

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

19 February 2019

Present:-

Councillors Randall Johnson (Chair), Best, Biederman, Bown, Bowyer, Coles, Colthorpe, Drean, Eastman, Ellery, Hannaford, Healey MBE, Hendy, Hook, Mathews, Napper, Peart, Prowse, Radford, Redman, Saywell, Thomas, Trail BEM, Vijeh and Wheeler (Vice-Chair).

Apologies:-

Councillors Clayton.

**DSFRA/35     Minutes**

**RESOLVED** that the Minutes of the meeting held on 14 December 2018 be signed as a correct record.

**DSFRA/36     Minutes of Committees**

**a     Human Resources Management & Development Committee**

The Vice-Chair of the Committee, Councillor Vijeh, **MOVED** the Minutes of the Committee meeting held on 10 December 2018 which had considered, amongst other things:

- a report on absence management;
- a report on workforce culture, diversity and inclusion; and
- a report on the proposed Pay Policy Statement for 2019-20

**RESOLVED**

- (i). that the recommendation at Minute HRMDC/16 (Localism Act – Pay Policy Statement 2019-20) be considered in conjunction with Minute DSFRA/43 below; and
- (ii). that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

**b     Audit & Performance Review Committee**

The Chair of the Committee, Councillor Healey, **MOVED** the Minutes of the Committee meeting held on 18 January 2019 which had considered, amongst other things:

- an external audit progress report and sector update;
- a report on the external audit plan for the year ended 31 March 2019;
- a report on group accounts for the Authority and Red One Ltd;
- a report on progress against the approved internal audit and review plan 2018-19; and
- a report on corporate performance reporting.

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

### **c Resources Committee**

The Chair of the Committee, Councillor Coles, **MOVED** the Minutes of the Committee meeting held on 7 February 2019 which had considered, amongst other things:

- a treasury management performance report for quarter three of the 2018-19 financial year;
- a report on performance against approved budgets as at quarter three of the 2018-19 financial year;
- a report on capital strategy;
- a report on the proposed revenue budget and council tax levels for 2019-20;
- a report on the proposed capital programme 2019-20 to 2021-22;
- a report on the proposed Treasury Management Strategy (including prudential and treasury indicators) for 2019-20;
- restricted Minutes of the Committee meeting held on 15 November 2018; and
- a report on the financial performance of Red One Ltd. to quarter three of 2018-19.

### **RESOLVED**

- (i). that the recommendation on budget transfers as set out at Minute RC/18(b) (Financial Performance Report 2018-19: Quarter 3) be approved;
- (ii). that the recommendations at Minutes RC/19 (Capital Strategy), RC20 (2019-20 Revenue Budget and Council Tax levels), RC/21 (Capital Programme 2019-20 to 2021-22) and RC/22 (Treasury Management Strategy [including Prudential and Treasury Indicators] Report 2019-20) be considered in conjunction with Minutes DSFRA/38, DSFRA/39(a), DSFRA/39(b) and DSFRA/39(c), respectively, below; and
- (iii). that, subject to (i) and (ii) above, the Minutes be adopted in accordance with Standing Orders.

***(SEE ALSO MINUTE DSFRA/45 BELOW)***

### **DSFRA/37 Medium Term Financial Plan**

The Authority considered a report of the Director of Finance (Treasurer) (DSFRA/19/1) to which was appended a Medium Term Financial Plan outlining funding, income and expenditure forecasts for the Authority for the next five financial years (to 2023-24), as required by the Fire & Rescue National Framework for England.

The Plan identified how the financial forecast was constructed (including funding sources and expenditure/cost forecasts) together with savings targets over the period covered and the Change & Improvement Programme (Safer Together) which would be the principal vehicle for delivering the savings.

**RESOLVED** that the Medium Term Financial Plan as appended to report DSFRA/19/1 be endorsed.

## **DSFRA/38 Capital Strategy**

The Authority considered a report of the Director of Finance (Treasurer) (DSFRA/19/2) setting out a high-level view of how capital expenditure and the way it was financed contributed to the provision of services, as required by the 2017 Prudential Capital Code. The Capital Strategy also provided an overview of how associated risk was managed, the implications for future financial stability and set out the governance process for approval and monitoring of capital expenditure.

The Capital Strategy had been considered by the Resources Committee at its meeting on 7 February 2019 which had resolved to commend it for endorsement by the Authority (Minute RC/19 refers).

**RESOLVED** that, as recommended by the Resources Committee, the Capital Strategy as detailed in report DSFRA/19/2 be endorsed.

## **DSFRA/39 REVENUE AND CAPITAL BUDGETS**

### **a 2019-20 Revenue Budget and Council Tax Levels**

The Authority considered a joint report of the Director of Finance (Treasurer) and Chief Fire Officer (DSFRA/19/3) on the proposed revenue budget and associated Council Tax levels for 2019-20.

A provisional local government settlement for 2019-20 of £21.961m had been announced on 13 December 2018, the last year of the four-year grant settlement accepted by the Authority. The Settlement Funding Assessment represented a reduction for 2019-20 of 2.91% over 2018-19 and an overall reduction of 25.34% by when compared to the settlement for 2015-16. The Authority had also been awarded, for 2019-20, a £0.424m share of the £81m Rural Services Delivery Grant available only to the most sparsely populated rural areas. This grant was, however, paid as a Section 31 grant and did not count towards base budget funding. It was, therefore, reflected as income in the draft budget proposed.

The government had also announced a threshold of 3% for Council Tax increases for the 2019-20, beyond which local authorities would be required to hold a referendum. The proposed budget contained provision for a 2% pay award for all staff. Each 1% pay award equated, for this Authority, to a cost of £0.540m which was greater than the income that an additional 1% Council Tax increase would generate (£0.510m). 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 spending requirement of £77.482m (representing a 4.89% [£3.611m] increase over the 2018-19 budget) for 2019-20 had been identified and, in light of the referendum threshold, two associated Council Tax options were proposed:

**Option A** – freeze Council Tax at the 2018-19 level (£84.01 for a Band D property); and

**Option B** – increase Council Tax by 2.99% above the 2018-19 level (£86.52 for a Band D property) – an increase of £2.51pa (21p a month).

The report identified savings of £2.340m to be delivered in 2019-20 which would be sufficient to balance the budget should Option B be approved. Should Option A (Council Tax freeze) be approved, however, then an additional £1.525m savings would be required to balance the budget. It was proposed that this be met by reducing the revenue contribution to capital.

In the event that Option B was approved (2.99% Council Tax increase), then it was proposed that the revenue contribution to capital be increased to £2.614m, of which £0.300m would be earmarked contribution from Red One Ltd. This would be in line with the Authority's strategy to reduce reliance on borrowing to fund investment in asset infrastructure.

While a balanced budget (inclusive of savings) for 2019-20 was proposed, the report also identified that the Medium Term Financial Plan indicated that additional savings would be required beyond 2019-20 to plan for a balanced budget. These savings ranged from, cumulatively, £7.3m by 2022-23 (assuming a 2.99% Council Tax increase for each financial year in question) to £12m (assuming a 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, public consultation had also taken place. The consultation had been conducted by telephone surveys and by using social media. The results of the consultation, which ran throughout November and December 2018, were, in summary:

- for the telephone survey, the majority of business respondents (65%) and the public (67%) felt that it would be reasonable for the Authority to increase its precept;
- 70% of on-line responses were supportive of increasing the precept; and
- the largest proportion of business respondents (45%) and the public (41%) supported a flat-rate £5 precept increase, with this also being supported by the largest proportion (46%) of the respondents to the online survey.

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 2019-20 revenue budget and Council Tax levels and been considered by the Resources Committee (Budget) meeting held on 7 February 2019 which had resolved (Minute RC/20 refers)

*“that it be recommended to the Authority that the level of Council Tax in 2019-20 for a Band D property be set at £86.52, as outlined in Option B of report RC/19/4(a), representing a 2.99% increase over 2018-19”.*

Councillor Coles **MOVED**, with Councillor Drean seconding that, as recommended by the Resources Committee, a Council Tax in 2019-20 for a Band D property be set at £86.52, representing a 2.99% increase over 2018-19.

The majority of those present then requested, in accordance with Standing Order 25(2), that a roll call vote on this issue be taken after which it was

### **RESOLVED**

- (i) that, as recommended by the Resources Committee meeting held on 7 February 2019 (Minute RC/20 refers), the level of Council Tax in 2019-20 for a Band D property be set at £86.52, as outlined in Option B of report DSFRA/19/3, representing a 2.99% increase over 2018-19;
- (ii) that, accordingly, a Net Revenue Budget Requirement for 2019-20 of £75,141,900 be approved;
- (iii) that, as a consequence of the decisions at (i) and (ii) above:

- (A). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £52,554,377 (Option B), as detailed in page 3 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 2018-19 £	Precepts due 2018-19 £	Total due 2018-19 £
East Devon	59,283.00	51,190	5,129,172	5,180,362
Exeter	36,988.00	53,934	3,200,206	3,254,140
Mendip	40,496.05	74,549	3,503,723	3,578,272
Mid Devon	28,596.47	23,752	2,474,170	2,497,922
North Devon	33,948.44	36,238	2,937,223	2,973,461
Plymouth City	73,172.00	94,551	6,330,850	6,425,401
Sedgemoor	41,008.90	82,264	3,548,095	3,630,359
Somerset West and Taunton	56,622.78	52,576	4,899,009	4,951,585
South Hams	38,179.72	43,000	3,303,314	3,346,314
South Somerset	60,266.07	(11,977)	5,214,227	5,202,250
Teignbridge	49,219.00	45,783	4,258,433	4,304,216
Torbay	45,699.55	99,000	3,953,930	4,052,930
Torridge	23,767.26	15,595	2,056,346	2,071,941
West Devon	20,176.57	24,000	1,745,679	1,769,679
	<b>607,423.81</b>	<b>684,455</b>	<b>52,554,377</b>	<b>53,238,832</b>

- (B). that the Council Tax for each property band A to H associated with the total precept of £52,554,377 (Option B), as detailed in page 3 of the respective budget booklet and reproduced in the table below, be approved:

Valuation Band	Ratio	Government Multiplier %	Council Tax (£.p)
A	6/9	0.667	57.68
B	7/9	0.778	67.29
C	8/9	0.889	76.91
D	1	1.000	86.52
E	11/9	1.222	105.75
F	13/9	1.444	124.97
G	15/9	1.667	144.20
H	18/9	2.000	173.04

- (iv) that the Treasurer's "Statement on the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances", as set out at Appendix B to report DSFRA19/3 and reproduced at Appendix A to these Minutes, be approved.

**(NOTE: In accordance with Standing Order 25(2), a roll-call vote was taken in this issue with all Members present and voting [as listed at the commencement of these Minutes] voting in favour)**

**(SEE ALSO MINUTE DSFRA/36(c) ABOVE)**

**b Capital Programme 2019-20 to 2021-22**

The Authority considered a report of the Director of Finance (Treasurer) (DSFRA/19/2) on the proposed three year capital programme 2019-20 to 2021-22. In constructing the programme, considerable effort had been made to ensure that the impact of borrowing was maintained below the 5% ratio of financing costs to the net revenue stream – one of several Prudential Indicators previously agreed by the Authority. Additionally, while the Authority had a strategy seeking to reduce reliance on external borrowing, the proposed Capital Programme 2019-20 to 2021-22 (and indicative Capital Programme 2022-23 to 2023-24) indicated that the Authority would need either to borrow up to £19m (for investment in assets to remain a current levels) or restrict the amount of funding available for the capital programme and task the Service with rationalising its capital requirement.

The report outlined the proposed budget for both estates and operational assets (vehicle replacement/equipment) for 2019-20 to 2021-22 (with associated prudential indicators) and indicative budgets for 2022-23 to 2023-24 (with associated indicative prudential indicators).

The draft programme had been considered at the meeting of the Resources Committee on 7 February 2019 which had resolved to commend it to the Authority for approval (Minute RC/21 refers).

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

- (i). the draft Capital Programme 2019-20 to 2021-22 and associated Prudential Indicators, as detailed in report DSFRA/19/4 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 2022-23 onwards on the 5% debt ratio Prudential Indicator, as indicated in the report, be noted.

***(SEE ALSO MINUTE DSFRA/36(c) ABOVE)***

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

The Authority considered a report of the Director of Finance (Treasurer) (DSFRA/19/5) setting out, amongst other things:

- a treasury management and investment strategy for 2019-20, with associated indicators; and
- a Minimum Revenue Provision statement for 2019-20.

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 2019-20 had been considered by the Resources Committee meeting held on 7 February 2019 which had resolved to recommend their approval to the Authority (Minute RC/22 refers).

At the conclusion of the debate on this item, the Members of 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/36(c) AND DSFRA/39(b) ABOVE)***

**DSFRA/40     Business Rates Retention Reform: Consultation**

The Authority considered a report of the Director of Finance (Treasurer) (DSFRA/19/6) setting out a proposed response to the consultation from the Ministry of Housing, Communities and Local Government on its proposals to reform the Business Rates Retention Scheme. The consultation and proposed response covered areas including a reset of baseline funding, establishment of a safety net and levy, tier splits and pooling, simplifying the system and reducing volatility and setting up the system. The deadline for submission of responses was 21 February 2019.

**RESOLVED** that the proposed Consultation response as outlined in report DSFRA/19/6 be approved and submitted to the Ministry of Housing, Communities and Local Government.

**DSFRA/41     Review of Local Authorities' Relative Needs and Resources: Technical Consultation**

The Authority considered a report of the Director of Finance (Treasurer) (DSFRA/19/7) setting out a proposed response to the technical consultation issued by the Ministry of Housing, Communities and Local Government seeking views on a review of local authorities' relative needs and resources. The consultation covered several topics relating to the review of the funding formulae, with proposed responses only to those areas of relevance to combined fire and rescue authorities. The deadline for submission of responses was 21 February 2019.

**RESOLVED** that the proposed Consultation response as outlined in report DSFRA/19/7 be approved and submitted to the Ministry of Housing, Communities and Local Government.

## **DSFRA/42 Service Restructure Managerial Grades**

The Authority considered a report of the Interim Chief Fire Officer and Chief Fire Officer (DSFRA/19/8) on a proposed revision to the Service Executive Board structure. The report summarised previous reviews together with significant changes since the last of these (in 2017) prompting the current proposals. These included:

- The need to deliver the Change & Improvement Programme (Safer Together) to address changing community needs and a diminishing financial envelope, effectively matching resources to risk;
- Associated with this, the need to ensure that the “people” strand of the programme was appropriately led, developed and implemented.

To address these issues, the report proposed, amongst other things:

- the establishment of a Deputy Chief Fire Officer post with responsibility for implementation and delivery of Service plans along with the day-to day running of the Service in line with the agreed direction and vision. This would afford the Chief Fire Officer time to progress important external factors and relationships of strategic importance to the Authority and which would shape the Service in the future;
- the establishment of a Director of People and Organisational Development post to take the developmental lead on critical areas of change relating to the Safer Together “people” strand; and
- the establishment of an Assistant Director (Deputy Assistant Chief Fire Officer) post to provide Principal Officer resilience and cover and support the Deputy Chief Fire Officer in the discharge of responsibilities linked to operational activities including attendance as required at the Strategic Co-ordinating Group (Multi-Agency Gold Command).

The report identified that a wider Service Delivery managerial review would result in minimum savings of £1.094m. The investment in the revised senior management structure would not exceed £0.150m (including provision for any changes resulting from job evaluation). Given this, the report proposed that £0.850m of the proposed savings in 2019-20 be allocated to bringing forward proposals to increase the level of front-line delivery activity identified in the Safer Together programme, thereby improving outcomes for communities. The remaining £0.094m savings could be used as a revenue contribution to capital.

**RESOLVED** that, as set out in the revised recommendations as circulated at the meeting:

- (a) that the Service Executive Board structure as set out at Appendix A to report DSFRA/19/8 be approved;
- (b) that, arising from (a) above:
  - (i) the vacancy for the post of Deputy Chief Fire Officer be ring-fenced to the two existing substantive Assistant Chief Fire Officers, with the Chief Fire Officer’s Appraisals Panel delegated authority to determine the appointment and associated level of remuneration following the review referred to at paragraph 3.13 of report DSFRA/19/8;
  - (ii) the vacancy for the post of Director of People and Organisational Development be advertised nationally, with the Chief Fire Officer’s Appraisals Panel delegated authority to determine the appointment;



- (iii) the temporary appointment to the post of Assistant Chief Fire Officer (Service Improvement), initially approved by the Authority at its meeting on 20 October 2017 (Minute DSFRA/33 refers), be continued pending the appointment and commencement of the Director of People and Organisational Development to facilitate an effective and efficient transition to the new Service Executive Board structure; and
- (c). that implementation of the new Service Delivery managerial structure be approved, with £0.850m of the resultant identified savings used to deliver improvements contained in the Safer Together programme.

***(SEE ALSO MINUTE DSFRA/43 BELOW).***

**DSFRA/43     Localism Act 2011 - Pay Policy Statement 2019-20**

The Authority considered a report of the Director of Corporate Services (Clerk to the Authority) (DSFRA/19/9) to which was attached the proposed Pay Policy Statement to operate for the Authority for the forthcoming (2019-20) financial year. The Localism Act required such a statement, setting out the Authority's policy towards a range of issues relating to the pay of its workforce (particularly senior staff and the lowest paid employees), to be approved prior to the commencement of each financial year and published, as a minimum, on the Authority's website.

The report identified that the main difference between the proposed version and previous versions related to the application of nationally agreed cost of living pay awards and a minor revision to the controls on the re-employment of employees who had retired, reflecting the provisions of the latest iteration of the Fire and Rescue National Framework for England published by the Home Office in May 2018.

The proposed Pay Policy Statement for 2019-20 had been considered by the Human Resources Management & Development Committee meeting on 10 December 2018 which had resolved to recommend its approval to the Authority (Minute HRMDC/16 refers).

It was noted that a revised Pay Policy Statement would be required to reflect changes to the Service Executive Board structure approved earlier by the Authority (Minute DSFRA/42 refers). This would be submitted to a future meeting of the Authority for approval.

**RESOLVED** that, in accordance with the recommendation of the Human Resources Management & Development Committee, the Pay Policy Statement to operate for the 2019-20 financial year, as appended to report DSFRA/19/9, be approved.

***(SEE ALSO MINUTES DSFRA/36(a) AND DSFRA/42 ABOVE).***

**DSFRA/44     Exclusion of the Press and Public**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 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/45**

**Resources Committee 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 Saywell and Thomas each declared a personal, non-pecuniary interest in this matter by virtue of their being non-executive directors appointed by the Authority to the Board of Red One Ltd. Neither Councillor took any part in the discussion and decision on this item).

The Chair of the Committee, Councillor Coles, **MOVED** the Restricted Minutes of the meeting of the Resources Committee held on 7 February 2019. The restricted Minutes dealt with Red One Ltd. Financial Performance as at Quarter 3 of the current (2018-19) financial year.

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

The Meeting started at 10.00 am and finished at 12.10 pm

**APPENDIX A TO THE MINUTES OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY  
(BUDGET) MEETING 19 FEBRUARY 2019**

**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 2019-20 BUDGET**

The net revenue budget requirement for 2019-20 has been assessed as £75.227m (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 Integrated Risk Management Plan and the Fire and Rescue Plan. It should be emphasised that these assessments are being made for a period up to the 31<sup>st</sup> March 2020, in which time external factors, which are outside of the control of the authority, may arise which will cause additional expenditure to be incurred. The most significant example of this is the increase in employers pension costs following the GAD Valuation and the unknown funding shortfall as a result. 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.

Local government and the fire sector are entering a period of significant uncertainty over funding and cost pressures going forward. It is possible that further cuts of 5% in real terms may be made to fire funding which when combined with changes to the Business Rates Retention scheme and the Relative Needs Assessment Reviews could result in significant changes to available resources. Unfunded pension schemes and legal challenges over pension terms represent a significant risk to the Authority going forward. It is therefore vitally important that resourcing and investment decisions are made which minimise risks going forward to enable the Authority to be as resilient as possible in future years.

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 five year period covering the years 2019-20 to 2023-24. 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 2019-20 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO CHANGE**

Budget Head	Budget Provision 2019-20 £m	RISK AND IMPACT	MITIGATION
Wholetime Pay Costs	31.2	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 2% has been factored in to the budget for 2019-20 which represents a prudent approach.
On Call Pay Costs	14.4	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 2019-20 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	0.9	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.	General Reserve
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.	General Reserve
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 2019-20 has been set at a prudent level of achieving only a 0.7% 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	(0.6)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.6m 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 and is dependent on the ability of Red One Ltd to generate income.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible. A provision for doubtful debts is available to protect the Authority from potential losses.
Capital Programme	8.0	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.
Revenue Contribution to Capital	2.6	£0.3m of the Contribution is dependent on maintaining trading income levels, if these are not achieved the capital budget will need to be reduced by this amount	Capital programme and strategy, £16.6m Capital Reserve
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 £1.8m set up 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 2018 is £37.3m made up of Earmarked Reserves (committed) of £31.9m, 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 7.2% of the total revenue budget, or 27 days of Authority spending, the figure is subject to a risk assessment annually.

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.

The Authority’s Reserves Strategy is reviewed annually and is available on the website [www.dsfire.gov.uk](http://www.dsfire.gov.uk).

## **CONCLUSION**

It is considered that the budget proposed for 2019-20 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 DEVON & SOMERSET FIRE & RESCUE AUTHORITY  
(BUDGET) MEETING 19 FEBRUARY 2019**

**CAPITAL PROGRAMME 2019-20 TO 2022-23**

PROJECT	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
	Budget	Budget	Budget	Indicative Budget	Indicative Budget
<b>Estate Development</b>					
Site re/new build (subject to formal authority approval)	1,100	3,100	200	0	0
Improvements & structural maintenance	3,307	7,100	7,700	9,300	7,000
<b>Estates Sub Total</b>	<b>4,407</b>	<b>10,200</b>	<b>7,900</b>	<b>9,300</b>	<b>7,000</b>
<b>Fleet &amp; Equipment</b>					
Appliance replacement	1,793	3,800	3,300	2,700	2,200
Specialist Operational Vehicles	1,134	2,300	1,400	900	1,900
Equipment	366	200	200	200	200
ICT Department	268	0	0	0	0
Water Rescue Boats	46				
<b>Fleet &amp; Equipment Sub Total</b>	<b>3,607</b>	<b>6,300</b>	<b>4,900</b>	<b>3,800</b>	<b>4,300</b>
<b>Overall Capital Totals</b>	<b>8,014</b>	<b>16,500</b>	<b>12,800</b>	<b>13,100</b>	<b>11,300</b>
<b>Programme funding - revenue funding at 2019/20 figure</b>					
Earmarked Reserves:	3,439	11,189	2,372	0	0
Revenue funds:	2,614	2,614	2,614	2,614	2,614
Capital receipts	0	0	0	0	520
Borrowing - internal	1,961	1,447	1,938	1,498	1,831
Borrowing - external			5,626	8,938	4,074
Contributions	0	1,250	250	50	2,261
<b>Total Funding</b>	<b>8,014</b>	<b>16,500</b>	<b>12,800</b>	<b>13,100</b>	<b>11,300</b>
<b>Programme funding - revenue funding at 19/20 figure no Council Tax increase</b>					
Earmarked Reserves:	4,964	12,036	0	0	0
Revenue funds:	1,089	1,089	1,089	1,089	1,089
Capital receipts	0	0	0	0	520
Borrowing - internal	1,961	1,447	1,965	1,850	2,310
Borrowing - external		678	9,496	10,111	5,120
Contributions	0	1,250	250	50	2,261
<b>Total Funding</b>	<b>8,014</b>	<b>16,500</b>	<b>12,800</b>	<b>13,100</b>	<b>11,300</b>

**APPENDIX C TO THE MINUTES OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY  
(BUDGET) MEETING 19 FEBRUARY 2019**

**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

				INDICATIVE INDICATORS 2022/23 to 2023/24	
	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Capital Expenditure</b>					
Non - HRA	8.014	16.500	12.800	13.100	11.300
HRA (applies only to housing authorities)					
<b>Total</b>	<b>8.014</b>	<b>16.500</b>	<b>12.800</b>	<b>13.100</b>	<b>11.300</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	4.03%	3.97%	4.08%	4.29%	4.78%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>	£000	£000	£000	£000	£000
Non - HRA	25,444	24,851	30,384	38,828	42,409
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	1,112	1,010	907	791	656
<b>Total</b>	<b>26,556</b>	<b>25,861</b>	<b>31,291</b>	<b>39,619</b>	<b>43,065</b>
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000
Non - HRA	(191)	(694)	5,429	8,328	3,446
HRA (applies only to housing authorities)	0	0	0	0	0
<b>Total</b>	<b>(191)</b>	<b>(694)</b>	<b>5,429</b>	<b>8,328</b>	<b>3,446</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000
Borrowing	26,910	26,787	32,096	41,363	45,123
Other long term liabilities	1,265	1,162	1,056	947	823
<b>Total</b>	<b>28,174</b>	<b>27,949</b>	<b>33,152</b>	<b>42,310</b>	<b>45,946</b>
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000
Borrowing	25,637	25,544	30,577	39,421	43,002
Other long term liabilities	1,209	1,112	1,010	907	791
<b>Total</b>	<b>26,847</b>	<b>26,656</b>	<b>31,587</b>	<b>40,329</b>	<b>43,793</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

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

**APPENDIX D TO THE MINUTES OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY  
(BUDGET) MEETING 19 FEBRUARY 2019**

**MINIMUM REVENUE STATEMENT (MRP) 2019-20**

***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.

***MRP Overpayments***

A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments were £nil.