0.000	0.000	
Investment Income – full year	**0.190**	**0.154**	**(0.036)**

	Actual (30 December 2016) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	**0.54%**	**0.26%**	**(0.28)bp**

Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2017) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00%)
Maturity structure of borrowing limits				
Under 12 months	0.36%	30.00%	0.00%	(29.51%)
12 months to 2 years	0.36%	30.00%	0.00%	(29.14%)
2 years to 5 years	3.03%	50.00%	0.00%	(48.92%)
5 years to 10 years	6.34%	75.00%	0.00%	(66.78%)
10 years and above	**89.91%**	**100.00%**	**50.00%**	**(10.14%)**
- 10 years to 20 years	17.34%			
- 20 years to 30 years	16.33%			
- 30 years to 40 years	20.21%			
- 40 years to 50 years	36.03%			

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