

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

16 February 2018

Present:-

Councillors Randall Johnson (Chair), Best, Biederman, Bown, Clayton, Chugg, Coles, Colthorpe, Eastman, Ellery, Greenslade, Hannaford, Healey MBE (Vice-Chair), Hendy, Hosking, Leaves, Peart, Prowse, Saywell, Thomas, Trail BEM, Vijeh and Wheeler.

Apologies:-

Councillors Napper, Redman and Riley.

**DSFRA/60 Minutes**

**RESOLVED** that the Minutes of the meeting held on 18 December 2017 be signed as a correct record.

**DSFRA/61 Questions and Petitions from the Public**

In accordance with Standing Order 11, the Authority received a question from Mrs. E. F. Morris of Westward Ho! on the recently-held consultation on the draft Integrated Risk Management Plan and specifically on the accuracy of certain information contained in the draft Plan.

As Mrs. Morris was unable to attend the meeting, the question was read out by the Clerk who also indicated that a written response (a copy of which was circulated to those Authority Members present at the meeting) would be provided to Mrs. Morris.

***(SEE ALSO MINUTE DSFRA/70 BELOW).***

**DSFRA/62 Address by the Fire Brigades Union**

In accordance with Standing Order 12, the Authority received an address from the Fire Brigades Union expressing concern over the consultation process recently undertaken for the proposed Integrated Risk Management Plan.

***(SEE ALSO MINUTE DSFRA/70 BELOW).***

**DSFRA/63 Minutes of Committees**

**a Audit & Performance Review Committee**

The Chair of the Committee, Councillor Wheeler, **MOVED** the Minutes of the meeting held on 17 January 2018 which had considered, amongst other things:

- a proposal for a meeting of the Committee on 27 July 2018;
- an update on work undertaken by the Authority's external auditor, Grant Thornton;
- The Annual Audit Letter for the Authority (for the year ended 31 March 2017) as provided by Grant Thornton;
- a report on group accounts for the Authority and Red One Ltd.;
- a report on progress against the approved internal audit plan for the current (2017-18) financial year;

- an update on the Corporate Risk Register;
- a report on performance of the Devon & Somerset Fire & Rescue Service during Quarter 2 of the current financial year against measures adopted by the Authority; and
- an audit and review progress report on IT security.

#### **RESOLVED**

- (i). that the recommendation at Minute APRC/17 (Additional Meeting Date 2018) be approved;
- (ii). that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

#### **b Community Safety & Corporate Planning Committee**

The Vice-Chair of the Committee, Councillor Eastman, **MOVED** the Minutes of the meeting held on 1 February 2018 which had considered, amongst other things:

- results from the recently-held consultation on the draft Integrated Risk Management Plan (IRMP); and
- a proposed new planning framework for the Authority (to include a community-facing Integrated Risk Management Plan and an organisational Fire & Rescue Plan).

For information purposes, a copy of report CSCPC/182 (New Planning Framework) was included with the agenda for this Authority meeting.

#### **RESOLVED**

- (i). that the recommendation at Minute CSCPC/9 (Draft Integrated Risk Management Plan 2018 – 2022 Consultation Results) be considered in conjunction with Minute DSFRA/70 below;
- (ii). that the recommendation at Minute CSCPC/10 (New Planning Framework) be approved;
- (iii). that, subject to (i) and (ii) above, the Minutes be adopted in accordance with Standing Orders.

***(SEE ALSO MINUTE DSFRA/70 BELOW)***

#### **c Resources Committee**

The Chair of the Committee, Councillor Coles, **MOVED** the Minutes of the budget meeting held on 8 February 2018 (as tabled at the meeting) which had considered, amongst other things:

- a report on financial performance as at the third quarter of the current (2017-18) financial year;
- a report on the proposed revenue budget and council tax levels for the forthcoming (2018-19) financial year;
- a report on the proposed Capital Programme 2018-19 to 2020-21;
- a report on the proposed Treasury Management Strategy (including prudential and treasury indicators) for the forthcoming financial year;
- a report on treasury management performance as at Quarter 3 of the current financial year; and

- a financial statement for Red One Ltd. to Quarter 3 of the current financial year.

## **RESOLVED**

- (i). that the recommendation at Minute RC/12 (“Financial Performance Report 2017-18: Quarter 3) relating to budget transfers in excess of £150,000, as shown in the Appendix to the Minutes of the meeting, be approved;
- (ii). that the recommendations at Minutes RC/13 (“2018-19 Revenue Budget and Council Tax Levels”), RC/14 (“Capital Programme 2018-19 to 2020-21”) and RC/15 (“Treasury Management Strategy [including Prudential and Treasury Indicators] Report 2018-19 to 2020-21”) be considered in conjunction with Minutes DSFRA 64 (a), (b) and (c) respectively;
- (iii). that, subject to (i) and (ii) above, the Minutes be adopted in accordance with Standing Orders.

***(SEE ALSO MINUTES DSFRA/64 (a), (b) AND (c) AND DSFRA/70 BELOW).***

## **DSFRA/64 Revenue and Capital Budgets**

### **a 2018-19 Revenue Budget and Council Tax Levels**

The Authority considered a joint report of the Director of Finance (Treasurer) and Chief Fire Officer (DSFRA/18/1) on the proposed revenue budget and associated Council Tax levels for 2018-19.

A provisional local government settlement for 2018-19 of £22.618m had been announced on 19 December 2017, as part of a four-year grant settlement. The Settlement Funding Assessment represented a reduction for 2018-19 of 5.3% over 2017-18 and an overall reduction of 25.4% by 2019-20 when compared to the settlement for 2015-16. The Director of Finance (Treasurer) confirmed at the meeting that the provisional settlement as announced on 19 December had subsequently been confirmed as the final settlement for 2018-19.

The government had also announced a threshold of 3% for Council Tax increases for the next two financial years, beyond which local authorities would be required to hold a referendum. This was a 1% increase over the 2017-18 threshold, possibly in recognition of likely pay awards. The proposed budget contained provision for a 3% pay award for uniformed staff. Each 1% pay award equated, for this Authority, to a cost of £0.517m which was greater than the income that an additional 1% Council Tax increase would generate (£0.487m). The report also identified, however, the view of the Director of Finance (Treasurer) that, in light of an indicative cost of £2.3m to hold a referendum, consideration of a Council Tax increase in excess of 3% was not a viable option for this Authority.

A core budget requirement of £75.871m (representing a 4.51% [£3.275m] increase over the 2017-18 budget) for 2018-19 had been identified and, in light of the referendum threshold, two associated Council Tax options were proposed:

**Option A** – freeze Council Tax at the 2017-18 level (£81.57 for a Band D property);

**Option B** – increase Council Tax by 2.99% above the 2017-18 level (£84.01 for a Band D property).

Even with a 2.99% increase, the core budget requirement exceeded available funding. Consequently, the report identified savings of £0.711m and also proposed that, depending on the decision on the level of Council Tax to be set, the remaining shortfall in funding required to set a balanced budget in 2018-19 should, as a short-term solution (given the need to maintain the Comprehensive Spending Review earmarked reserve to fund future change activity), be met by reducing the revenue budget contribution to capital funding as indicated:

**Option A (Council Tax freeze)** – reduction of £2.571m;

**Option B (2.99% Council Tax increase)** – reduction of £1.289m.

While the four-year settlement afforded greater certainty for future funding, the Authority's Medium Term Financial Plan indicated that further savings would be required beyond 2018-19 to deliver a balanced budget, with the actual level of savings ranging between £8.4m (2.99% Council Tax increase) to £14.6m (Council Tax Freeze).

As required by the Local Government Finance Act 1992, non-domestic rate payers had been consulted on the proposals for Council Tax levels. Additionally, as previously agreed by the Authority, public consultation had also taken place. The consultation had been conducted by telephone surveys and by using social media, within the budget of £13,500 as previously agreed by the Authority. The results of the consultation, which ran from 13 November to 18 December 2017, were, in summary:

- for the telephone survey, the majority of business respondents (62%) and the public (63%) felt that it would be reasonable for the Authority to increase its precept to lessen the impact of funding cuts;
- 73% of on-line responses were supportive of increasing the precept;
- the majority of business respondents (50%) and the public (60%) were in favour of a flat-rate £5 precept increase, with this being supported by 48% of the respondents to the online survey;
- the Twitter poll resulted in responses of 30% support for a £5 flat-rate increase, 21% support for a 2% increase, 15% support for a 1% increase, with 34% being in favour of no increase at all.

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

The 2018-19 revenue budget and council tax levels and been considered by the Resources Committee (Budget) meeting held on 8 February 2018 which had resolved (Minute RC/13 refers)

*“that it be recommended to the Authority that the level of Council Tax in 2018-19 for a Band D property be set at £84.01, as outlined in Option B of report RC/18/7, representing a 2.99% increase over 2017-18”.*

Following debate on the matter, Councillor Hannaford **MOVED**, with Councillor Greenslade seconding:

*“that the Authority approves Option B – a 2.99% increase in Council Tax for the 2018-19 financial year.”*

Members then debated proposals to amend this Motion to the effect of:

- making representations to the Government expressing disappointment that, for the forthcoming (2018-19) financial year the Authority had not been afforded the same flexibility on the Council Tax referendum limit as had applied to other authorities with similar sized budgets (despite having made representations to this effect); and
- that, for the 2019-20 financial year, the Authority should develop a business case on Council Tax referendum limits reflecting Service need requirements, with local Members of Parliament engaged in both supporting and promoting this business case.

Councillor Hannaford indicated that he was prepared to accept an amendment to this effect. The Motion as duly amended was then put to the vote and declared **CARRIED**, unanimously, whereupon it was

### RESOLVED

- that, as recommended by the Resources Committee meeting held on 8 February 2018 (Minute RC/13 refers), the level of Council Tax in 2018-19 for a Band D property be set at £84.01, as outlined in Option B of report DSFRA/18/1, representing a 2.99% increase over 2017-18;
- that, accordingly, a Net Revenue Budget Requirement for 2018-19 of £73,870,800 be approved;
- that, as a consequence of the decisions at (i) and (ii) above:
  - the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £50,329,338 (Option B), as detailed on page 2 of the respective budget booklet (circulated separately with the agenda for the meeting) and reproduced in the following table, be approved:

Billing Authority	Tax Base Used for Collection	Surplus/ (Deficit) for 2017-18	Precepts due 2018-19	Total due 2018-19
East Devon	58,669.00	59,458	4,928,783	4,988,241
Exeter	36,547.00	80,000	3,070,313	3,150,313
Mendip	39,599.15	78,384	3,326,725	3,405,109
Mid Devon	28,297.74	16,985	2,377,293	2,394,278
North Devon	33,436.99	32,715	2,809,042	2,841,757
Plymouth City	71,932.00	35,792	6,043,007	6,078,799
Sedgemoor	40,077.97	79,381	3,366,950	3,446,331
South Hams	37,851.93	28,000	3,179,941	3,207,941
South Somerset	59,988.28	21,364	5,039,615	5,060,979
Taunton Deane	41,486.30	31,326	3,485,264	3,516,590
Teignbridge	48,577.00	46,637	4,080,954	4,127,591
Torbay	44,865.89	124,817	3,769,183	3,894,000
Torridge	23,552.45	5,000	1,978,641	1,983,641
West Devon	20,117.85	28,000	1,690,101	1,718,101
West Somerset	14,087.92	18,932	1,183,526	1,202,458
	<b>599,087.47</b>	<b>686,791</b>	<b>50,329,338</b>	<b>51,016,129</b>

- that the Council Tax for each property band A to H associated with the total precept of £50,329,338 (Option B), as detailed on page 2 of the respective budget booklet and reproduced in the following table, be approved:

Valuation Band	Ratio	Government Multiplier %	Council Tax (£.p)
A	6/9	0.667	56.01
B	7/9	0.778	65.34
C	8/9	0.889	74.68
<b>D</b>	<b>1</b>	<b>1.000</b>	<b>84.01</b>
E	11/9	1.222	102.68
F	13/9	1.444	121.35
G	15/9	1.667	140.02
H	18/9	2.000	168.02

- (iv). that the Treasurer's "Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority's Reserve Balances", as set out at Appendix B to the report and reproduced at Appendix A to these Minutes, be endorsed;
- (v). that the Director of Finance (Treasurer) be asked to write on behalf of the Authority to the Ministry for Housing, Communities and Local Government expressing disappointment that, for the forthcoming (2018-19) financial year the Authority had not been afforded the same flexibility on the Council Tax referendum limit as had applied to other authorities with similar sized budgets (despite having made representations to this effect); and
- (vi). that, for the 2019-20 financial year, a business case on Council Tax referendum limits (reflecting Service need requirements) be developed, with local Members of Parliament engaged in both supporting and promoting this business case.

**(SEE ALSO MINUTE DSFRA/63(c) ABOVE).**

**b Capital Programme 2018-19 to 2020-21**

The Authority considered a joint report of the Chief Fire Officer and the Director of Finance (Treasurer) (DSFRA/18/2) on proposals for the Authority's three-year Capital Programme 2018-19 to 2020-21. All aspects of the proposed programme as set out in the report had been constructed in accordance with the Authority-set Prudential Indicator that debt charges from external borrowing should not exceed 5% of the Authority's approved revenue budget. The Authority had set a strategy to reduce reliance on external borrowing and the proposed Capital Programme for 2018-19 to 2020-21 (together with an indicative programme for 2021-22 to 2023-24, as set out in the report for illustrative purposes only) had been produced on the basis that no new borrowing would occur within that period.

The proposed programme detailed indicative capital expenditure on estates using information from the Estates review after appropriate consultation to ensure that the programme would meet all operational and risk considerations. The Fleet replacement programme provided for the introduction of smaller type appliances to be continued (with 25 Rapid Intervention Vehicles to be completed during 2018-19) together with other appliance replacements.

The report also summarised the Prudential Indicators associated with proposed Programme, which had been commended for approval by the Resources Committee at its budget meeting held on 8 February 2018 (Minute RC/14 refers).

**RESOLVED** that, as recommended by the Resources Committee at its budget meeting held on 8 February 2018:

- (i). the draft Capital Programme 2018-19 to 2020-21 and associated Prudential Indicators, as detailed in report DSFRA/18/2 and summarised in Appendices B and C respectively to these Minutes, be approved; and
- (ii). that, subject to (i) above, the forecast impact of the proposed Capital Programme (from 2021-22 onwards) on the 5% debt ratio Prudential Indicator, as indicated in the report, be noted.

***(SEE ALSO MINUTES DSFRA/63(c) ABOVE AND DSFRA/64(c) BELOW)***

**c Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2018-19 to 2020-21**

The Authority considered a report of the Director of Finance (Treasurer) (DSFRA/18/3) setting out, amongst other things:

- a treasury management and investment strategy for 2018-19, with associated indicators; and
- a Minimum Revenue Provision statement for 2018-19.

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

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

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

The proposed Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Statement for 2018-19 had been considered by the Resources Committee meeting held on 8 February 2018 which had resolved to recommend their approval to the Authority (Minute RC/15 refers).

At the conclusion of the debate on this item, the Authority asked that their appreciation for the work of the Director of Finance (Treasurer) and the finance team in producing the budget reports be placed on record.

**RESOLVED** that, as recommended by the Resources Committee:

- (i). the Treasury Management and Annual Investment Strategy for 2018-19 as detailed in report DSFRA/13/3 be approved;
- (ii). the Prudential Indicators and Treasury Management Indicators as detailed in the report and set out at Appendix C to these Minutes be approved; and
- (iii). the Minimum Revenue Provision (MRP) statement for 2018-19, as set out in the report and attached to these Minutes as Appendix D, be approved.

***(SEE ALSO MINUTES DSFRA/63(c) AND DSFRA/64(b) ABOVE)***

## **DSFRA/65 Integrated Risk Management Plan 2018 - 2022**

The Authority considered a report of the Chief Fire Officer (DSFRA/18/4) to which was appended the proposed Integrated Risk Management Plan (IRMP) 2018 – 2022. The draft Plan, as approved by the Authority at its meeting on 20 October 2017 (Minute DSFRA/40 refers), had been subject to an eight week consultation the results of which had been considered by the Community Safety & Corporate Planning Committee at its meeting on 1 February 2018. The Committee had subsequently resolved to recommend the IRMP to the Authority for approval (Minute CSCPC/9 refers).

Councillor Eastman **MOVED** (with Councillor Ellery seconding):

“that the Integrated Risk Management Plan 2018 – 2022, as appended to report DSFRA/18/4, be approved”.

Some Authority Members commented on concerns expressed by the FBU and one member of the public as to the consultation process undertaken for the draft Integrated Risk Management Plan. Additionally, Councillor Hannaford expressed concern over the high-level, strategic nature of the document and **MOVED** (with Councillor Biederman seconding) that the Motion before the Authority be **AMENDED**:

“by replacement of words “be approved” by the words “be deferred” i.e. the Motion to read that the that the Integrated Risk Management Plan 2018 – 2022, as appended to report DSFRA/18/4, be deferred”.

In debating this issue further, Members commented that the draft Plan had been considered both by the Community Safety & Corporate Planning Committee and the full Authority prior to the consultation period commencing.

The Director of Service Improvement confirmed that the plan was evidence-based and that the outcome of the consultation was that the majority (70%) of respondents either agreed or strongly agreed that the plan accurately identified risks to be addressed and high-level mitigating actions to deal with these risks. The draft Plan had been subject to a full consultation process (including engagement and responses from representative bodies).

The Director of Service Improvement advised that the “Risk Category – Efficient and effective use of our resources” section of the Plan, “Did you know...?” third bullet point would be amended to read “One two-pump on-call station has attended 170 RTC incidents in five years, whereas another two-pump on-call station attended only one”.

Detailed action plans arising from the Integrated Risk Management Plan would be subject to further consultation as required and in line with Best Value Statutory guidance.

The amendment as moved by Councillor Hannaford was then put to the vote and declared **LOST**.

Members commented that the Community Safety & Corporate Planning Committee would consider and recommend detailed proposals arising from the Integrated Risk Management Plan and that there might also be merit in establishing a Task and Finish Group, to be open to all Authority Members, to consider the potential consequences of implementation of such proposals.

Councillor Eastman indicated that he would be prepared to accept an amendment to this effect. The Motion, amended as indicated, was then put to the vote and declared **CARRIED** whereupon it was



## **RESOLVED**

- (a). that, subject to the amendment as indicated at the meeting by the Director of Service Improvement, the Integrated Risk Management Plan 2018 – 2022, as appended to report DSFRA/18/4, be approved;
- (b). that detailed proposals arising from the Integrated Risk Management Plan 2018 – 2022 be subject to appropriate consultation and approval by the Authority, through the Community Safety & Corporate Planning Committee;
- (c). that a Members Task and Finish Group (open to all Authority Members) be established to examine the potential consequences of implementation of any such proposals.

***(IN ACCORDANCE WITH STANDING ORDER 24(3), COUNCILLOR HANNAFORD REQUESTED THAT HIS VOTE AGAINST APPROVAL OF THE INTEGRATED RISK MANAGEMENT PLAN 2018 – 2022 BE RECORDED).***

### **DSFRA/66 Consultations - Fire & Rescue Service National Framework for England and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspection Programme and Framework 2018-19**

The Authority considered a report of the Chief Fire Officer (DSFRA/18/5) to which was appended, amongst other things, proposed responses to the consultations on:

- the Fire & Rescue National Framework for England (the deadline for responding had been extended for this Authority, following a request to the Home Office, to 16 February 2016); and
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspection Programme and Framework 2018-19 (deadline for responding: 19 February 2018).

The Chair proposed that both draft consultation responses should be amended by the addition of a paragraph (as tabled at the meeting) setting out contextual details of the Devon & Somerset Fire & Rescue Authority (geography and population, resources, risks faced).

**RESOLVED** that, subject to inclusion of the additional contextual paragraph (as amended further at the meeting), the responses to the consultations on the Fire & Rescue National Framework for England and on Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspection Programme and Framework 2018-19, as appended to report DSFRA/18/5, be approved and the Chief Fire Officer authorised to submit them on behalf of the Authority.

### **DSFRA/67 Chair's Announcements**

The Authority received, for information, details of events attended by both the Chair and Vice-Chair since the last Authority meeting.

### **DSFRA/68 Chief Fire Officer's Announcements**

The Chief Fire Officer reported, for information on:

- the recent road traffic fatalities on the M5 motorway and A30 and specifically "defusing" afforded to Service staff involved in attending those incidents; and
- a fire fatality in the Tiverton area involving an elderly male.

**DSFRA/69 Exclusion of the Press and Public**

**RESOLVED** that the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

**DSFRA/70 Resources Committee 8 February 2018 - Restricted Minutes**

(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).

(Councillors Healey MBE, Saywell and Thomas each declared a personal, non-pecuniary interest in this matter by virtue of their being Authority-appointed non-executive directors on the Board of Red One Ltd).

Councillor Coles **MOVED** the restricted minutes of the meeting of the Resources Committee held on 8 February 2018 (as tabled at the meeting) which had considered, amongst other things, an update on the performance of Red One Ltd.

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

***(SEE ALSO MINUTE DSFRA/63(c) ABOVE)***

The Meeting started at 10.00 am and finished at 12.20 pm

**APPENDIX A TO THE MINUTES OF THE BUDGET MEETING OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY MEETING HELD ON 16 FEBRUARY 2018**

**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 2018-19 BUDGET**

The net revenue budget requirement for 2018-19 has been assessed as £73.870m (Option B in report). In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Corporate Plan. It should be emphasised that these assessments are being made for a period up to the 31 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 2019-20 to 2021-22. 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 2018-19 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO VOLATILE CHANGES**

Budget Head	Budget Provision 2018-19 £m	RISK AND IMPACT	MITIGATION
Wholetime Pay Costs	28.7	Wholetime Pay represents nearly a third of Service costs. There is a high level of uncertainty around future pay increases, particularly whether pay awards will be linked to a change to the Firefighter role map to include emergency medical response. Each 1% pay award is equivalent to £xxx of additional pressure on the revenue budget. It is not anticipated that any additional funding will be allocated for pay and therefore large increases could mean the Authority needs to utilise reserves in order to balance its budget.	An unfunded pay award of 3% has been factored in to the budget for 2018-19 which represents a prudent approach.
Retained Pay Costs	12.8	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 2018-19 an allowance has been made for a potential overspend on this budget
Fire-fighter's Pensions	2.7	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 2018-19 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 2018-19 an allowance has been made for a potential overspend on this budget
Fuel Costs	0.7	As fuel prices are slowly starting to increase it is highly possible that inflationary increases could be in excess of the budget provided.	In establishing a General Reserve for 2018-19 an allowance has been made for a potential overspend on this budget
Treasury Management Income	(0.2)	As a result of the economic downturn in recent years, and the resultant low investment returns, the ability to achieve the same levels of income returns as in previous years is diminishing. The uncertainty over future market conditions means that target investment returns included in the base budget could be at risk.	The target income for 2018-19 has been set at a prudent level of achieving only a 0.6% 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	(0.7)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.7m of external income whilst setting the reliance on the Service budget for Red One Income at £0.3m. 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	10.3	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	(0.9)	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 £0.6m set up for NNDR smoothing in future years which will be utilised to smooth in year changes.

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

Total Reserve balances for the Authority as at April 2017 is £35.3m made up of Earmarked Reserves (committed) of £30.0m, and General Reserve (uncommitted) of £5.3m. This will decrease by the end of the financial year as a result of planned expenditure against those reserves during the year. A General Reserve balance of £5.3m is equivalent to 7.3% of the total revenue budget, or 27 days of Authority spending, and places the Authority in the middle quartile when compared to other fire and rescue authorities.

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

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

## **CONCLUSION**

It is considered that the budget proposed for 2018-19 represents a sound and achievable financial plan, and will not increase the Authority’s risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

**APPENDIX B TO THE MINUTES OF THE BUDGET MEETING OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY MEETING HELD ON 16 FEBRUARY 2018**

PROJECT	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000
	Budget	Budget	Budget	Indicative Budget	Indicative Budget	Indicative Budget
<b>Estate Development</b>						
Site re/new build (subject to formal authority approval)	400	500	0	0	0	0
Improvements & structural maintenance	2,943	4,200	2,500	1,800	1,800	1,800
<b>Estates Sub Total</b>	<b>3,343</b>	<b>4,700</b>	<b>2,500</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>
<b>Fleet &amp; Equipment</b>						
Appliance replacement	4,150	3,700	2,500	2,700	2,700	2,700
Specialist Operational Vehicles	125	600	200	0	0	0
Equipment	1,985	100	200	200	200	200
ICT Department	627	0	0	0	0	0
Water Rescue Boats	46	0	0	0	0	0
<b>Fleet &amp; Equipment Sub Total</b>	<b>6,933</b>	<b>4,400</b>	<b>2,900</b>	<b>2,900</b>	<b>2,900</b>	<b>2,900</b>
<b>Overall Capital Totals</b>	<b>10,276</b>	<b>9,100</b>	<b>5,400</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
<b>Programme funding - 0% increase in CT</b>						
Earmarked Reserves:	7,443	4,150	455	0	0	0
Revenue funds:	922	2,989	3,498	2,762	3,417	3,502
Application of existing borrowing	1,911	1,961	1,447	1,938	1,283	1,198
<b>Total Funding</b>	<b>10,276</b>	<b>9,100</b>	<b>5,400</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
<b>Programme funding - 2.99% increase in CT</b>						
Earmarked Reserves:	5,981	4,150	455	0	0	0
Revenue funds:	2,384	2,989	3,498	2,762	3,417	3,502
Application of existing borrowing	1,911	1,961	1,447	1,938	1,283	1,198
<b>Total Funding</b>	<b>10,276</b>	<b>9,100</b>	<b>5,400</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>

**APPENDIX C TO THE MINUTES OF THE BUDGET MEETING OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY MEETING HELD ON 16 FEBRUARY 2018**

<b>PRUDENTIAL INDICATORS</b>			<b>INDICATIVE INDICATORS 2019/20 to 2021/22</b>			
	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate
<b>Capital Expenditure</b>						
Non - HRA	10.276	9.100	5.400	4.700	4.700	4.700
HRA (applies only to housing authorities)						
<b>Total</b>	<b>10.276</b>	<b>9.100</b>	<b>5.400</b>	<b>4.700</b>	<b>4.700</b>	<b>4.700</b>
<b>Ratio of financing costs to net revenue stream</b>						
Non - HRA	4.03%	4.03%	3.97%	3.89%	3.52%	3.41%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>						
	£000	£000	£000	£000	£000	£000
Non - HRA	25,538	25,444	24,851	24,758	24,264	23,771
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,209	1,112	1,010	907	791	656
<b>Total</b>	<b>26,747</b>	<b>26,556</b>	<b>25,861</b>	<b>25,665</b>	<b>25,055</b>	<b>24,427</b>
<b>Annual change in Capital Financing Requirement</b>						
	£000	£000	£000	£000	£000	£000
Non - HRA	(182)	(191)	(694)	(197)	(807)	(1,238)
HRA (applies only to housing authorities)	0	0	0	0	0	0
<b>Total</b>	<b>(182)</b>	<b>(191)</b>	<b>(694)</b>	<b>(197)</b>	<b>(807)</b>	<b>(1,238)</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>						
<b>Authorised Limit for external debt</b>						
	£000	£000	£000	£000	£000	£000
Borrowing	26,907	26,810	26,687	26,089	25,971	25,453
Other long term liabilities	1,359	1,265	1,162	1,056	947	823
<b>Total</b>	<b>28,267</b>	<b>28,074</b>	<b>27,849</b>	<b>27,144</b>	<b>26,918</b>	<b>26,276</b>
<b>Operational Boundary for external debt</b>						
	£000	£000	£000	£000	£000	£000
Borrowing	25,631	25,537	25,444	24,851	24,757	24,264
Other long term liabilities	1,299	1,209	1,112	1,010	907	791
<b>Total</b>	<b>26,929</b>	<b>26,747</b>	<b>26,556</b>	<b>25,861</b>	<b>25,665</b>	<b>25,055</b>
<b>Maximum Principal Sums Invested over 364 Days</b>						
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000	5,000

<b>TREASURY MANAGEMENT INDICATOR</b>	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
<b>Maturity structure of fixed rate borrowing during 2017/18</b>		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

**APPENDIX D TO THE MINUTES OF THE BUDGET MEETING OF THE DEVON &  
SOMERSET FIRE & RESCUE AUTHORITY MEETING HELD ON 16 FEBRUARY 2018**

**MINIMUM REVENUE STATEMENT (MRP) 2018-19**

***Supported Borrowing***

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

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

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

***Finance Lease and PFI***

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

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