DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

To: **The Chair and Members of the Devon & Somerset Fire & Rescue Authority**

(see below)

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

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

Date : 11 February 2019
Please ask for : Steve Yates
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DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Budget Meeting)

Tuesday, 19th February, 2019

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

M. Pearson
Clerk to the Authority

A G E N D A

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

1 Apologies

2 Minutes (Pages 1 - 4)

of the previous meeting held on 14 December 2018 attached.

3 Items Requiring Urgent Attention

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

PART 1 - OPEN COMMITTEE

4 Questions and Petitions from the Public

In accordance with Standing Orders, to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at this meeting of the Authority. Petitions must relate to matters for which the Authority has a responsibility or which affects the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority (e-mail address: clerk@dsfire.gov.uk) **by midday on Thursday 14 February 2019.**

5 **Addresses by Representative Bodies**

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

6 **Questions from Members of the Authority**

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

7 **Minutes of Committees**

a Human Resources Management & Development Committee (Pages 5 - 8)

The Chair of the Committee, Councillor Bown, to **MOVE** the Minutes of the meeting held on 10 December 2018, attached.

RECOMMENDATIONS

(i) That the recommendation at Minute HRMDC/16 (Localism Act – Pay Policy Statement 2019-20) be considered in conjunction with agenda item 14 below; and

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

b Audit & Performance Review Committee (Pages 9 - 12)

The Chair of the Committee, Councillor Healey, to **MOVE** the Minutes of the meeting held on 18 January 2019.

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

c Resources Committee (Pages 13 - 18)

The Chair of the Committee, Councillor Coles, to **MOVE** the non-restricted Minutes of the budget meeting held on 7 February 2019.

RECOMMENDATIONS

(i) That the recommendation at Minute RC/18 (Financial Performance Report 2018-19: Quarter 3) be approved;

(ii) That the recommendations at Minutes RC/19 (Capital Strategy), RC/20 (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 agenda items 9 and 10(a) to (c), respectively, below;

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

(SEE ALSO AGENDA ITEM 16 BELOW)

8 **Medium Term Financial Plan (Pages 19 - 32)**

Report of the Director of Finance (Treasurer) (DSFRA/19/1) attached.

9 **Capital Strategy (Pages 33 - 40)**

Report of the Director of Finance (Treasurer) (DSFRA/19/2) attached.

10 **<u>REVENUE AND CAPITAL BUDGETS</u>**

a <u>2019-20 Revenue Budget and Council Tax Levels</u> (Pages 41 - 96)

Report of the Director of Finance (Treasurer) and Chief Fire Officer (DSFRA/19/3) attached.

b <u>Capital Programme 2019-20 to 2021-22</u> (Pages 97 - 106)

Report of the Director of Finance (Treasurer) (DSFRA/19/4) attached.

c <u>Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2019-20</u> (Pages 107 - 132)

Report of the Director of Finance (Treasurer) (DSFRA/19/5) attached.

11 **<u>Business Rates Retention Reform: Consultation</u> (Pages 133 - 138)**

Report of the Director of Finance (Treasurer) (DSFRA/19/6) attached.

12 **<u>Review of Local Authorities' Relative Needs and Resources: Technical Consultation</u> (Pages 139 - 144)**

Report of the Director of Finance (Treasurer) (DSFRA/19/7) attached.

13 **<u>Service Restructure Managerial Grades</u> (Pages 145 - 160)**

Report of the Interim Chief Fire Officer and the Chief Fire Officer (DSFRA/19/8) attached.

14 **<u>Localism Act 2011 - Pay Policy Statement 2019-20</u> (Pages 161 - 174)**

Report of the Director of Corporate Services (DSFRA/19/9) attached.

15 **<u>Exclusion of the Press and Public</u> (Pages 175 - 176)**

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 items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 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.

<u>PART 2 - ITEMS WHICH MAY BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC</u>

16 **<u>Resources Committee Restricted Minutes</u>**

The Chair of the Committee, Councillor Coles, to **MOVE** the Restricted Minutes of the meeting of the Resources Committee held on 7 February 2019 ***(TO FOLLOW)***.

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

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

<u>Membership:-</u>

Councillors Randall Johnson (Chair), Best, Biederman, Bown, Bowyer, Clayton, 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)

NOTES	
1.	**<u>Access to Information</u>** 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.	**<u>Reporting of Meetings</u>** 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 Chair - 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 Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	**<u>Declarations of Interests at meetings (Authority Members only)</u>** If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a "sensitive" interest – the nature of that interest; and then (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant 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 an interest of a sensitive nature. You must still follow (i) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.
4.	**<u>Part 2 Reports</u>** 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.	**<u>Substitute Members (Committee Meetings only)</u>** Members are reminded that, in accordance with Standing Order 37, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

14 December 2018

Present:-

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

Apologies:-

Councillors Biederman, Bown, Bowyer and Radford.

DSFRA/30 **Minutes**

RESOLVED that the Minutes of the meeting held on 31 October 2018 be signed as a correct record.

DSFRA/31 **Minutes of Committees**

a Chief Fire Officer's Appraisals Panel

The Chair of the Committee, Councillor Randall Johnson, **MOVED** the Minutes of the Panel meeting held on 24 October 2018 which had considered an appraisal for Chief Fire Officer Lee Howell.

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

b Standards Committee

The Chair of the Committee, Councillor Thomas, **MOVED** the Minutes of the Committee meetings held on 26 October and 3 December 2018 which had considered hearings into alleged breaches of the Code of Conduct by Councillor Mark Healey MBE.

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

c Audit & Performance Review Committee

The Vice-Chair of the Committee, Councillor Napper, **MOVED** the Minutes of the Committee meeting held on 9 November 2018 which had considered, amongst other things:

- an external audit update from Grant Thornton;
- the Authority's Annual Audit Letter for the year ended 31 March 2018 as submitted by the Authority's external auditor, Grant Thornton;
- a report on progress during Quarter 2 on work against the approved 2018-19 internal audit plan;
- a report on the Corporate Risk Register; and
- a report on performance by the Devon & Somerset Fire & Rescue Service during the period April to September 2018.

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

d Resources Committee

The Chair of the Committee, Councillor Coles, **MOVED** the Minutes of the Committee meeting held on 15 November 2018 which had considered, amongst other things:

- a report on Treasury management for the second quarter of the current (2018-19) financial year;
- a report on financial performance of the Service during the second quarter of the current financial year;
- a report on Reserves benchmarking; and
- a report on the financial performance of Red One Ltd. during the second quarter of the current financial year.

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

(SEE ALSO MINUTE DSFRA/34 BELOW).

e Community Safety & Corporate Planning Committee

The Chair of the Committee, Councillor Redman, **MOVED** the Minutes of the meeting held on 3 December 2018 which had considered a proposal relating to Phase 1 of the Service Delivery Operating Model (Duty Systems and Contracts for Operational Staff) work being undertaken under the Service Change & Improvement Programme.

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

DSFRA/32 Confirmation of Members' Allowances Scheme 2019-20

The Authority considered a report of the Director of Corporate Services (DSFRA/18/23) on the Authority's Scheme of Members Allowances to apply for the forthcoming (2019-20) financial year. The report detailed proposed Basic and Special Responsibility Allowances together with rates for the reimbursement of travel and subsistence expenditure. The report also confirmed that, while the Authority was not required to have its own Independent Remuneration Panel to advise of appropriate rates of allowances, the relevant Regulations required that any automatic uprating mechanism should only apply for a maximum of four years. The last major review of the Authority's Scheme had been undertaken to inform the 2016-17 allowance rates and consequently a further review was proposed to inform rates to apply for 2020 onwards.

RESOLVED that the Scheme of Allowances to operate for the forthcoming (2019-20) financial year, as detailed in Section 2 of report DSFRA/18/23, be approved and the Director of Corporate Services authorised:

(a). in accordance with the relevant Regulations, to publicise details of the Scheme so confirmed in one or more local newspapers circulating in the area served by the Authority; and

(b). to arrange for an independent review of the Authority's allowances scheme, the review to report in sufficient time to inform the 2020-21 budget setting process.

DSFRA/33 Exclusion of the Press and Public

RESOLVED that the press and public be excluded 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 Local Government Act 1972, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

DSFRA/34 <u>**Resources Committee - Restricted Minutes**</u>

(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 interest in this matter by virtue of being appointed by the Authority as non-executive directors on the Board of Red One Ltd. Councillor Thomas spoke to this item in accordance with the dispensation granted by the Authority at its annual meeting on 8 June 2018 (Minute DSFRA/5(a) refers). Both Councillors Saywell and Thomas left the room during the relevant vote to adopt the Minutes).

The Chair of the Committee, Councillor Coles, **MOVED** the restricted Minutes of the Committee meeting held on 15 November 2018 which had considered a report on the financial performance of Red One Ltd. for Quarter 2 of the current (2018-19) financial year.

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

(SEE ALSO MINUTE DSFRA/31(d) ABOVE).

The Meeting started at 10.00 am and finished at 10.11 am

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HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

10 December 2018

Present:-

Councillors Best, Clayton, Coles (vice Bown), Peart, Thomas, and Vijeh (Vice-Chair - in the Chair)

Apologies:-

Councillor Hannaford

Also in attendance (in accordance with Standing Order 38):-

Councillor Randall Johnson

* **HRMDC/13** **Minutes**

RESOLVED that the Minutes of the meeting held on 21 September 2018 be signed as a correct record, subject to amendment of the attendance list to record "(Vice Thomas)" after Councillor Randall Johnson (who was substituting at the meeting for Councillor Thomas).

* **HRMDC/14** **Absence Management Performance Report**

The Committee received for information a report of the Director of Service Improvement (HRMDC/18/33) that set out the Service's performance in relation to absence management for the period April to October 2018.

The report highlighted that absence for all employees for the period April to October 2018 was an average of 4.53 days compared with 4.92 days for the same period in 2017/18 which represented an 8% improvement. This was broken down in the report into more detail for the following staff categories:

- Wholetime station based staff – 5.57 days lost compared to 4.55 in 2017/18;
- Wholetime non-station based staff – 2.71 days lost compared with 4.35 in 2017/18;
- Control staff – 5.13 days lost compared with 8.78 days in 2017/18;
- Support staff – 4.29 days lost compared with 5.42 in 2017/18; and
- On Call - this could be compared with the previous year now the data was held which showed an absence of 6.61 days lost as compared with 6.65 days for the same period in 2017/18.

Reference was made to the ongoing work being undertaken by the Service to improve sickness absence. It was noted that a new Sickness Absence Policy had been finalised now. This included the provision of quick step guides for both staff and line managers. The policy also recognised that early intervention was often most effective.

As part of its support for a healthier workforce, the Committee noted that the Service had offered corporate flu vaccinations but the take up to date had been only 250 e-vouchers issued. Councillor Vijeh commented that the Service needed to understand why the flu jab was not being taken up. Councillor Vijeh also commented on the importance of early intervention in managing sickness absence and asked for information on this matter to be submitted to a future meeting.

Following a discussion in respect of the Service's proposals for fitness testing in the future, the Committee enquired if this would be undertaken in accordance with national procedures. The Head of Human Resources replied that the Service had been at the forefront of national research that had been undertaken into fitness. The 12 month pilot that the Service had undertaken in respect of the Drill Ground Test had provided far more extensive data than the original national research undertaken by Bath University. The Committee further enquired if the Service was adhering to national standards in respect of the $V0^2$ level set for fitness testing. The Human Resources Manager replied that the level set nationally was 42 VO^2 max which the Service had adopted, although there was also national guidance which indicated that staff could remain operational if they reached a level of 36 VO^2 max.

* **HRMDC/15** **Workforce Culture, Diversity & Inclusion Quarterly Update**

The Committee received for information a report of the Director of Service Improvement (HRMDC/18/34) that set out the progress made in respect of work being undertaken by the Service in planning and delivering cultural change in support of the requirements of the new Integrated Risk Management Plan, the Fire and Rescue Plan and national guidance.

The Committee noted the following points in particular:

- That the Chief Fire Officer had taken up the lead role within the National Fire Chiefs Council (NFCC) for Diversity & Inclusion and he would be progressing this agenda both nationally and locally;
- A new People Strategy had been prepared and was out for consultation with staff currently and a Diversity & inclusion Plan had been implemented;
- A cultural survey had been commenced which was intended to provide a gap analysis to assist the Service in determining what actions should be considered to ensure the Service's culture was inclusive and relevant to achieve its objectives;
- A diagnosis of recruitment practices had been started to allow identification of interventions which should lead to good practice being shared ad implemented more consistently across the Service.

Reference was made in particular to the recruitment of Firefighters and the point that the Service had commenced using the Apprenticeship Scheme for the Wholetime new recruits who joined the Service in 2017 and also that the Scheme was being trialled with 5 On-call Firefighters. The Director of Service Improvement advised the Committee that the establishment of the apprenticeships within Devon & Somerset had been a significant piece of work which should be commended, particularly in view of this point that the Service was leading the way with On-call apprenticeships. It was hoped that the On-call apprenticeships could be extended within the Service in due course.

HRMDC/16 **Localism Act 2011 - Pay Policy Statement 2019/20**

The Committee considered a report of the Director of Corporate Services (HRMDC/18/35) to which was attached the proposed Pay Policy Statement to operate for the Authority for the forthcoming (2019-20) financial year. The Localism Act 2011 required such a Statement, setting out the Authority's policy towards a range of issues relating to the pay of its workforce (particularly the relationship between the pay of 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 principal differences between the proposed iteration and the previous version of the Pay Policy Statement related to the application of nationally agreed cost of living pay awards and a minor revision to the controls relating to the re-employment of employees who had retired, which reflected the provisions within the Fire & Rescue Service National Framework for England.

RESOLVED that the Pay Policy Statement for 2019-20 be recommended to the Devon & Somerset Fire & Rescue Authority for approval.

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

The Meeting started at 10.00 am and finished at 10.57 am

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

18 January 2019

Present:-

Councillors Healey MBE (Chair), Bowyer, Clayton, Mathews, Napper (Vice-Chair), Saywell and Wheeler

In attendance:-

Councillors Coles and Randall Johnson (in accordance with Standing Order 38)
Barrie Morris and Aditi Chandramouli - Grant Thornton

* **APRC/14** **Minutes**

RESOLVED that the Minutes of the meeting held on 9 November 2019 be signed as a correct record.

* **APRC/15** **External Audit Progress Report and Sector Update**

The Committee received for information a report submitted by the Authority's external auditors, Grant Thornton, setting out the progress made in delivery of its audit responsibilities to the Devon & Somerset Fire & Rescue Authority (up to January 2019). The report covered the following matters, amongst others:

- The completion of the 2017/18 audit together with planning undertaken for the 2018/19 audit of financial statements; and
- A fire sector update including HMICFRS Inspections (with a summary of the first tranche results), the NFCC response to the new fire inspectorate reports, a report on creating and operating a successful fire trading company and an overview of the final report on the Independent Review of Building Regulations and Fire Safety.

NB. Councillor Saywell declared a personal interest in this matter by virtue of being an Authority appointed Non-Executive Director on the Board of Red One Limited. Councillor Saywell neither spoke nor voted on this item.

* **APRC/16** **External Audit Plan**

The Committee received for information an external audit plan for the year ending 31 March 2019 from the Authority's auditors, Grant Thornton. The Plan provided the scope and timings for the statutory audit of Devon & Somerset Fire & Rescue Authority's financial statements. It also identified areas of significant risks for the Service, issues of materiality and details of Value for Money arrangements.

The Committee noted that, for the audit, Grant Thornton would be focussing on four significant risks as identified within the report which were:

- The revenue cycle including fraudulent transactions (rebutted);
- Management override of controls;

- The valuation of property, plant and equipment; and,
- The valuation of pension fund net liability.

Attention was drawn to the Value for Money arrangements and two significant risks that had been identified which were Medium Term Financial Planning and Red One.

It was noted that the audit fees for 2018/19 were £26k as opposed to £33.8k in the previous year which was a welcome reduction.

NB. Councillor Saywell declared a personal interest in this matter by virtue of being an Authority appointed Non-Executive Director on the Board of Red One Limited. Councillor Saywell neither spoke nor voted on this item.

* **APRC/17** **Group Accounts for Devon & Somerset Fire & Rescue Authority & Red One Ltd.**

The Committee considered a report of the Director of Finance (Treasurer) (APRC/19/1) that set out the position in respect of the provision of group accounts for the Authority's trading company, Red One Limited.

Under the Chartered Institute for Public Financial Accountants Code of Practice, the Authority was able to take a view on materiality when presenting group accounts. Following discussion with the external auditor, Grant Thornton, it was the Treasurer's view that the activities of Red One Limited were not material to the Authority's Statement of Accounts and therefore, it was recommended that the accounts were not consolidated.

RESOLVED that the accounts of Red One Limited be not consolidated into group accounts for the 2018/19 financial year.

NB. Councillor Saywell declared a personal interest in this matter by virtue of being an Authority appointed Non-Executive Director on the Board of Red One Limited. Councillor Saywell neither spoke nor voted on this item.

* **APRC/18** **Audit & Review 2018-19 Progress Report**

The Committee received for information a report of the Director of Service Improvement (APRC/19/2) that set out the progress made to Quarter 3 of 2018-19 on internal audits as compared with the approved Internal Audit Plan, together with updates on additional review work undertaken.

The Director of Service Improvement drew attention to the point that the report had been improved to give clarity in respect of the progress being made with each audit instead of just stating "ongoing".

Councillor Randall Johnson sought an update in respect of the position on the Emergency Services Network (ESN). The Director of Service Improvement advised the Committee that there was no transition to ESN until 2020. All Services could transition now when they were ready and willing. Given that there was a regional approach, however, the logistics meant that Services would transition together on a regional basis. It was noted that there was still a lot of work being undertaken in respect of connectivity and signal in remote rural areas and the Service was awaiting the outcome of further testing.

* **APRC/19** **Corporate Performance Reporting**

The Committee received for information a report of the Director of Service Improvement (APRC/19/3) that outlined how the Service was working towards embedding a positive performance culture through the new Performance management Framework.

The Committee also received a presentation at the meeting in respect of the how the new Performance Framework might help to achieve the priorities set out within the Fire and Rescue Plan and the Integrated Risk Management plan. There were four key elements covered during the presentation, namely:

- Organisational culture;
- The proposed Performance Management Framework;
- Performance reporting and the roles of personnel at different levels within the organisation.

The presentation provided the Committee with an overview of how the Service was progressing and clarified its role in terms of scrutinising the performance of the organisation. It was noted that Officers felt there had already been a positive change in direction within the Service in terms of performance with greater engagement and staff asking appropriate questions. The Director of Service Improvement welcomed challenge from the Committee and the opportunity to provide additional information to assist in this role.

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

The meeting started at 10.00 am and finished at 11.20 am

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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

7 February 2019

Present:-

Councillors Coles (Chair), Biederman, Drean (Vice-Chair), Hendy, Hook, Peart and Radford

In attendance:-

Councillors Randall Johnson and Wheeler (in accordance with Standing Order 38)
Dr Sian George and Lisa Compton, [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd. attended for items RC/24 and 25.

* **RC/16** **Minutes**

RESOLVED that the Minutes of the meeting held on 15 November 2018 be signed as a correct record.

* **RC/17** **Treasury Management Performance 2018-19: Quarter 3**

The Committee received for information a report of the Director of Finance (Treasurer) (RC/19/1) that set out details of the treasury management performance for the third quarter of 2018-19 (to December 2018) as compared to the agreed targets for 2018/19.

Adam Burleton, representing Link Asset Services – the Authority's Treasury Management Adviser – was present at the meeting and gave an overview of the Service's performance to date against the approved Treasury Management Strategy.

He made reference to the following points:

- The UK had experienced weak economic growth in Quarter 1 of only 0.1% but this had improved at Quarter 3 to 0.6% although uncertainty over Brexit looked likely to weaken this position in Quarter 4;
- inflation was currently running close to the Government's 2% target which gave scope for interest rates to be held at current rates for a longer period;
- A "no deal" Brexit was a risk but there did not appear to be an appetite in Parliament for a 'no deal' exit from the European Union. In the event of a "no deal" Brexit, it was likely that interest rates would be cut. If there was a deal negotiated, then interest rates would probably rise around May 2019 but there would be more certainty when a trade deal was negotiated;
- There had been no change to the Authority's investment strategy which remained focused as security and liquidity of its assets over yield;
- The Authority had outperformed the three month LIBID benchmark of 0.79% with a return of 0.92% in Quarter 3 and investment interest of £0.095m; and
- There had been no new borrowing and the Authority had not breached its Prudential Indicators (affordability limits).

RC/18 **Financial Performance Report 2018-19: Quarter 3**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/2) that set out the Service's financial performance during the third quarter of 2018-19 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2018-19 revenue budget with explanation of the major variations.

The Committee noted that forecast spending by the year end would be £73.864m representing a saving of £0.007m, equivalent to 0.01% of the total budget. Reference was made to the proposed budget transfers set out at Tables 3a and 3b of the report. It was noted that the budget transfers set out at Table 3a were required to cover the costs of the work to repair the recently identified defects on three VEMA (aerial) appliances. Table 3b set out the budget transfers in excess of £0.150m which required Authority approval. The Director of Finance (Treasurer) advised the Committee that a prudent approach was being taken in recommending a provision for doubtful debt to the Authority due to the longevity of aged debt.

RESOLVED

(a) That the budget transfers below £0.150m shown in Table 3a of this report (and as set out at Appendix A to these Minutes for ease of reference) be approved;

(b) That the budget transfers above £0.150m shown in Table 3b of this report and reproduced below for ease of reference be recommended to the Devon & Somerset Fire & Rescue Authority for approval;

Virements greater than £0.150m

Line Ref	Description	Debit £m	Credit £m
	Transfer of budget for Uniforms following a change in responsibility for the management of the uniforms to Research & Development.		
18	Uniforms	0.425	
18	Uniforms		(0.425)
	Provision for Doubtful debts - increase the total provision available to £0.650m, a prudent approach due to ongoing levels of aged debt - the provision can be released back to the revenue budget upon debt repayment		
28	Provision for Doubtful debts	0.600	
30	Grants and reimbursements		(0.300)
4	Non-uniformed staff		(0.200)
1	Uniformed Pay		(0.100)
	Transfer budget to fund Fireground Radios to improve Firefighters' ability to communicate at operational incidents		
17	Communications	0.224	
2	On-Call firefighters		(0.224)
		1.249	(1.249)

(c) That the monitoring position in relation to projected spending against the 2018-19 revenue and capital budgets be noted;

(d) That the performance against the 2018-19 financial targets be noted.

RC/19 **Capital Strategy**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/3) that set out the proposed Capital Strategy prepared as a result of a requirement within the 2017 Prudential Code for all local authorities.

It was noted that the Strategy provided a high level overview of how capital expenditure and the way it was financed contributed to the provision of services within Devon and Somerset. It also gave an overview of how the associated risk was managed and the implications for the future financial sustainability of the Authority. The Strategy also provided the requisite governance for approval and monitoring of capital expenditure.

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out within report RC/19/3.

RC/20 **2019-20 Revenue Budget and Council Tax Levels**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/4) on options for the Authority's revenue budget and associated Council Tax level in 2019-20. It was a legislative requirement for the Authority to set a balanced budget and determine an associated Council Tax level prior to 1 March each year and this report set out the necessary financial background on which to consider the appropriate way forward for this Authority.

The Director of Finance (Treasurer) advised that the Minister for Housing, Communities and Local Communities had announced that the Council Tax referendum limit was 3% this year. The report therefore set out two options for consideration by the Committee in setting the level of Council Tax in 2019-20, namely:

- Option A – freeze council tax at 2018-19 level (£84.01 for a Band D property); or
- Option B – increase council tax by 2.99% above 2018-19 (an increase of £2.51 per annum to £86.52 for a Band D property)

Attention was also drawn to a supplementary paper circulated at the meeting (RC/19/4(a)) setting out revised figures following receipt of updated information from billing authorities regarding Council Tax and National Non Domestic Rates (NNDR) income. The combined changes to central government funding, Council Tax and NNDR income meant that there would be £0.085m less funding available to the Authority but the impact of this was offset by Section 31 grant resulting in an overall increase of £0.295m. This meant that the Authority was able to increase its revenue contribution to capital in setting a balanced budget for 2019-20. It was noted that the funding generated by an additional 1% in Council Tax was equivalent to £0.510m.

The revised net revenue budget requirement for the Authority emanating from the overall increase in funding was £75.142m (based on Option B, a Council Tax increase of 2.99%) or £73.617m (based on Option A, a Council Tax Freeze). The total savings requirement for 2019-20 had reduced to £1.3m under Option B or £2.8m under Option A.

Councillor Coles **MOVED** (seconded by Councillor Biederman):

> "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, representing a 2.99% increase over 2018 -19".

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

RESOLVED 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.

RC/21 **Capital Programme 2019-20 to 2021-22**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/5) that set out the proposals for a three year Capital Programme covering the years 2019-20 to 2021-22. The report outlined the difficulties in meeting the full capital expenditure requirements for this Authority given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced.

It was noted that the Capital Programme had been constructed on the basis of ensuring that borrowing was maintained below the 5% ratio of financial cost to net revenue stream, one of several Prudential Indicators previously agreed by the Authority. The funding requirement for the Capital Programme was £61.7m compared with only £41.8m of available funding. The Director of Finance (Treasurer) referred to the risk associated with the need to borrow further in future to meet the capital requirements in the light of reducing revenue funding and the associated potential breach of the Prudential Indicators. To inform long term planning, therefore, the Prudential Indicators had been profiled for a further two years beyond 2021-22 based upon indicative capital programme levels.

RESOLVED that the Authority be recommended:

(a) to approve the draft Capital Programme 2019-20 to 2021-22 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/19/5; and

(b) subject to (a) above, to note the forecast impact of the proposed Capital Programme (from 2021-22 onwards) on overall affordability and the 5% debt ratio Prudential Indicator as indicated in this report.

RC/22 **Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2019-20**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/6) in respect of the Treasury Management Strategy and Annual Investment Strategy in accordance with the decision taken by the Authority on 18 December 2017. The report set out the proposed Treasury Management Strategy and Investment Strategy for 2019-20, including the Prudential Indicators associated with the capital programme for 2019-20 to 2021-22 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2019-20 was also included for approval.

The Director of Finance (Treasurer) reported upon the addition of a recommendation in respect of country investments (under the approved instruments for investment - paragraph 4.12 refers) which may be impacted adversely in the event of a “no deal” Brexit resulting in the downgrading of the UK sovereign rating. This might result in the Authority losing out on investment opportunities within the UK and therefore it was proposed to amend this to “Non UK countries with a minimum sovereign rating of AA-”.

RESOLVED that the Authority be recommended to approve:

(i) the Treasury Management Strategy and the Annual Investment Strategy for 2019-20;

(ii) the Minimum Revenue Provision (MRP) statement for 2019-20, as contained at Appendix B of report RC/19/6;

(iii) the amendment to Country Credit limits outlined in paragraph 4.12 of report RC/19/6 to allow for continued investment in the event that the UK sovereign rating was downgraded.

*** RC/23 <u>Exclusion of the Press and Public</u>**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Dr Sian George and Lisa Compton, [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) be excluded from the meeting for the following item of business on the grounds that they involved the likely disclosure of exempt information as defined in the following Paragraph of Part 1 of Schedule 12A (as amended) to the Act:

- Paragraph 3 (information relating to the financial and business affairs of any particular person – including the authority holding that information).

*** RC/24 <u>Restricted Minutes of the Resources Committee held on 15 November 2018</u>**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public [with the exception of Dr Sian George and Lisa Compton, [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) were excluded from the meeting).

NB. Councillors Saywell and Thomas each declared a personal interest in this matter but in accordance with the dispensation granted by the Authority at its Annual Meeting on 8 June 2018 – Minute DSFRA/5(a) refers – remained for the debate).

RESOLVED that the Restricted Minutes of the meeting held on 15 November 2018 be signed as a correct record.

*** RC/25 <u>Red One Ltd. Financial Performance 2018-19: Quarter 3</u>**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public [with the exception of Dr Sian George and Lisa Compton, [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) were excluded from the meeting).

NB. Councillors Saywell and Thomas each declared a personal interest in this matter but in accordance with the dispensation granted by the Authority at its Annual Meeting on 8 June 2018 – Minute DSFRA/5(a) refers – remained for the debate).

The Committee received for information a report of the Director of Finance (Treasurer) that gave an update on the current financial position in respect of Red One Ltd. for Quarter 3 of 2018-19.

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

The meeting started at 10.10 am and finished at 1.10 pm

REPORT REFERENCE NO.	**DSFRA/19/1**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 FEBRUARY 2019**
SUBJECT OF REPORT	**MEDIUM TERM FINANCIAL PLAN**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That the Medium Term Financial Plan as appended to this report be endorsed.***
EXECUTIVE SUMMARY	The requirement to produce and publish a Medium Term Financial Plan is included in the current iteration of the Fire & Rescue National Framework for England. The document now attached outlines funding, income and expenditure forecasts for the Authority for the next five financial years (to 2023-24). The Plan identifies how the financial forecast is constructed (including funding sources and expenditure/cost pressures) together with savings targets over the period covered and the Change & Improvement Programme (Safer Together) which will be the principal vehicle for delivering these savings. As such, the Medium Term Financial Plan should be considered alongside the Safer Together Programme (which aims to deliver against those objectives in the community-facing Integrated Risk Management Plan and organisation-facing Fire & Rescue Plan) and the Reserves Strategy. It is intended that the Medium Term Financial Plan be updated at least annually as part of the budget setting process and will be refreshed more frequently as soon as any information making a material difference becomes available.
RESOURCE IMPLICATIONS	As set out in the Medium Term Financial Plan appended to this report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing Equalities and Human Rights legislation.
APPENDICES	A. Medium Term Financial Plan
LIST OF BACKGROUND PAPERS	Fire & Rescue Plan Integrated Risk Management Plan Reserves Strategy (report DSFRA/18/18 to the Authority meeting held on 30 July 2018) Fire & Rescue National Framework for England 2018

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Medium Term Financial Plan

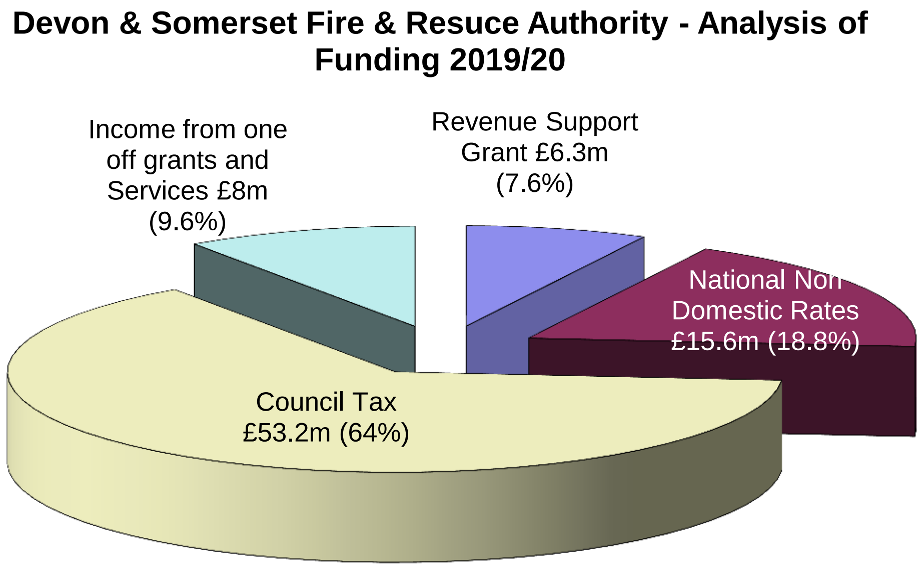
Introduction

Devon & Somerset Fire& Rescue Authority (the Authority) covers a diverse geographical area across two counties; with large towns and cities, market towns and isolated rural areas alongside major roads and lengths of coastline. The current budget of £75.1m is used to resource 85 fire stations, 121 fire engines in addition to special appliances. Over 2,000 staff deliver fire prevention and protection activity, respond to calls and incidents and provide support functions.

This document is the Medium Term Financial Plan and outlines funding, income and expenditure forecasts for the next five years. The Medium Term Financial Plan will be updated annually as part of the budget setting process and will be refreshed more frequently if information which makes a material difference becomes available. Understanding our finances is really important when making decisions about the future and this document should be read alongside our Fire and Rescue Plan, Integrated Risk Management Plan, Safer Together Programme and our Reserves Strategy.

Funding and Income

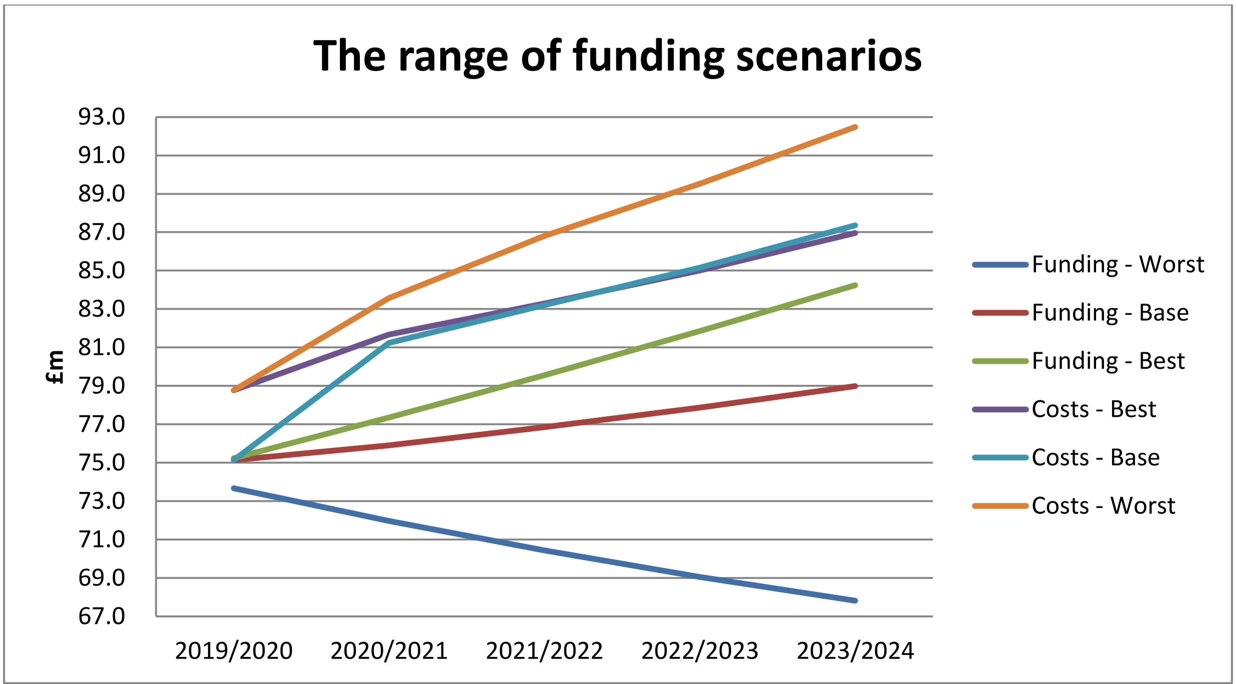
We have three main sources of revenue funding; Council Tax Precept, National Non-Domestic Rates Scheme and Revenue Support Grant. Additionally, income from one-off grants, recharges and services is offset against our expenditure in order to reach the “net revenue budget” in each year.



Building the Medium Term Financial Forecast

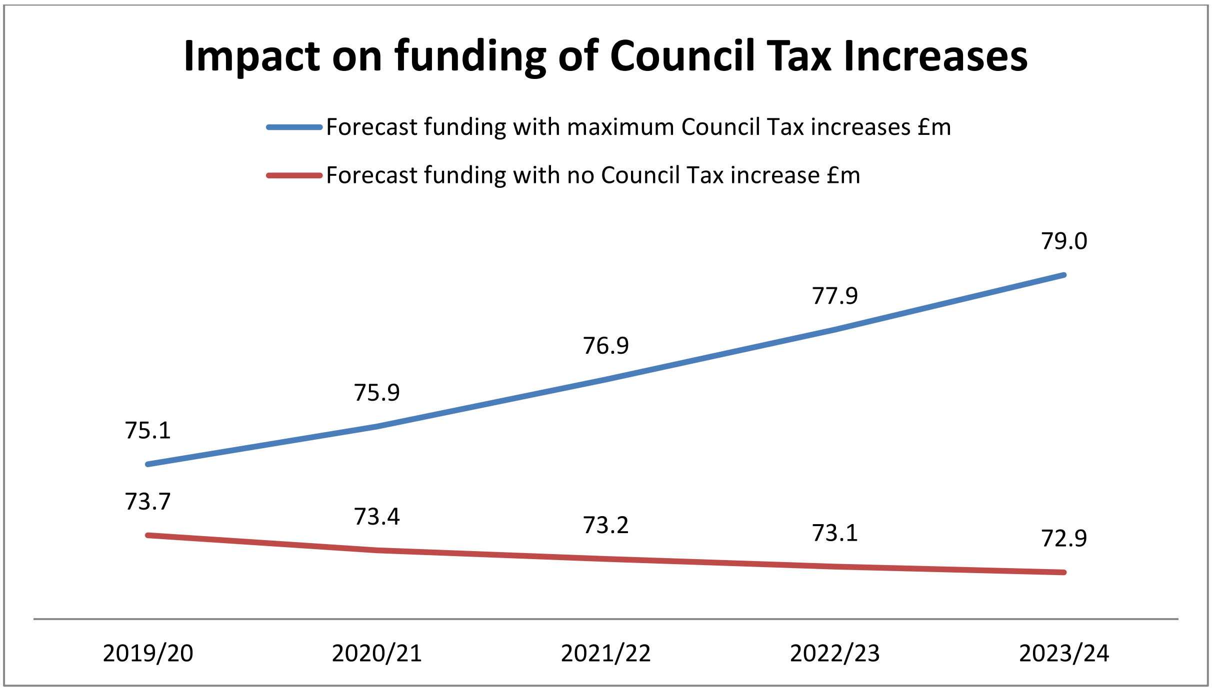
Planning for different scenarios: The forecasts in this document represent a "base case" scenario which has been built on the latest information from government, sector knowledge and experience of finance officers. "Worst case" and "best case" scenarios are also developed to show the impact of various funding and cost pressures:

- In the Worst case; government grants are cut, pay and inflation see a steep increase, pension costs are unfunded , Council Tax is frozen and the base doesn't grow
- In the Best case; government grants, pay and inflation remain steady, pension costs are funded and Council Tax is increased ever year, with the base achieving the 2% growth estimated by government
- In the Base case, which is presented here; government grants reduce at the average of previous years, pay and inflation remain steady, pension costs are unfunded and Council Tax growth tracks at the average for the area
- The Base case is presented to the Fire Authority with options over Council Tax and savings targets are fed back in to the budget setting process each year



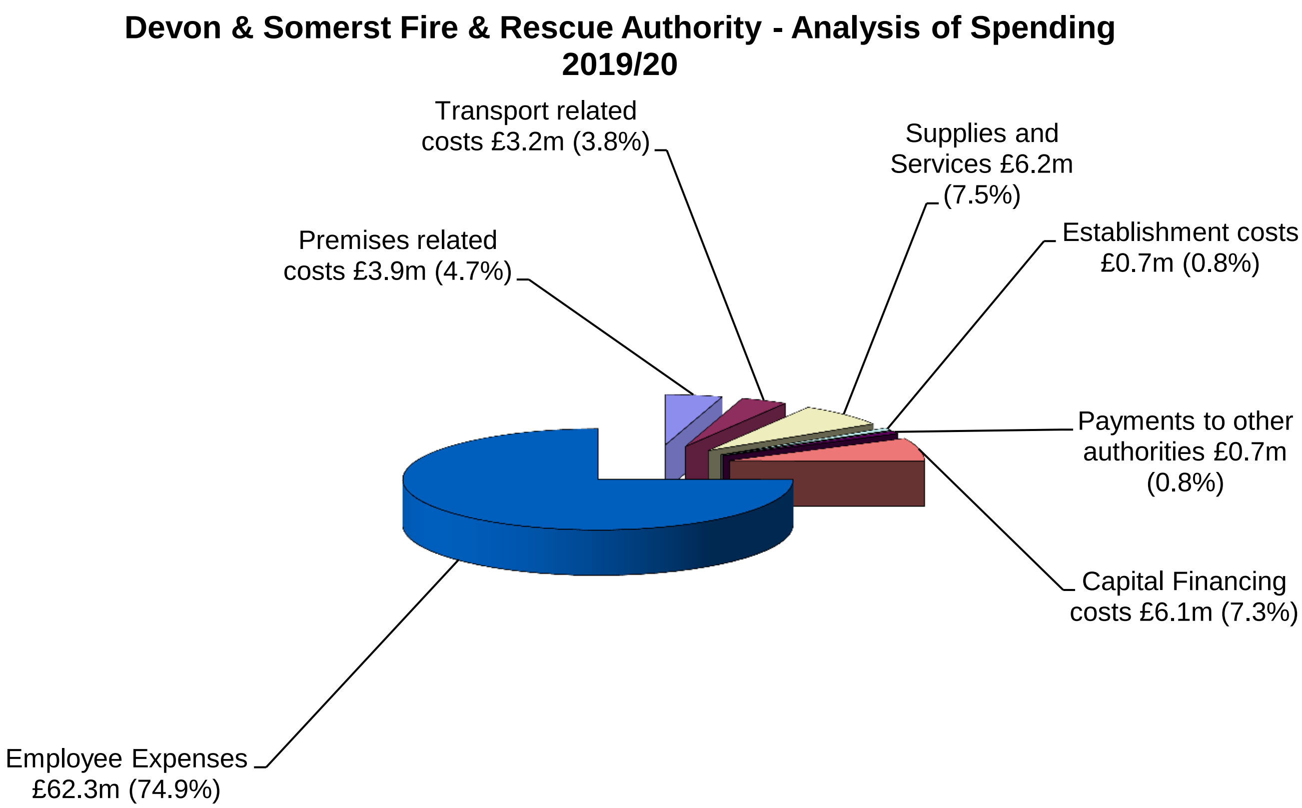
The range of scenarios presented in the chart above demonstrates that the savings gap (the difference between funding and costs) could vary from a deficit of £3m to £5m over the next five years. The base case represents the most likely scenario and informs the Medium Term Financial Plan. Because the Plan is reviewed annually, variations can be built in and projections are refined at regular intervals, short term exceptions can also be smoothed out using reserves.

Funding: When building the five year forecast assumptions are made about each of the funding sources and how they may change in the coming years, a range of scenarios can then be used to calculate the anticipated funding available. The Authority only has direct control over the level of Council Tax raised each year and the following graph shows the impact on funding of maximum raises against no increases, which could amount to £6.3m over the next five years.



Expenditure: Assumptions are also made about forecast expenditure. The Authority can control some of its costs by managing its budget effectively; other elements are dependent on national drivers such as inflation, superannuation (pension) costs and pay awards. Expenditure is shown in the chart below and highlights that 74.9% of our costs are related to employees, meaning that increases in this area can have a significant impact on the budget.

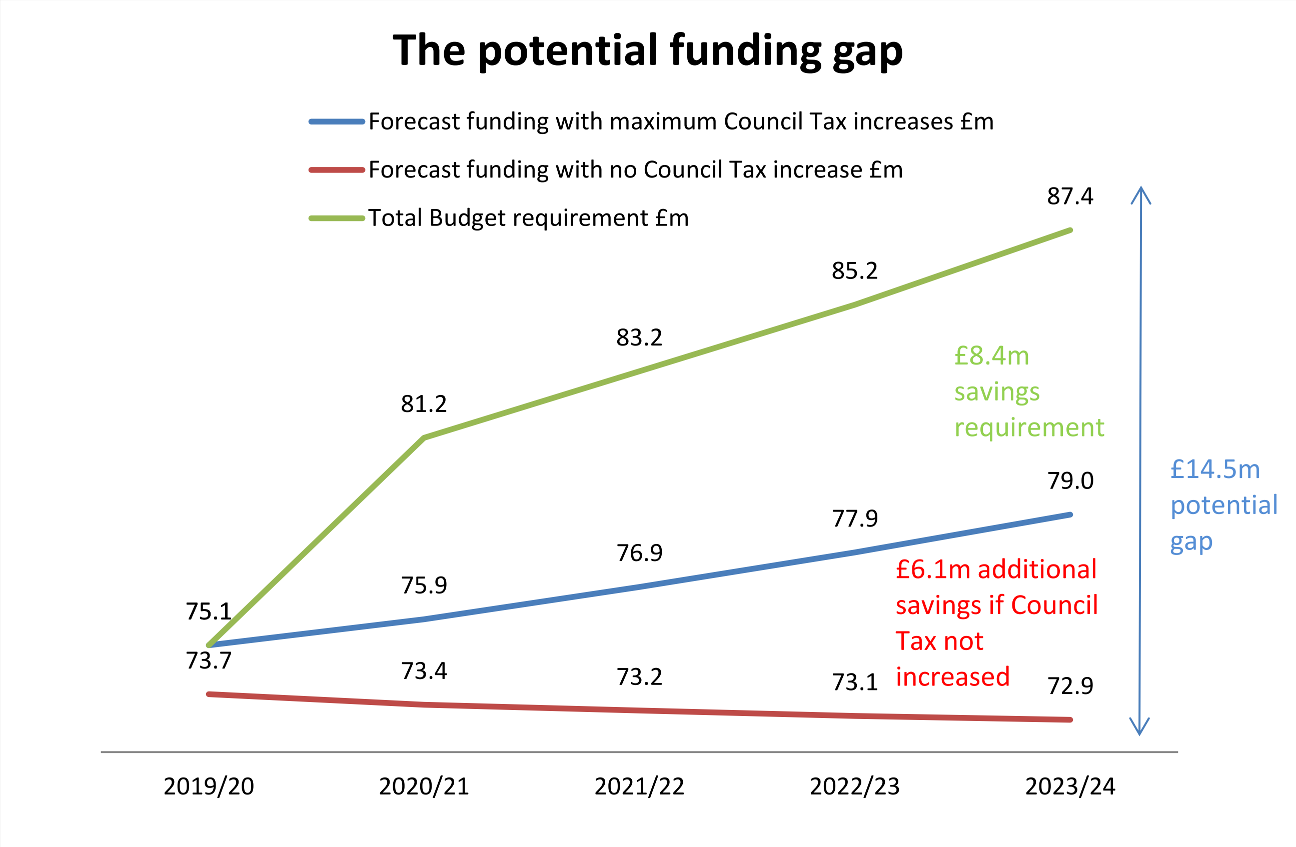
The Capital Programme is also paid for through Revenue funds; a combination of money set aside to pay for historic borrowing, budget provision to fund future capital expenditure and Reserves designated for Capital Use.



Cost Pressures: The medium term financial forecast identifies the following cost pressures within the next five years which are added to the current budget to reach the future budget requirement:

- Pay increases
- Inflation
- Pension increases
- Reduction to one-off grant income
- Capital investment

The most significant cost pressure at time of writing is firefighters' superannuation costs, which are anticipated to increase to 30.4% of pay following the latest governmental valuation and will cost approximately £4.1m per year extra. Whilst the majority of this increase (£3.3m) will be covered by one-off central government grant in 2019/20, the future position is uncertain. If the full cost is to be covered locally it will have a material impact on our finances.



Savings targets and the Safer Together Programme

The chart above shows the gap between potential funding available versus the budget requirement, including cost pressures. This is known as the funding gap. Over five years the funding gap could reach £14.5m if Council Tax is frozen, falling to £8.4m if increased.

We have an excellent history of achieving savings targets, with £12.2m saved over the five years to 2018/19 and also delivered in year savings which have been transferred to reserves.

Given the big challenge posed by the funding gap and the need to reform our Service, plans are underway to future proof the organisation and deliver budget savings. The Fire and Rescue Plan describes what we need to change (and why) and together with the Integrated Risk Management Plan informs the development of the Safer Together Programme. The programme will be our principal vehicle for realising the financial savings required to close the funding gap. The full Fire and Rescue Plan can be found at http://www.dsfire.gov.uk/AboutUs/WhatWeDo/OurCorporatePlan/documents/OurFireRescuePlan_000.pdf.

Both potential financial and non-financial benefits will be mapped at the programme level and then at the project level to ensure they continue to align with our corporate vision and show how the programme contributes to the savings targets for the next four years.

The programme will be resourced through reserves in particular the 'invest to improve' reserve, details of which can be found in the Reserves Strategy.

The initial focus of the programme is the following four work streams.

Service Delivery Operating Model

This theme will develop a new model for Service Delivery. It will consist of a number of complex interdependent projects that together will deliver the new 'operational' model. It will be driven by the Integrated Risk Management Plan and will ensure that our operating model for Prevention, Protection and Response matches resources to the greatest risk.

This project is designed to deliver the following key benefits:

- Financial savings from restructuring
- Prevention and Protection activity centrally managed to ensure a consistent service that focusses resources where the risk is greatest
- Improved recruitment and retention and a more flexible and diverse workforce
- More accurately matching resources to risk
- Availability of on call appliances appropriate to the local risk
- A reduction in fires and fire related injuries particularly amongst the most vulnerable groups of people

The Digital Transformation

This is an enabling work stream and will run intrinsically through every project, ensuring we are turning data into intelligence. The primary focus will be on Service Delivery with the development of supporting technology for the new Service Delivery Model. This will enable us to work smarter ensuring we use technology to improve our ability to perform well on the incident ground, taking a digital by default approach.

Through the development and implementation of our a Digital Transformation Strategy we will have clarity on the digital solutions that are required to enable service improvements, support new ways of working and to realise savings.

This project is designed to deliver the following key benefits:

- Efficiencies leading to financial savings
- Improved compatibility and simplification of our existing systems
- Staff will have easier access to accurate and comprehensive information
- Enhanced use of mobile technology that reflects peoples' everyday use of technology
- Increased automation and reduced duplication
- Improved information management and security

Management of Fleet and Equipment.

This work stream will concentrate on the development of a robust framework for managing vehicles and equipment. It will outline a new mobile asset management strategy that will lead to new and improved processes and policies and a well-managed asset register. This will ensure we can always track our assets and are managing them in the most effective and efficient way.

This project is designed to deliver the following key benefits:

- The development of fleet strategy to support new service delivery models, bring in new technology and reducing costs.
- Ensuring adequate resources to manage planned maintenance and defects
- Make improvements in systems and administration to secure effective and efficient ways of working and controls
- All fleet and equipment purchases are made through Fleet & Equipment department to provide greater quality and control

Learning and Development

This work stream will concentrate on defining our learning culture and a new model for developing our staff and ensuring our people have the right skills at the right time to deliver the capabilities we need in an ever changing environment. The principal project for this work stream for the next 2 years is **Training for Competence.**

This project is designed to deliver the following key benefits:

- Financial savings from new ways of working
- All personnel maintain appropriate standards of competence relevant to risks in their role and location increasing firefighter safety.
- Training is targeted leading to an increase in quality and removal of a 'sheep dip' approach.
- Systems provide managers with better interrogation & better visibility of where the organisation is in relation to competence.
- Increased appliance availability through improved compliance with competency requirements.
- Cultural change where the individual is aware and able to manage their own competence qualification and maintenance, which is scalable to the changing requirements of The Service.

Summary

The medium term financial forecast is indicating significant budget pressures over the next five year period and robust plans must be made to meet the challenge. The Service is progressing well with change plans and will need to start realising the benefits within the next year to ensure longer term financial sustainability. In addition to savings realised from the Safer Together programme, ongoing work will be done to reduce costs through budget management, procurement, collaboration and efficiency reviews.

Glossary and methodology for calculating assumptions

Council Tax Precept. Each household receives an annual Council Tax Bill which is made up of charges for various services such as County, Unitary, District and Parish Councils, Police and Fire. The charge is known as the Council Tax Precept and is determined by the Authority each year and is usually quoted as the amount for a Band D property. In Devon & Somerset there are 15 billing authorities made up of district and unitary councils and those bodies are responsible for sending out bills to households and collecting the money which is then paid over to the Authority.

Council Tax income received in each year is based on three elements and these are forecast separately:

- The amount of Council Tax Precept that each household pays is set by the Authority each year and in 2019/20 is subject to a maximum of 2.99% increase (any increase above that level would require a local referendum to be held).
- The number of households in the area (the Council Tax Base) which is estimated based on housing growth.
- The success of billing authorities in collecting their council tax; each authority will have a surplus or deficit on their collection fund, a proportion of which is passed on to the Authority (Council Tax Surplus/Deficit).

National Non-Domestic Rates, also known as Business rates retention scheme, is made up of two elements; a proportion of business rates collected by billing authorities and paid directly to the Authority and a "Top-up grant" from central government which is intended to make up the difference between the Authority's baseline funding and actual income (calculated by central government based on a proportion of total business rates funding across the fire sector).

National Non-Domestic Rates income received in each year is based on three elements and these are forecast separately:

- The amount of Business Rates Income
- The success of billing authorities in collecting their Business Rates; each authority will have a surplus or deficit on their collection fund, a proportion of which is passed on to the Fire Authority (Surplus/Deficit)
- The amount of Top-Up Grant due to the Authority which is notified by central government annually

Revenue Support Grant is received directly from central government and is based on the Settlement Funding Agreement which is determined based on analysis of spending requirement across English Fire Services. The Settlement Funding Agreement can be set annually or for a longer period. In 2016/17 a four year funding settlement was offered and accepted by the Authority, which meant that there was certainty over the Revenue Support Grant up to 2019/20. Beyond that period assumptions have to be made as to the level of grant income to be received.

Medium Term Financial Plan Assumptions	2019/20	2020/21	2021/22	2022/23	2023/24
Council Tax Precept	2.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Base	1.39%	1.10%	1.20%	1.20%	1.20%
Council Tax Surplus	-0.34%	-5.00%	0.00%	-5.00%	-5.00%
National Non-Domestic Rates	-3.25%	0.00%	0.00%	0.00%	0.00%
Revenue Support Grant	-4.45%	-5.00%	-5.00%	-5.00%	-5.00%
Total Impact on net funding £m	**1.3**	**0.8**	**1.0**	**1.0**	**1.1**
Forecast funding with maximum Council Tax increases £m	**75.1**	**75.9**	**76.9**	**77.9**	**79.0**
Forecast funding with no Council Tax increase £m	**73.7**	**73.4**	**73.2**	**73.1**	**72.9**

Section 31 Grants are made from central government and determined on an annual basis. The biggest grants for the Authority are Small Business Rates Relief (reimbursement from the government for reduced business rates income), Rural Services and Transition Grants.

Grants, Reimbursements and Other Income. The Service undertakes a range of activities outside of its statutory duties, some of which are paid for by third parties. This can include Co-responding to Ambulance Service incidents, rent on our premises and running training courses.

Cost Pressures

Pay Awards are subject to agreement by the relevant National Joint Council (pay bodies for public sector) and apply to English and Welsh Fire and Rescue Authorities. Pay awards are often agreed annually within the financial year they apply and are therefore subject to variation against the forecast. Assumptions are benchmarked against the Fire Sector at least annually.

Inflation. The Authority is responsible for funding inflationary increases', The rate is set for pensions on an annual basis (2.7% for 2019/20) and prices for goods and services may fluctuate depending on the contract in place for purchasing them.

Superannuation. The Authority is responsible for paying employer pension contributions (also known as superannuation) which are based on a percentage of pensionable pay. There are several pension schemes for firefighters and support staff and the employer contribution percentage rates are determined every three years via an actuarial valuation. Superannuation currently accounts for around 15% of expenditure on employee costs so variations to rates can have a significant impact e.g. a 1% increase to Firefighter pension costs is equivalent to £0.350m. Estimated increases are included in the Medium Term Financial Plan as a cost pressure.

Capital Programme. Significant purchases of assets costing £5,000 or more with a useful life beyond one year are classified as Capital expenditure. Capital expenditure can include purchasing vehicles and equipment, building new stations, extensions and major refurbishment, as well as ICT infrastructure.

Medium Term Financial Plan 2019/20

Medium Term Financial Plan Assumptions	2019/20	2020/21	2021/22	2022/23	2023/24
Firefighter pay awards	2.00%	2.00%	2.00%	2.00%	2.00%
Support staff pay awards	2.00%	2.00%	2.00%	2.00%	2.00%
Inflation and Pensions	2.40%	2.00%	2.00%	2.00%	2.00%
Superannuation (to be funded locally)	2.00%	14.00%	14.00%	14.00%	14.00%
Cost Pressures £m	**1.3**	**6.1**	**2.0**	**2.0**	**2.2**
Total Budget requirement £m	**75.1**	**81.2**	**83.2**	**85.2**	**87.4**

REPORT REFERENCE NO.	**DSFRA/19/2**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 FEBRUARY 2019**
SUBJECT OF REPORT	**CAPITAL STRATEGY**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATION	***That the Authority endorses the Capital Strategy as set out in this report.***
EXECUTIVE SUMMARY	The 2017 Prudential Code included the new requirement for all Local Authorities to produce a capital strategy that has been agreed by the Members, within the 2018-19 financial year. The capital strategy is a key document for the Authority and forms part of the financial planning arrangements, reflecting the priorities set out in the Fire & Rescue Plan and the Medium-Term Financial Strategy. It provides a high level overview of how capital expenditure, and the way it is financed, contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance process for approval and monitoring of capital expenditure.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017

1. INTRODUCTION

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 includes a new requirement for local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with the Service objectives and take account of stewardship, value for money, prudence, sustainability and affordability within the 2018/19 financial year.

1.2. The capital strategy is a key document for the Authority and forms part of the financial planning arrangements, reflecting the priorities set out in the Fire & Rescue Plan and the Medium-Term Financial Strategy. It provides a high level overview of how capital expenditure, and the way it is financed, contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance process for approval and monitoring of capital expenditure.

2. CAPITAL EXPENDITURE

2.1. Capital expenditure is incurred on the acquisition or creation of assets that yield benefits for a period of more than one year and carry significant cost; for this Authority the capital de minimis level is set as £5,000. It includes land, new buildings, enhancement to existing buildings within the estate and the acquisition of vehicles and major items of equipment. Intangible assets such as software can also be classed as capital expenditure this is in contrast to revenue expenditure which represents spending on day to day running costs such as salaries, heat and light.

3. CAPITAL EXPENDITURE COMPARED TO TREASURY MANAGEMENT INVESTMENTS

3.1. Treasury Management investments arise from the organisation's cash flows and debt management activity, and ultimately represent balances which can be invested until the cash is required for use in the course of business. As an example, the Authority set-a-side an amount each year to reflect the usage of an asset (Minimum Revenue Provision – see Section 17 below). This amount is invested but cannot be used to fund future capital expenditure as it is required to pay off a loan on maturity.

3.2. For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the annual Treasury Management Strategy Statement.

3.3. Performance of the Treasury Management investments is reported to the Resources Committee at the end of each quarter.

4. CAPITAL REQUIREMENTS

4.1. This Authority has experienced significant revenue grant reductions since 2010 and no longer receives any capital grant. With further grant reductions expected and increasing cost pressures, new ways of working are being considered in order that the Service can address the risks within our communities and balance the budget. The Safer Together programme identifies those risks and helps quantify the requirements in terms of premises and vehicles that are needed in each location. The Integrated Risk Management Plan, along with the Fire and Rescue National Framework, identifies emerging challenges such as the continued threat of terrorism, the impacts of climate change and impacts of an ageing population.

4.2. The Authority has 85 fire stations across the counties of Devon and Somerset which are aligned to the old standards of fire cover and are not necessarily reflective of future risk profiles.

4.3. Currently, the Service has 121 front-line Appliances and 19 Special Appliances, many of these have passed their replacement date. Prioritisation of where the capital resources are used to ensure our property estate and fleet of vehicles are fit for purpose is paramount.

5. PROJECT INITIATION

5.1. Capital projects are subject to a robust justification process, bringing together a clear business case with sufficient detailed costings to ensure transparent decisions can be taken.

5.2. Proposals are commissioned by the Executive Board and then monitored through regular meetings between capital leads, procurement and finance officers. The Safer Together Programme Board considers variations to major project plans and monitors milestones.

5.3. A formal process of project management is followed with a project manager or building surveyor assigned to each Capital scheme to ensure they are subject to thorough oversight for the duration of the project. The project manager will oversee planning, delivery, management, skills assessment and governance of capital projects.

5.4. Capital projects will be assessed for:

- Strategic fit – corporate objectives are being met by the expenditure.
- Identified need – e.g. vital repairs and maintenance to existing assets.
- Achievability – this may include alternatives to direct expenditure such as partnerships.
- Affordability and resource use – to ensure investment remains within sustainable limits.
- Practicality and deliverability.
- Resource time is assessed when considering projects to ensure both delivery of projects and day-to-day work is covered.

5.5. To support a robust governance process, for larger capital investment projects, the Service uses the "Five Case" model to develop the business case as recommended by HM Treasury. The model provides a discipline and structure to arrive at the best possible decision and considers; The strategic case (the case for change), the economic case (value for money), the commercial case (it is commercially viable and attractive to the market), the financial case (to ensure the proposed spend is viable) and finally the management case (that the requirement is achievable).

6. THE SERVICE CAPITAL PROGRAMME 2019-20 – 2023-24

6.1. The Service capital programme for 2019-20 – 2023-24 is considered annually and is set out in Table 1.

Table 1 – The Capital Programme

PROJECT	2019/20 £000 Budget	2020/21 £000 Budget	2021/22 £000 Budget	2022/23 £000 Indicative Budget	2023/24 £000 Indicative Budget
Estate Development					
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
Estates Sub Total	**4,407**	**10,200**	**7,900**	**9,300**	**7,000**
Fleet & Equipment					
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				
Fleet & Equipment Sub Total	**3,607**	**6,300**	**4,900**	**3,800**	**4,300**
Overall Capital Totals	**8,014**	**16,500**	**12,800**	**13,100**	**11,300**
Programme funding - revenue funding at 2019/20 figure					
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
Total Funding	**8,014**	**16,500**	**12,800**	**13,100**	**11,300**

7. FUNDING THE CAPITAL PROGRAMME

7.1. There are several funding sources available to meet the Authority's capital expenditure requirements. These are explored in more detail.

8. REVENUE FUNDING

8.1. At its meeting on 24 February 2014, the Authority agreed that an element within the Revenue budget for each year will go towards funding the capital programme and this has continued into each subsequent financial year. The amount awarded to assist with the capital programme is based on affordability and is specific to that year. Table 1 identifies the amount the Authority is hoping to fund from Revenue each year.

9. PRUDENTIAL BORROWING

9.1. The Authority is permitted to take out regulated external borrowing. The Local Government Act 2003 refers to affordability and the requirement that the local authorities in England and Wales keep under review the amount of money they borrow for capital investment.

9.2. The Code requires that "The local authority shall ensure all of its capital and investment plans and borrowing are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt (including Minimum Revenue Provision) and consideration of risk and the impact on the overall fiscal sustainability". The impact of borrowing is outlined within the Treasury Management Strategy Statement and monitored by the Resources Committee on a quarterly basis.

10. RESERVES

10.1. It has been the strategy of the Authority to utilise revenue contribution to fund capital expenditure. Following approval by Authority, an amount of the in-year revenue budget underspend has been set-a-side and moved in to a Reserve to fund the future capital programme. The amount of Earmarked Reserve funding identified to fund the Capital programme is shown in Table 1 above. No additional external borrowing has been taken out - the last loan the Authority took out was in 2012. Depending on the size of the Capital programme, there could be a requirement for new borrowing within financial year 2021-22 if the quantity and type of assets remain the same.

11. MONITORING CAPITAL EXPENDITURE

11.1. The performance of the capital programme is reported to Officers each month and to Members each quarter and forms part of the Financial Performance report. Any timing differences are also identified within the report.

12. RISK MANAGEMENT

12.1. The Prudential Code recognises that in making its capital investment decisions, the authority must have explicit regards to option appraisal and risk:

> "The Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, along with an overview of how associated risk is managed and the implications for future sustainability."

12.2. Each Capital scheme project will have its own risk register and options appraisal to manage the operational risk arising from the project, however this section of the strategy focuses on strategic risks arising from capital investment activity.

12.3. Every item will go through a rigorous justification process so that a greater scrutiny can be achieved over what is included within the capital programme. This will become even more critical if collated bids exceed the available funding. All investment will be aligned to the Integrated Risk Management Plan and the Fire & Rescue Plan to ensure that the Service is replacing the right assets, at the right location to address the risk and at the same time reducing our revenue costs to help balance the budget.

12.4. The Capital budget requirement is determined on an annual basis. The process starts at the end of the summer with relevant departments determining their requirements. Once formalised, the requirements are discussed and scrutinised with the relevant Director. Following that, they are presented to the Executive Board in Late November/early December before being presented to the Authority in February for approval in advance of the financial year to which it relates.

13. CREDIT RISK

13.1. There is a risk that a supplier becomes insolvent and cannot complete the agreed contract. Appropriate due diligence is carried out before a contract is as part of the procurement process.

14. LIQUIDITY RISK

14.1. This is the risk that the timing of cash inflows from a project will be delayed. In the main, the Authority's capital projects are self- funded and therefore don't rely on other organisations contributing or failing to make their contributions when agreed. Under the collaboration agenda it is likely that an increasing number of Capital projects will be shared across organisations. Liquidity risk and the impact on cash flows is monitored on daily basis by the Treasury Management function.

15. FRAUD, ERROR AND CORRUPTION

15.1. This is the risk that financial losses will occur due to error, fraudulent or corrupt activities. The Authority has procedures in place to minimise the risk of fraud especially regarding changing of bank details for suppliers. There are also policies in place to address some of the risk such as the Whistleblowing Code, the Strategy on Protection and Detection of Fraud and the Declaration of Interests.

16. LEGAL AND REGULATORY RISK

16.1. This is the risk that changes to laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering in to a capital project, officers will determine the powers under which any investment is made with input from our Treasury Management advisors.

16.2. Capital schemes must comply with legislation (Disability and Discrimination Act as an example) and also consider Authority Regulations, Service plans and Policies such as:

- Fire & Rescue Plan;
- Integrated Risk Management Plan;
- Contract Standing Orders; and

- Financial Regulations.

17. MINIMUM REVENUE PROVISION

17.1. Within the Local Government Act 2003, local authorities are required to have regard to the statutory guidance on Minimum Revenue Provision. The Ministry of Housing, Communities and Local Government has produced statutory guidance which local authorities must have regard to.

17.2. Minimum Revenue Provision represents the minimum amount that must be charged to an authority's revenue budget each year for financing capital expenditure, where it has initially been funded from borrowing. The Minimum Revenue Provision accounting practice allows the Authority to set aside an amount of money each year to ensure that it can pay off the debts it has from buying capital assets.

17.3. The Minimum Revenue Provision Policy is reviewed annually and is outlined within the Authority's Treasury Management Strategy Statement.

18. AFFORDABILITY OF THE CAPITAL PROGRAMME

18.1. A variety of factors are taken in to account when determining the affordability of the Capital programme, including the impact on revenue budgets and reserves:

- Minimum revenue provision
- Interest payable
- Interest receivable
- Revenue contribution to capital
- The Authority's affordability indicator, that debt charges must be <5% of net revenue budget in each financial year

18.2. The cheapest and most sustainable method to fund a Capital Programme is to set aside an amount from revenue each year to purchase assets, with any variations to the programme being smoothed out using an Earmarked Reserve for Capital.

18.3. Historically, the Authority received a Capital Grant of up to £2m per year and funded its capital programme using borrowing. It became apparent that the 5% indicator of affordability would soon be breached and therefore restrictions were placed on the asset replacement schedule, with the life of assets being extended.

The Authority's strategy is to reduce borrowing

18.4. As at 31 March 2019 external debt will be £25.6m.

18.5. Due to the introduction of a baselined revenue contribution to capital, budget and in year savings a healthy capital reserve has been built up, meaning that the Authority could spend c£40m over the next five years replacing and improving its assets without needing to borrow any more.

18.6. As a result of restrictions on the Capital programme over the past decade, there are now a considerable number of assets needing replacement or enhancement and the proposed programme totals £61.7m over the next five years. As only £42.0m of funding is available, officers will need to bring forward plans to prioritise expenditure to avoid borrowing in the future.

18.7. The Safer Together Programme will review the Service Delivery Operating Model and also focus on the way vehicles and equipment are managed. Both of these programmes are expected to present opportunities to rationalise the asset base and will feed in to the next iteration of the Capital Programme and Medium Term Financial Plan.

AMY WEBB
Director of Finance (Treasurer)

REPORT REFERENCE NO.	**DSFRA/19/3**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 FEBRUARY 2019**
SUBJECT OF REPORT	**2019-20 REVENUE BUDGET AND COUNCIL TAX LEVELS**
LEAD OFFICER	**Director of Finance (Treasurer) and Chief Fire Officer**
RECOMMENDATIONS	***(a) that the Authority consider the contents of this report with a view to determining either:*** ***(i) that the level of council tax in 2019-20 for a Band D property be set at £84.01, as outlined in Option A in this report, representing no increase over 2018-19, and that accordingly a Net Revenue Budget Requirement for 2019-20 of £73,617,300 be approved;*** ***OR*** ***(ii) as recommended by the Resources Committee at its meeting on 7 February 2019 (Minute RC/20 refers), that the level of council tax in 2019-20 for a Band D property be set at £86.52, as outlined in Option B in this report, representing a 2.99% increase over 2018-19, and that accordingly a Net Revenue Budget Requirement for 2019-20 of £75,141,900 be approved;*** ***(b) that, as a consequence of the decisions at (a) above:*** ***(i) the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £51,029,574 (Option A) OR £52,554,377 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;*** ***(ii) the council tax for each property bands A to H associated with the total precept of £51,029,674 (Option A) OR £52,554,377 (Option B), as detailed on Page 2 of the respective budget booklet, be approved; and*** ***(c) that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances', as set out at Appendix B to this report, be endorsed.***
EXECUTIVE SUMMARY	It is a legislative requirement that the Authority sets a level of revenue budget and Council Tax for the forthcoming financial year by the 1 March each year. The Secretary of State has announced that the Council Tax threshold to be applied in 2019-20 that would trigger a requirement to hold a Council Tax referendum is to be 3.0%. This report considers potential options A and B below for Council Tax in 2019-20:

	OPTION A – Freeze Council Tax at 2018-19 level **(£84.01 for a Band D Property).** OPTION B – Increase Council Tax by 2.99% above 2018-19 **(increase of £2.51 pa to £86.52 for Band D Property).** The Authority 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 19 February 2019.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable.
APPENDICES	A. Core Net Revenue Budget Requirement 2019-20. 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. BMG Report on Precept Consultation for 2019-20 Revenue Budget E. Report on Precept Consultation via Social Media
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 2019-20. 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 13 December 2018, the Ministry of Housing, Communities and Local Government (MHCLG) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2019-20. This is to be 3.0% 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 excess of £2.3m, this report does not include any proposals to go beyond the referendum limit. Instead, it considers two options, A and B below, of which the maximum proposed increase is 2.99%:

- **OPTION A** – Freeze Council Tax at 2018-19 level (£84.01 for a Band D Property).
- **OPTION B** – Increase Council Tax by 2.99% above 2018-19 - an increase of £2.51 pa (21p a month) to £86.52 for Band D Property.

1.5 The Authority is asked to review the contents of this report along with recommendations from the Resources Committee of 7 February 2019 in determining the level of Council Tax precept and resulting net revenue budget for 2019-20.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2019-20

2.1. The provisional Local Government Finance Settlement was announced on 13 December 2018, which provided local authorities with individual settlement funding assessment figures for 2019-20, being the last of 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 2019-20 of 2.91% over 2018-19 and an overall reduction of 25.3% since 2015-16:

TABLE 1 – SETTLEMENT FUNDING ASSESSMENT (SFA)			
	SFA	**SFA Reduction**	
	£m	**£m**	**%**
2015-16	29.413		
2016-17	26.873	-2.540	-8.64%
2017-18	23.883	-2.990	-11.13%
2019-20	22.618	-1.265	-5.30%
2019-20	21.961	-0.657	-2.91%
Reduction over 2015-16		**-7.452**	**-25.34%**

2.3. With regard to the accepted offer of a four-year settlement, the Government has made 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 was 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 are 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. In addition to the settlement figures reported in Table 1 above, the Authority has been awarded a share of a £81m Rural Services Delivery Grant which is only available to the most sparsely populated rural areas. The award is £424k for 2019-20. This grant will be paid as a Section 31 grant (which means it is not in base funding) and 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. Since 2013-14 there has been a requirement for an authority to hold a local referendum should it propose to increase Council Tax beyond a government set limit (principles), which for this Authority results in estimated referendum costs of £2.3m. The Service has asked MHCLG to consider an alternative set of principles for fire and rescue authorities (most recent letter to MHCLG in October 2017 – copy included at Appendix C to this report) that would apply a cash amount, e.g. £5, rather than applying a percentage increase.

3.2. On 13 December 2018, MHCLG announced the referendum threshold to be applied in 2019-20 will remain at 3.0%. Whilst this is disappointing given that Police and Crime Commissioners have been given the flexibility to adopt a £24 threshold in 2019-20, the current referendum limit recognises that fire and rescue authorities are facing increasing inflationary pressures.

3.3. Due to the high proportion of people costs, pay awards have a significantly higher impact on the Authority's revenue budget than the effect of price rises on goods and services. Whilst not explicitly stated in the provisional finance settlement, it is likely that the raising of the referendum threshold to 3% is in recognition of likely pay awards.

3.4. Each 1% pay award for staff costs the Authority £0.540m and this budget proposal contains provision for a 2% pay award for all staff.

4. COUNCIL TAX AND BUDGET REQUIREMENT 2019-20

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 2019-20.

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 2019-20, this report considers two options A and B as below:

- **OPTION A** – Freeze Council Tax at 2018-19 level (£84.01 for a Band D Property);
- **OPTION B** – Increase Council Tax by 2.99% above 2018-19 - an increase of £2.51 pa (21p a month) to £86.52 for Band D Property.

4.3. The Authority could decide to set any alternative level below 3%. Each 1% increase in Council Tax represents an 84p a year increase for a Band D property, and is equivalent to a £0.510m 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 3% threshold.

4.4. As outlined in Table 2 below, Option A would result in a net funding reduction for the Authority whilst Option B would result in increased funding.

TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – REDUCTION IN FUNDING 2019-20

	OPTION A Council Tax Freeze at £84.01 £m	OPTION B Council Tax Increase of 2.99% to £86.52 £m
TOTAL FUNDING 2018-19	**73.871**	**73.871**
Reduction in Formula Funding	(0.776)	(0.776)
Decrease in Retained Business Rates from Business Rate Retention System.	(0.176)	(0.176)
Changes in Council Tax Precept		
- increase in Council Tax Base	0.700	0.700
- resulting from an increase in Band D Council Tax	-	1.525
- increase in Share of Billing Authorities Council Tax Collection Funds	(0.002)	(0.002)
Net Change in precept income	**0.698**	**2.223**
TOTAL FUNDING AVAILABLE 2019-20	**73.617**	**75.142**
NET CHANGE IN FUNDING	**(0.254)**	**1.271**

Council Tax Base

4.5. The total reduction in government funding of £0.776m was expected and planned for and the Service had also anticipated an increase in Council Tax receipts of 1.50% arising from house building in the area, although the actual increase has been lower than forecast at 1.39%. The Authority's share of Council Tax collection fund surplus has decreased by £0.002m which reflects a slight decline in the rate of Council Tax collection by districts.

Net Budget Requirement

4.6. Table 3 overleaf provides a summary of the Core Budget Requirement for 2019-20. 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 2019-20

	£m	%
Approved Net Revenue Budget Requirement 2018-19	**73.871**	
PLUS Provision for pay and price increases (Pay award assumed 2%)	1.502	*2.03%*
PLUS Removal of one off provisions in 2018-19	(0.248)	*-0.34%*
PLUS Inescapable Commitments	4.882	*6.61%*
PLUS New Investment	1.183	*1.60%*
MINUS Changes to income	(3.708)	*-5.02%*
CORE SPENDING REQUIREMENT 2019-20	**77.482**	
INCREASE IN BUDGET OVER 2018-19 (£m)	**3.611**	***4.89%***

4.7. £1.183m of new investment opportunities have been identified which will be offset by savings identified from a review of Service Delivery management structures:

- £0.150m to enable strengthening and redesign of the senior management team in order to better support the change programme - this is a suggested cost cap and will be subject to Fire Authority approval
- £0.071m investment in Fire Safety School training and seminars – to support additional work emerging from the Grenfell tower incident
- £0.850m of short term investment in Service Delivery activities of prevention, protection and response to realign activity to the Integrated Risk Management Plan and the Safer Together programme
- £0.112m additional Revenue Contribution to Capital which will support the Authority's strategy to reduce borrowing

Budget Savings

4.8. As is indicated in Table 3, the Core Budget Requirement for 2019-20 (which includes provision for pay and inflation, inescapable commitments and new investment) has been assessed as £77.482m. This is more than the amount of funding available under Options A or B and therefore budget savings need to be identified in order that a balanced budget can be set. Table 4 overleaf provides an analysis of on-going savings identified to be delivered in 2019-20.

TABLE 4 – BUDGET SAVINGS 2019-20

REVENUE BUDGET SAVINGS	
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 £0.487m of recurring savings which include ICT Delivery, On Call Activity, Vehicle Leasing and Estates Management Costs	(0.649)
Authority Pensions – This budget line is subject to fluctuation in the number of Injury and Ill Health retirees anticipated during the year	(0.117)
Service Delivery Restructure – Resulting from a review of the number of and role types for Station Managers across the service	(1.094)
Vacancy Margins – As a result of the current strategy to hold vacancies whilst awaiting outcomes of the Safer Together plan	(0.480)
BUDGET SAVINGS (£m)	**(2.340)**

4.9. Whilst the Service is confident that savings of £2.340m can be delivered, if Council Tax is frozen it will leave the Authority with a budget shortfall that will have to be met in order that it can set a balanced budget for 2019-20. Based on Option B (increase of 2.99% of Council Tax) there is no shortfall. If Council Tax is frozen, the funding shortfall is £1.525m. The shortfall is outlined in Table 5.

TABLE 5 – BUDGET SHORTFALL 2019-20

SUMMARY OF ADDITIONAL SAVINGS REQUIREMENT	**OPTION A**	**OPTION B**
Net change in funding over 2018-19	(0.254)	1.271
Increase in spending requirement since 2018-19	3.611	3.612
Savings requirement 2019-20	(3.865)	(2.340)
Less Budget savings already achieved	(2.340)	(2.340)
FUNDS REQUIRED TO BALANCE BUDGET	**(1.525)**	**(0.000)**

4.10. It is proposed that the Revenue Contribution to Capital is reduced if Council Tax is frozen, which will enable to Authority to set a balanced budget whilst the Safer Together programme is further refined to deliver savings over the medium term. However, there are implications for the long term affordability of the Capital Programme.

4.11. Elsewhere on this agenda is the Capital Programme for 2019-10 which also gives an indication of the proposed programme and sources of funding over the next five years. The Authority has a long term strategy to reduce reliance on borrowing and therefore it is essential that a healthy level of Revenue Contribution to Capital is maintained to fund investment in asset infrastructure.

4.12. It is proposed as part of this draft budget that, in the event of a 2.99% increase to Council Tax (Option B) the revenue contribution to capital expenditure is increased by £0.112m to £2.614m (of which an amount of £0.300m is earmarked from Red One contribution).

4.13. Each 1% increase in Council Tax income represents £0.510m of additional funding which could be used to support our future capital programme, some examples of what could be funded by maintaining a revenue contribution to capital as a result of a Council Tax increase of 2.99% are outlined below:

Item of Capital Expenditure	Illustrative quantity which could be funded under Option B (£2.614m of Capital Funding available)	Total cost
RDS Fire Station Rebuild	2	£1,800,000
Medium Rescue Pump	9	£2,610,000
Rapid Intervention Vehicle	23	£2,576,000

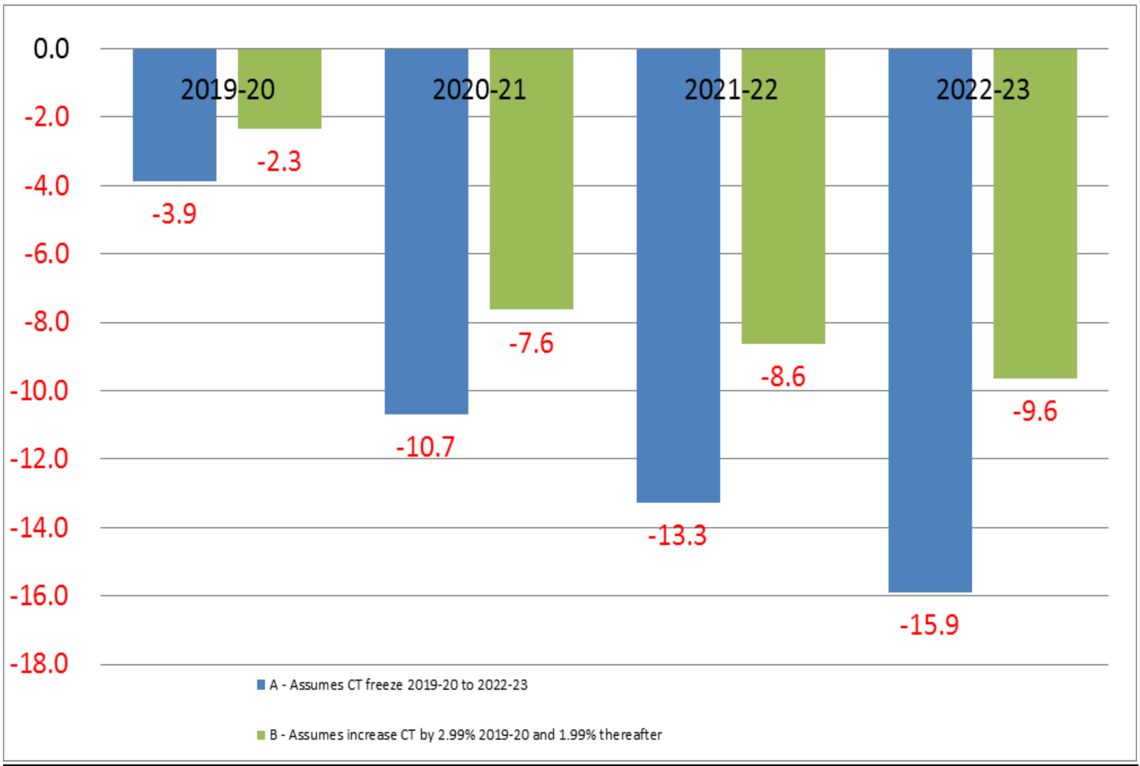
5. MEDIUM TERM FINANCIAL PLAN

5.1. Given that this is the last year of the four year settlement, the future funding position is less certain. Additionally, a new pensions burden has arisen from the Government Actuarial Department (GAD) valuation of the Firefighter Pension Schemes, which may result in a £4.1m cost for this Authority. There is no indication of whether the government will meet the pensions cost beyond 2019-20 and so a prudent approach has been taken, assuming the worst case, in the Medium Term Financial Plan (MTFP).

5.2. The approach taken to developing the plans and underlying assumptions are outlined in the MTFP document which is elsewhere on the agenda.

5.3. The MTFP financial modelling tool has assessed a likely 'base case' scenario in terms of savings required over the period 2019-20 to 2022-23. Chart 1 provides an analysis of those forecast savings required in each year.

CHART 1 – FORECAST BUDGET SAVINGS REQUIREMENT (CUMULATIVE) 2019 TO 2023 (BASE CASE) - £MILLIONS



5.4. Chart 1 illustrates that further savings will be required beyond 2019-20 to plan for a balanced budget over the next three years to 2022-23. Should the Authority decide to freeze Council Tax in 2019-20 (Option A) and the following three years then the MTFP forecasts that further savings of £12.0m need to be planned for.

5.5. As is stated earlier in this report each 1% increase in Council Tax results in additional precept of £0.510m. Should it be agreed to increase Council Tax by 2.99% in 2019-20 (Option B) and by the maximum increase (not subject to a decision at this meeting) in each year from 2019-20 to 2021-22 then the saving target by 2020-22 would be reduced from £12.0m to £7.3m.

6. PLANS TO DELIVER SAVINGS 2019-2023

Authority Plan 2019 onwards

6.1. This budget report proposes a balanced budget for the next financial year 2019-20 including proposals as to how budget savings can be achieved.

6.2. Looking beyond 2019-20 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 being developed following approval of the Integrated Risk Management Plan and the Fire and Rescue Plan by the Authority.

6.3. The change programme, called Safer Together, describes the transition needed to meet our aspirations for meeting community and organisational risks and will support delivery savings needed. It is clear from the MTFP forecasts and the Capital Affordability scenarios that the Service asset base will need to be reduced to support a sustainable model for revenue and capital expenditure in the future.

7. PRECEPT CONSULTATION 2019-20

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 consultation process ran throughout November and December 2018 and involved:

- A telephone survey of 400 business and 400 residents;
- Use of an online survey promoted via social media

7.4. The full results of the telephone survey and online survey can be found in Appendices D and E.

Results from the Telephone Survey

7.5. Over three in five (65%) of businesses agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2019/20, while a fifth (19%) disagreed that it is reasonable for them to do so, resulting in a net agreement of +46%.

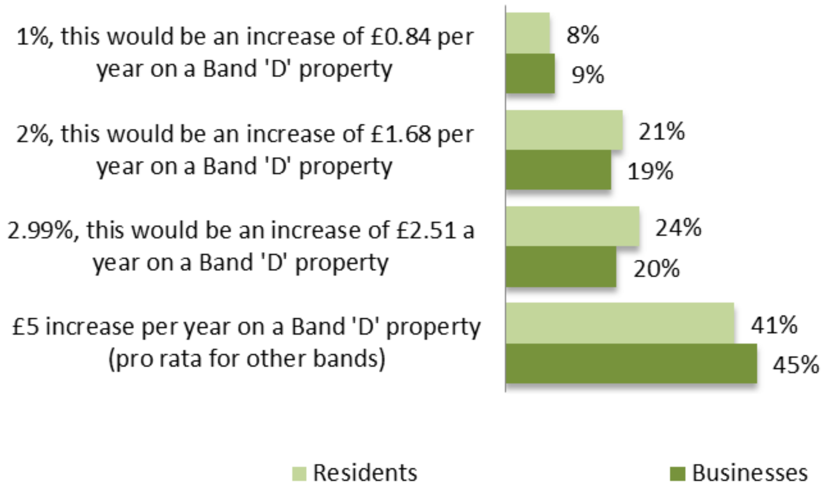
7.6. Agreement was consistent by Local Authority District (LAD), industry sector and gender. Respondents aged 55 or above were somewhat more positive (71% agreed it is reasonable for the Authority to consider increasing its Council Tax charge). Perhaps unsurprisingly those respondents who had used a service were significantly more likely to agree (70% cf. 60% who have not used a service).

7.7. Over three in five (67%) of residents agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2019/20, while close to a fifth (18%) disagreed, giving a net agreement of +49%.

7.8. Agreement was consistent by LAD and age. However, male residents were significantly more likely to agree (73% cf. 61% females). Those respondents who had used a service were more likely to agree than those who had not (77% cf. 60% who have not used a service).

Chart 1: Level of increase that would be reasonable (Those respondents agreeing that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2019/20)

7.9.



f those respondents who agreed that a Council Tax increase would be reasonable, 65% of businesses and 65% of residents would support an increase of 2.99% or above.

7.10. 84% of business and 89% of residents felt that the Service provides value for money.

7.11. Additional questions were included to determine satisfaction levels; overall 80% of business and 83% of residents said they were satisfied with the service. Levels of satisfaction significantly increased amongst those who had used a service from 74% amongst those who have not used a service to 95%.

Results from the Online Survey

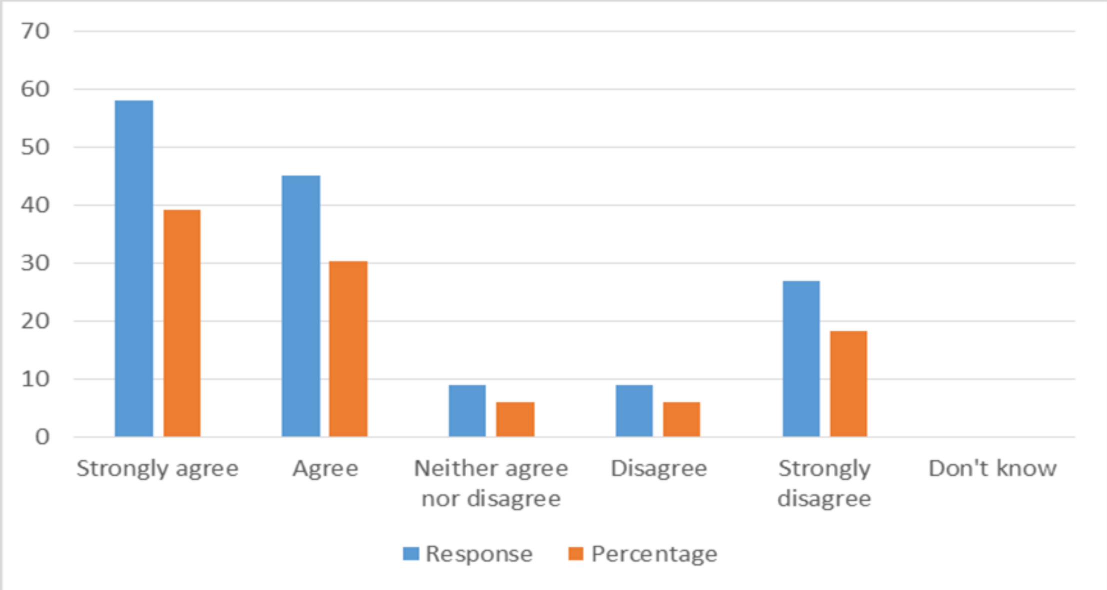
7.12. The online survey was available from 31 October – 21 December 2018. The consultation period was promoted through our website, press releases, targeted adverts on Facebook and Twitter.

7.13. In that period a total of 202 responses were received. Of those 202 responses, 149 fully completed the questionnaire and 53 partially completed it. As only five of these responses represented the business sector, the results have not been separated.

7.14. This year's consultation exercise highlighted a significant increase in total number of respondents when compared with the 2018/19 survey of 51 respondents.

7.15. The results indicate that almost 70% of respondents agree that the Authority should consider increasing its charges.

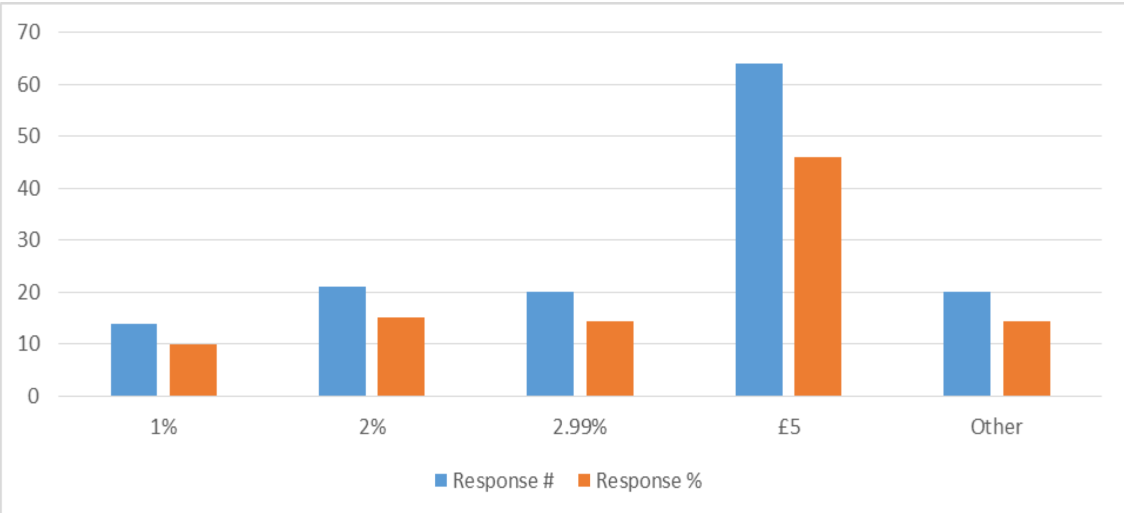
Chart 2: Question 1 Results of agreement to consider increasing the precept



7.16. The results indicate that (46%) of respondents are in support of a £5 increase and that in total, 60.43% of respondents support an increase at 2.99% or above.

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

7.17.



he results indicate that the majority of respondents almost 69% agree that the Service provides value for money.

7.18. Additional questions were asked to ascertain whether respondents had interacted with the Service. The results indicate that 67% of respondents had not interacted with the Service in the last 12 months, however 18% had attended Community Events and 6% had received a home fire safety check/visit.

7.19. In contrast with the phone survey, only 56% of respondents said they were satisfied or very satisfied with the service provided.

Survey Conclusion

7.20. The results of the consultation indicate that a significant majority of respondents feel it would be reasonable for the Authority to consider increasing its precept for 2019-20. Those who agreed that it would be reasonable to consider an increase in the Council Tax precept were predominantly in favour of a £5 increase.

7.21. Since the survey was commissioned, MHCLG has confirmed that the maximum amount of Council Tax increase before a referendum is triggered is 3% and therefore a suggested Council Tax increase of 2.99%, equivalent to £2.44 for a Band D property is included within this report. The increase outlined in Option B of 2.99% represents a significant reduction against the maximum consultation figure of £5.00.

7.22. Both business respondents and members of the public agreed that the Service provides value for money, at around £42 per head of the population per year, and were satisfied by the service provided by Devon and Somerset.

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 2019-20 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 two potential options A and B and considers the financial implications associated with each option.

AMY WEBB
Director of Finance (Treasurer)

GLENN ASKEW
Chief Fire Officer

APPENDIX A TO REPORT DSFRA/19/3

		2019/2020	
	£'000	£000	%
Approved Budget 2018-19		**73,871**	
Provision for pay and prices increase			
Uniformed Pay Award (assume 2.0% from July 2019)	862		
Non-uniformed Pay Award (assume 2% from April 2019)	218		
Prices increases (assumed 2.4% CPI from April 2019)	349		
Pensions inflationary increase (tracks CPI - 2.4%)	73		
		1,502	2.0%
Funding Adjustments			
Over provision in 2018/19 for uniformed pay award (estimated 3% actual was 2%	-248		
		-248	
Inescapable Commitments			
Support Staff Increments	120		
Support staff increases	679		
Increase to pension charges for FFPS rate increase - WT	2,599		
Increase to pension charges for FFPS rate increase - on-call	1,428		
Increase in minumum revenue provision emanating from capital	56		
Unforeseen budget requirements			
		4,882	
New Investment			
Senior management to support change programme	150		
Fire Safety School training & seminars	71		
Investment in Service Delivery for the Safer Together programme	850		
Revenue Contribution to Capital	112		
		1,183	
Income			
decrease Red One Contribution target	8		
Decrease Co-responder Activity	129		
Section 31 grants - Rural Services Delivery Grant	-103		
Section 31 grants - linked to Pension cost increase	-3,742		
		-3,708	
Anticipated savings			
Service delivery restructure	-1,094		
Vacancy margin - support staff	-230		
Vacancy margin - whole-time staff	-250		
Cumulative minor budget variances	-163		
Pensions - anticipate reduced Ill Health/ Injury leavers	-117		
Reduction in Retained activity levels	-122		
ICT Service Delivery changes	-105		
Estates (Property Maintenance)	-89		
Light vehicles leasing costs	-170		
		-2,340	
CORE BUDGET REQUIREMENT		**75,142**	

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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 31st 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.

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.

AMY WEBB
Director of Finance (Treasurer)

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REPORT REFERENCE NO.	**RC/18/16**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**5 SEPTEMBER 2018**
SUBJECT OF REPORT	**LOCAL GOVERNMENT FINANCE SETTLEMENT 2019-20: TECHNICAL CONSULTATION**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That the proposed Consultation response outlined is approved by the Committee for submission to the Ministry of Housing, Communities and Local Government.***
EXECUTIVE SUMMARY	The Ministry of Housing, Communities and Local Government have issued a technical consultation on the Local Government Finance Settlement 2019-20 (the Consultation) which asks for responses to be submitted by 18 September 2018. The Consultation covers five questions which are addressed in the paper below. The Committee is asked to review the questions and proposed responses and form a view on the draft response. The Committee can then agree a response to be submitted on behalf of the Fire Authority.
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 – Local Government Finance Settlement 2019-20: Technical Consultation
LIST OF BACKGROUND PAPERS	None

1. **<u>INTRODUCTION</u>**

1.1 The Ministry of Housing, Communities and Local Government have issued a technical consultation on the Local Government Finance Settlement 2019-20 (the Consultation) which asks for responses to be submitted by 18 September 2018.

1.2 Each of the topics in the consultation document below will be addressed in turn below with a suggested response. The Committee is asked to review the questions and proposed responses prior to submission.

2. <u>MULTI YEAR SETTLEMENT OFFER</u>

2.1 Page 5 of Appendix A confirms the Government's intention to adhere to the four year settlement, which commenced in 2016-17, for the final year 2019-20. The Authority accepted the four year settlement in October 2016 as did 97% of Councils so agreement with the principal of adhering to the settlement is consistent with this.

2.2 The proposal is cost neutral to this Authority as the proposal was already factored in to the Medium Term Financial Plan.

2.3 **Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?**

Suggested response: YES

The four year settlement offer was accepted by Devon & Somerset Fire & Rescue Authority and represents an opportunity to gain certainty over funding in the medium term, which has been most welcome for planning purposes.

3. <u>NEW HOMES BONUS</u>

3.1 Pages 8 and 9 of the Consultation document outline the proposal for payments of New Homes Bonus. The Authority is not eligible for this payment and it does not have an impact on the precept income that we receive from billing authorities.

4. <u>COUNCIL TAX REFERENDUM PRINCIPLES</u>

4.1 Pages 10 and 11 of the Consultation document outline the proposed referendum principles for the various types of Local Government body which are summarised below:

- A precept flexibility threshold of 3% for local authorities to include Fire and Rescue Authorities
- Continuation of the Adult Social Care precept (an additional 2% flexibility)
- Shire district councils in two-tier areas the higher of 3% or £5
- Police and Crime Commissioners to be allowed up to £12 increase if they can evidence improved service delivery
- No referendum principles for Mayoral Combined Authorities
- No referendum principles for town and parish council but an expectation of restraint in increases by the sector

4.2 The Fire Authority is impacted by the proposal to limit precept increases to 3% before a referendum would need to be held, the limit was 2% up to and including 2017-18. With forecast council tax base increases, each 1% rise on council tax is equivalent to £0.508m additional funding for this Authority. A 3% increase is equivalent to £1.524m in 2019-20.

4.3 The forecast savings requirement for the next three years is between £7.7m and £12.4m depending on council tax decisions and therefore the ability to increase council tax will be crucial to the financial stability and development potential of the Authority.

4.4 Greater flexibility in council tax precept increases would narrow the funding gap for the Authority and allow for greater investment in the change programme to improve service delivery in our communities.

4.5 The Consultation response should be mindful of the Government position on Fire Authority Reserves, namely that these are too high, and that only evidence of diminishing reserves and increased demand on services will result in precept flexibility. Year end reserves for 2017-18 were £31.9m and whilst these are currently forecast to reduce to £25.5m by the end of the year, low expenditure or in year revenue budget savings could result in a small net increase to reserves.

4.6 Additionally, the technical notes regarding the £12 precept flexibility for Police and Crime Commissioners are ambiguous and it would be in the interests of the Fire sector to receive greater clarity on the method of testing to be used.

4.7 **Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?**

Suggested response: NO

Devon & Somerset Fire & Rescue Authority would welcome greater precept flexibility over fire precept to support the sector at a time of increasing risk and pressure on services.

By imposing a referendum threshold, central government are effectively controlling the fire sector's ability to raise precepts beyond 3%. For this Authority, consisting of fifteen billing authorities, referendum costs are likely to be in excess of £2.3m, which prohibits increasing precepts above the trigger point. Due to the variety of governance models which complicate the funding situation across the sector, precept levels should be determined locally to enable individual Authorities to establish value for money for their communities. Affordability of council tax referendums also varies widely depending on the make-up of local authorities.

When setting its annual budget and level of council tax for the coming year the Authority will review risk and short to medium term resourcing requirements to set an appropriate level of council tax.

The risk within our communities is changing due to demographics including an exponential increase in the number of elderly citizens which requires investment in further prevention activity. New workloads have been generated as a result of the Hackett review and it is anticipated that further sector wide improvements will be required through the Governments Fire Reform programme.

The statutory duty to collaborate with other blue light services means the Service contributing more to the work of our partners. Whilst there are societal benefits many of these schemes require investment by the Fire and Rescue Authority for which no current funding is available.

Alongside those cost pressures, the sector needs to invest heavily in reform, particularly investing in our people and digital processes which will require significant financial resources over a sustained period.

A referendum threshold of the higher of 3% or £5 for Fire and Rescue Authorities, in line with that offered to Shire district councils, would allow the sector opportunity to invest to support the reform programme and determine a local approach to setting council tax levels.

Suggested additional comment:

The method of granting precept flexibility should be made transparent so that organisations have a clear understanding of the underpinning sector issues behind those decisions.

For the Police and Crime Commissioner's £12 precept flexibility, more information on the method of evaluating "clear and substantial progress on productivity and efficiency which will be assessed in advance of the provisional settlement" would be welcome so that the impact on funding of good/poor performance against objectives can be better understood. This appears to break the link between demand for services and precept flexibility.

5. NEGATIVE REVENUE SUPPORT GRANT

5.1 Pages 12 to 17 of the Consultation document outline the options for dealing with negative Revenue Support Grant (where business rates income collected by an Authority exceeds the baseline set by the settlement, funds are owed back to central government). The government proposal is that they will write off the negative grant, at a cost of £158m, to be funded centrally. The Authority is not affected by negative Revenue Support Grant.

Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

Suggested response: NO COMMENT

Question 4: If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.

Suggested response: NO COMMENT

6. EQUALITIES IMPACT

6.1 Page 18 of the Consultation document requests further information from respondents where they feel that the financial settlement may have an impact on people with protected characteristics.

6.2 Due to the way that funding is made available to the Fire Authority and the way that services are delivered to communities, it is not anticipated that the Settlement will have an adverse impact on those with protected characteristics.

Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic?

Suggested response: NO COMMENT

AMY WEBB
Director of Finance (Treasurer)

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APPENDIX D TO REPORT DSFRA/19/3

bmg research

Research Report

DEVON & SOMERSET FIRE & RESCUE SERVICE

Council Tax Precept Survey 2019/20

Prepared for: Devon and Somerset Fire and Rescue Service

Council Tax Precept Survey 2019/20

Prepared for: Devon and Somerset Fire and Rescue Service

Prepared by: Sharon Gowland, Research Manager

Date: December 2018

Produced by BMG Research

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Table of Contents

1 Introduction

1.1 Background and method

In October 2018, 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 2019/20 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 400 interviews with residents were completed during November and December 2018. 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 2019/20

Respondents were provided with the following contextual information regarding DSFRS:

> "*Devon and Somerset Fire and Rescue Authority is committed to its plans to end preventable fire and rescue emergencies across the two counties while addressing the funding cuts passed down by the Government. The service provides 85 local fire stations across Devon and Somerset and employs about 2,000 staff, helping to keep safe a population of 1.7 million. On average, we attend about 17,500 incidents each year, which includes flooding, road traffic collisions, fires and other emergencies. The Authority is seeking feedback about the 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 2019/20. The current charge is £84.01 a year for a Band 'D' property. Over the last few years the Government has reduced the funding provided for the fire and rescue service and this will continue. By 2022, Devon and Somerset Fire and Rescue Service need to reduce costs by £7.7 million. The service will need to plan a balanced budget that accommodates this while continuing to support communities."*

Respondents were asked how strongly they agree or disagree that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2019/20.

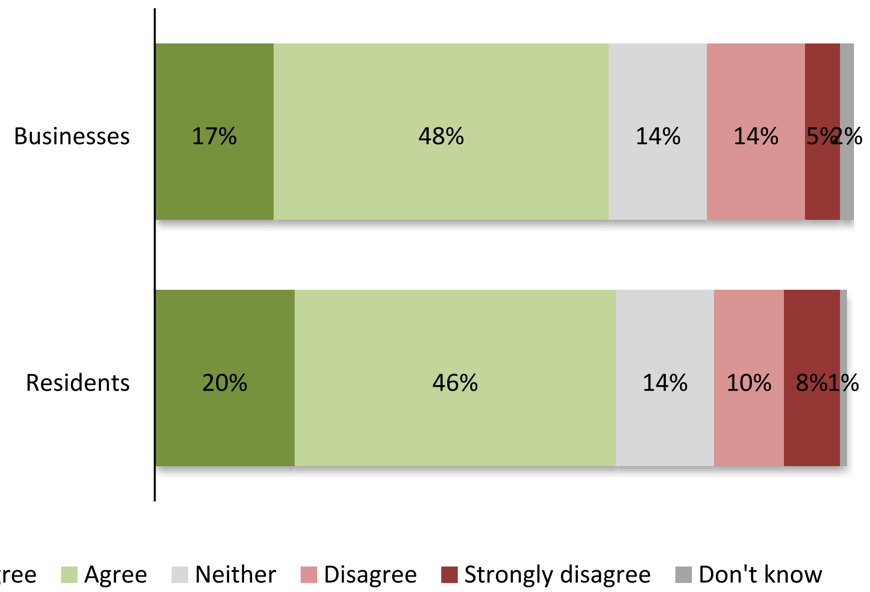
Over three in five (65%) of businesses agreed that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2019/20, while a fifth (19%) disagreed that it is reasonable for them to do so, resulting in a net agreement[1] of +46%.

Agreement was consistent by LAD, industry sector and gender. Respondents aged 55 or above were somewhat more positive (71% agreed it is reasonable for DSFRS to consider increasing its Council Tax charge). Perhaps unsurprisingly those respondents who had used a DSFRS service were significantly more likely to agree (70% cf. 60% who have not used a DSFRS service).

Over three in five (67%) of residents agreed that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2019/20, while close to a fifth (18%) disagreed, giving a net agreement of +49%.

Agreement was consistent by LAD and age. However, male residents were significantly more likely to agree (73% cf. 61% females). Those respondents who had used a DSFRS service were more likely to agree than those who had not (77% cf. 60% who have not used a DSFRS service).

Figure 1: Agreement or disagreement that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2019/20 (All respondents)



Unweighted sample base: 400 businesses, 400 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

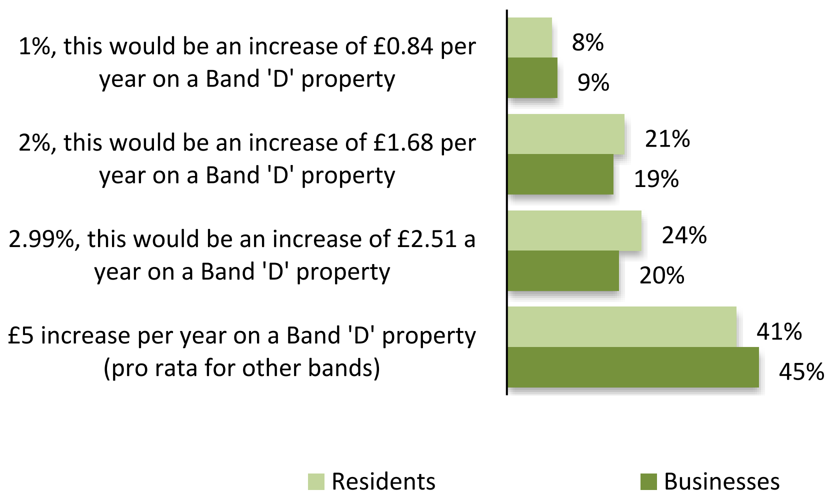
Those respondents who agreed that it is reasonable for DSFRS to consider increasing its Council Tax Charge for 2019/20 were asked at what level the increase should be;

- 1%, this would be an increase of £0.84 per year on a Band 'D' property
  This will raise an additional £511,000 for the fire and rescue service
- 2%, this would be an increase of £1.68 per year on a Band 'D' property
  This will raise an additional £1,021,000 for the fire and rescue service
- 2.99%, this would be an increase of £2.51 a year on a Band 'D' property
  This will raise an additional £1,526,000 for the fire and rescue service
- £5 increase per year on a Band 'D' property (pro rata for other bands)
  This will raise an additional £3,040,000 for the fire and rescue service
- Some other level of increase

The largest proportion of businesses opted for a £5 increase (45%) followed by either a 2.99% increase or a 2% increase (20% and 19% respectively). Younger respondents (aged 16 to 34) were less likely to state an increase of £5 was reasonable (28%).

Consistent with businesses the largest proportion of residents opted for a £5 increase (41%) followed by a 2.99% increase (24%) and a 2% increase (21%) which was relatively consistent by LAD, gender and age.

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 2019/20)



Unweighted sample base: 259 businesses, 271 residents

2.3 Reasons for disagreeing that it is reasonable for DSFRS to increase its element of the Council Tax charge for 2019/20

Those respondents who disagreed that it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2019/20 (19% of businesses and 18% of residents) were asked why they disagreed. Typical comments made by respondents are highlighted below.

2.3.1 Businesses

“We pay enough council tax.”

“Economic climate and no one can afford it.”

“We already pay enough for bills. We struggle to carry on with business. These days everything goes up and nothing comes down.”

“I am not able to pay myself any more money either. The introduction of minimum wage has not helped either. I don't see why the government wants more payment because they have created a rod for their own back, and the issues for funding with the minimum wages, while public sector wages haven't gone up in the same manner.”

“The funding should come from the government. I feel the fire service will come like the lifeboat service. Also it will become good or as good as it could be by how much you donate to it. It is scary to think there is not enough resources.”

“They have wasted billions of pounds on a building in Taunton that they have never used or moved into. We are all disgusted by this building - it is a complete waste of money.”

“They can improve systems and service and efficiency.”

“We pay an enormous amount of council tax already, why can't they cut some of their own bureaucracy instead of the fire department.”

“The challenges of protecting rural communities like Devon are complex and need more funding. It's a dispersed area as a part of the rural population and I should not be penalised. I do not undervalue the service and I disagree the local community should make up the shortfall which is on par with a populated area.”

“With the amount of money the government wastes they can save it elsewhere instead of here.”

“There is lots of people that don't pay business rates because of the size of their company. Everyone should be paying a percentage of the business rate whether they are a small company or not. It is just that medium sized businesses are paying it all and they need to charge the businesses that aren't paying anything. All the online companies don't pay anything either, so they need to pay to ensure there isn't a short fall of money.”

2.3.2 Residents

"*The can surely can get the money from somewhere else or get it from the government.*"

"The services is getting less so they should not be charging us more."

"I already pay enough and I have never had to use the service in the 20 years living here."

"I have no problem with it going to the fire service and ambulance, but the dustbins only get collected twice a week. It should be taken away from them and given to the fire service. They can't just keep putting up the council tax it should be given to the fire service as we pay enough."

"Should increase charge for people with lower bands as we are all getting the same service."

"They have wasted 9 millions on a call centre and its sitting empty. We shouldn't be paying for their mistakes."

"At the moment people like me can't afford the council tax as it is. Its about affordability, unfortunately."

"It could be budgeted better rather than increasing it."

"It keeps going up every year. I know we need them but I have never needed them and are fed up with paying through the nose. We should have something like an insurance."

"My council tax is very high and I haven't had a pay rise in ten years. The fire brigade does a great service but the money needs to be spent more wisely."

"It won't go to them, it will go to other things."

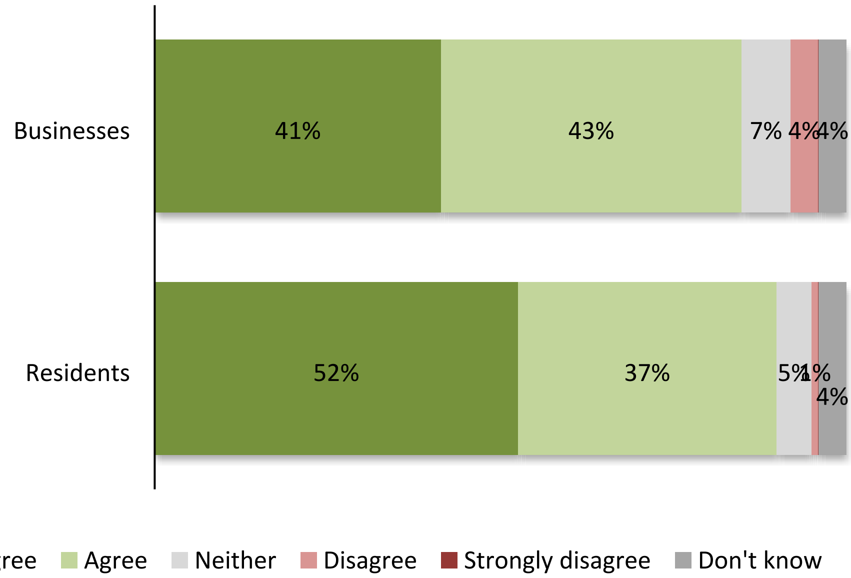
2.4 Agreement or disagreement that DSFRS provides value for money

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

Over four in five (84%) businesses agreed that DSFRS does provide value for money, with only 4% disagreeing, resulting in a net agreement of +80%. Views were consistent by industry sector, gender and age. Respondents from Devon were more likely to disagree than the average overall (6% cf. 4%).

Views were even more positive among residents, with 89% agreeing that DSFRS does provide value for money and only 2% disagreeing, resulting in a net agreement of +87%. Consistent with businesses, residents in Devon were more likely to disagree (3%) and less likely to agree (84%) than the average overall. Residents in Somerset were the most positive and more likely to agree (96%) as were those that had used a DSFRS service (93% cf. 86% who had not used a DSFRS service).

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



Unweighted sample base: 400 businesses, 400 residents

2.5 Reasons for disagreeing that DSFRS provides value for money

The 15 businesses and 7 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

“It is too much money.”

“Any large organisation is a waste of money.

“Any government direct workforce never provides value for money except private companies.”

“If money wasn't to be taken off them then not enough staff will come to my hotel if it was on fire.”

“They only do home visits.”

“Would like it to be cheaper.”

“When we had a fire we were unaware the fire service couldn't put it out because we didn't have a local water source. Our water is sourced from another source and they let it burn and we weren't informed which is why the fire service should go out and inform people that if they had a fire they couldn't put it out. They ought to have informed all the outlying places who don't have water and should tell you.”

“£42 a head seems a lot of money”

“In my area there aren't that many major fires, so obviously the value for money element is different to what it would be in the main city.”

“Money is not used wisely. I have never used them.”

“It is too high.”

“They never come on time.”

“They have sufficient funds and waste so much money - they do a great/fantastic job but they need to cut out dead wood higher up. The pension schemes are way above than most peoples, they do a good job but everything has to be taken into consideration. It's disgraceful.”

“If you ever need them, you have to wait forever. Costs are swallowed up in management.”

2.5.2 Residents

"They are tied to stupid Health and safety regulations."

"Can't afford council tax."

"They waste sometimes. They moan about cut backs but there is room for cut back."

"The staff are overpaid."

"They are still paying rent for the empty building."

"They keep doing all things like relaying things and new management signing on trucks - it's rubbish. Just get on with the job and stop keep changing things."

"Maybe because I cannot see any positive outcome regarding my needs."

2.6 Services used

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

Overall, two in five (45%) of businesses reported using at least one of the services, most commonly a fire safety audit (28%) at a business, and 40% of residents did so, most commonly via a community event (21%).

Although consistent by LAD, male residents and older residents (aged 55+) were more likely than the average overall to say they had not used a Devon and Somerset Fire and Rescue Service (66% males and 67% aged 55+).

Table 1 Services used

	Businesses	Residents
Fire safety audit / check in a business	28%	5%
Home fire safety visit / smoke alarm fitting	13%	12%
Community event	13%	21%
Emergency response - house fire	6%	9%
Community use of fire stations	6%	5%
Youth education	5%	12%
Emergency response - road traffic collision	3%	4%
Emergency response - rescue	2%	3%
Emergency response - flooding	1%	1%
Other service	1%	2%
I have not used a Devon and Somerset Fire and Rescue service	55%	60%
Unweighted sample base: 400 businesses, 400 residents		

2.7 Satisfaction with the service provided by DSFRS

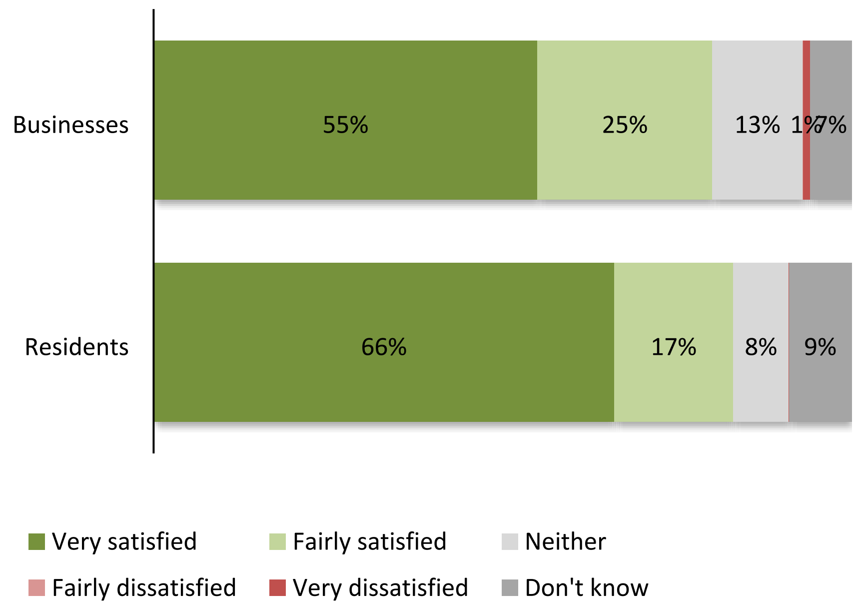
All respondents were asked how satisfied or dissatisfied they are with the service provided by DSFRS.

Four fifths (80%) of businesses were satisfied with the service provided, and only 1% expressed dissatisfaction, yielding a net level of satisfaction of +79%. Levels of satisfaction significantly increased amongst those who had used a DSFRS service from 70% amongst those who have not used a service to 92%.

Over four fifths (83%) of residents were satisfied with the service provided, and only 1% expressed dissatisfaction, yielding a net level of satisfaction of +82%.

Levels of satisfaction significantly increased amongst those who had used a DSFRS service from 74% amongst those who have not used a service to 95%.

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



Unweighted sample base: 400 businesses, 400 residents

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

“It's expensive.”

“That’s my personal opinion.”

“Personal experience.”

Only 4 residents expressed dissatisfaction, and their reason for doing so were as follows:

“We have to do everything ourselves. Clearing the roads, clearing floodwater, road and drains, vegetation on pavements and leaves because nobody does it.”

“Their politics and the way they handle business.”

“The lack of volunteer fire staff.”

“We all have to cut back and they are not doing it. It's not fair on us.”

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	6	22
Plymouth	13	52	8	32
Devon	45	180	53	210
Somerset	30	120	34	136

Table 3 – Industry sector

Industry Sector	Unweighted		Weighted	
	%	Number	%	Number
A to F	25	100	26	105
G to N, R + S	75	300	74	295

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	43	171	43	172
Director	16	63	15	62
Manager/assistant manager	22	88	22	87
Partner	2	9	2	9
Company Secretary	1	4	1	5
Other	15	59	15	60
Prefer not to say	2	6	1	5

Table 5 – Gender

Gender	Unweighted		Weighted	
	%	Number	%	Number
Male	63	250	62	248
Female	38	150	38	152

Table 6 – Age

Age	Unweighted		Weighted	
	%	Number	%	Number
16 – 24 years	3	12	3	12
25 – 34 years	11	42	9	38
35 – 44 years	18	70	18	72
45 – 54 years	28	112	27	110
55– 64 years	25	99	25	101
65+	14	56	15	58
Prefer not to say	2	9	2	9

Table 7 – Ethnic Origin

Ethnic Origin	Unweighted		Weighted	
	%	Number	%	Number
White	93	372	93	372
Asian/Asian British	1	6	1	5
Mixed/Other	1	3	1	3
Prefer not to say	5	19	5	19

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	100	8	31
Plymouth	25	100	15	60
Devon	25	100	46	182
Somerset	25	100	32	127

Table 9 – Age

Age	Unweighted		Weighted	
	%	Number	%	Number
16 – 24 years	1	5	1	4
25 – 34 years	8	30	11	42
35 – 44 years	20	78	26	105
45 – 54 years	16	62	14	58
55– 64 years	17	69	18	72
65+	39	154	29	115
Prefer not to say	1	2	1	4

Table 10 – Gender

Gender	Unweighted		Weighted	
	%	Number	%	Number
Male	52	206	48	194
Female	49	194	52	206

Table 11 – Ethnic Origin

Ethnic Origin	Unweighted		Weighted	
	%	Number	%	Number
White	98	390	97	389
Asian/Asian British	<0.5%	1	1	2
Mixed	1	4	1	3
Prefer not to say	1	5	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**	**6%**	**15%**
	Refusal	439	6%	17%
	Respondent busy	1759	26%	68%
	Sub-total	**2598**	**38%**	**100%**
Out of scope	Unobtainable (modem, fax etc)	480	7%	11%
	Ineligible	263	4%	6%
	No contact made	3517	51%	83%
	Sub-total	**4260**	**62%**	**100%**
	Total	**6,858**		

4.2 Residents

	Outcome	Contacts	% of total	% of in scope
In scope	**Complete**	**400**	**3%**	**21%**
	Refusal	1017	8%	53%
	Respondent busy	518	4%	27%
	Sub-total	**1935**	**16%**	**100%**
Out of scope	Unobtainable (modem, fax etc)	2001	17%	20%
	Ineligible	609	5%	6%
	No contact made	7452	62%	74%
	Sub-total	**10062**	**84%**	**100%**
	Total	**11,997**		

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.

We have a responsibility to maintain high scientific standards in the methods employed in the collection and dissemination of data, in the impartial assessment and dissemination of findings and in the maintenance of standards commensurate with professional integrity.

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.

Innovation and development is very much at the heart of our business, and considerable attention is paid to the utilisation of the most up to date technologies and information systems to ensure that market and customer intelligence is widely shared.

2019/20 Precept consultation online surveys

1. Online Survey

1.1 The online survey was available from 31 October – 21 December 2018. The consultation period was promoted through our website, press releases, targeted adverts on Facebook and Twitter. An example of the Facebook advert can be found in Appendix A.

1.2 In that period a total of **202** responses were received. Of those 202 responses, 149 fully completed the questionnaire and 53 partially completed it. As only five of these responses represented the business sector, the results have not been separated.

1.3 This year's consultation exercise highlighted a significant increase in total number of respondents when compared with the 2018/19 survey of 51 respondents.

This report summarises the main findings from the survey.

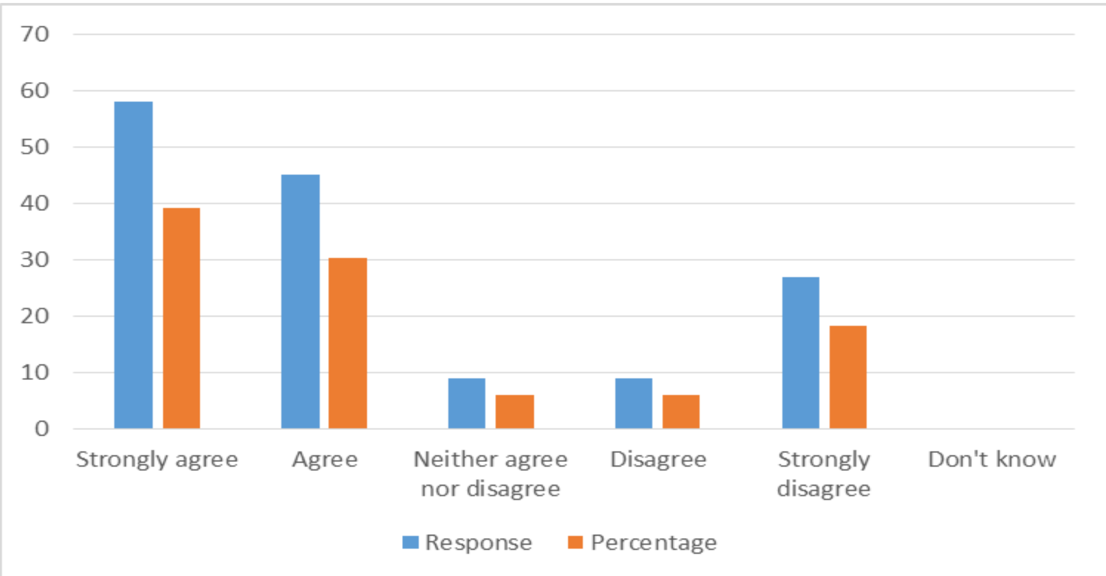
RESULTS

2 ***Q1. How much do you agree or disagree that it is reasonable for the Authority to consider increasing its council tax charge for 2019/20?***

Table 1: Responses to Question 1

Answer Option	Response #	Response %
Strongly agree	58	39.19
Agree	45	30.41
Neither agree nor disagree	9	6.08
Disagree	9	6.08
Strongly disagree	27	18.24
Don't know	0	0.00
Total	148	

Chart 1: Results of agreement to consider increasing the precept



2.1 The results indicate that almost 70% of respondents agree that the Authority should consider increasing its charges.

3 ***Q2. Of the following options, what increase would you consider is reasonable for the Authority to increase its element of the council tax charge by?***

Table 2: Responses to Question 2

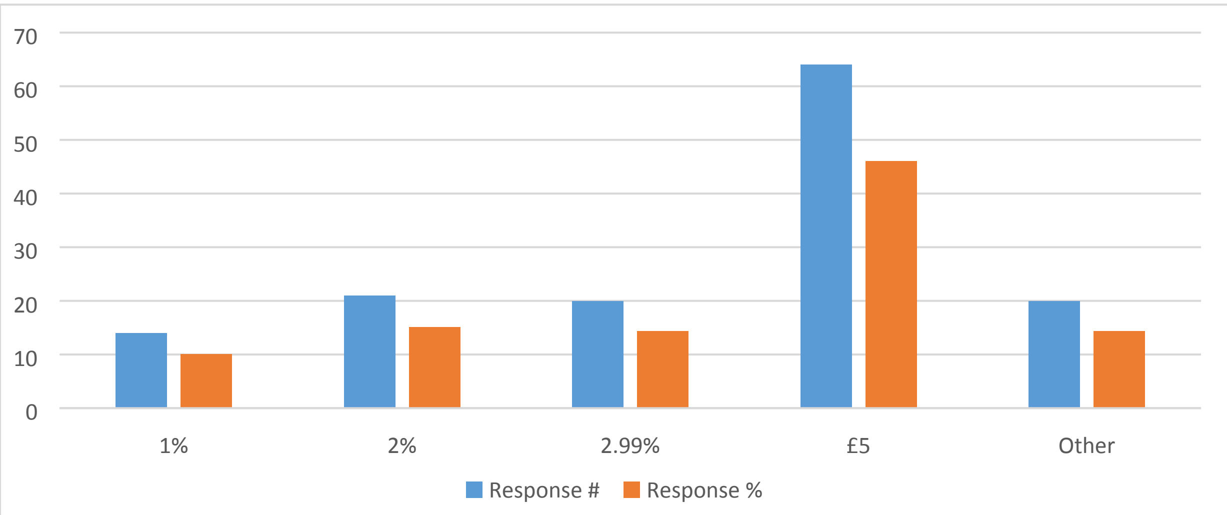
Answer Option	**Response #**	**Response %**
1% (An increase of 84p per year for a Band D property, increasing the total charge to £84.85)	14	10.07
2% (An increase of £1.68 per year for a Band D property, increasing the total charge to £85.69)	21	15.11
2.99% (An increase of £2.51 a year for a Band D property, increasing the total charge to £86.52)	20	14.39
£5 (An increase of £5.00 per year for a Band D property (pro rata for other bands), increasing the total charge to £89.01)	64	46.04
Other	20	14.39
Total	139	

3.1 Those respondents who responded 'Other' were asked to provide comments. The majority of these comments indicated that no increase should be made.

See below a sample range of comments made by respondents:

- *'No increase.'*
- *'Whatever is needed to run the services we require simple as that, we need to pay our way, nothing is for free.'*
- *'Services don't get any better so why pay more?'*
- *'£20 a year is reasonable.'*

Chart 2: Results of options to increase the precept



3.2 The results indicate that (46%) of respondents are in support of a £5 increase and that 60.43% of respondents support an increase at 2.99% or above.

4 ***Q3. If you disagreed with Q1, why do you think it is not reasonable for the Authority to increase its element of the council tax charge?***

Those respondents who disagreed that it is reasonable for DSFRS to consider increasing its element of the council tax charge for 2019/20 were asked why they disagreed.

The common emerging themes highlighted by respondents indicated:

- Central Government should provide any additional funding for the service.
- Service should focus on delivering non statutory duties only.
- Making best use of existing funding.
- Not enough evidence of future funding requirements and service plans.
- General consensus that people feel they are already paying too much council tax.
- Current funding cuts and reduction to service delivery yet requesting more funding.
- Unknown impact of Brexit on society.

A sample range of comments made by respondents are listed below:

- *'Because we pay enough for the service already. The council tax is crippling people financially as it, with your average wage not increasing. It is also up to the government to help fund this. We pay enough in our taxes.'*

- *'We are already paying too much council tax, and seeing services shrink. I suggest if the fire service wants an increase, they should reform their working practices...first.'*

- *'This should be funded by central government.'*

- *I understand fire cover has been cut! And firefighter numbers have been decreasing over a number of years. So you are asking us for more yet provide less for it!!!'*

- *'The FRS should stop carrying out non statutory duties. This would then release funds and so negate the need for any suggested rise..'*

- *'I don't believe you need any increase from us. You have not shown any evidence that you need more money.'*

- *'Because you are not maximising on the money you already have.'*

- *'You are reducing the amount of equipment available to protect the public and firefighters yet want more money for doing so? Stick to your core business and tell the government that all the nice to do peripherals will have to wait until funding permits!'*

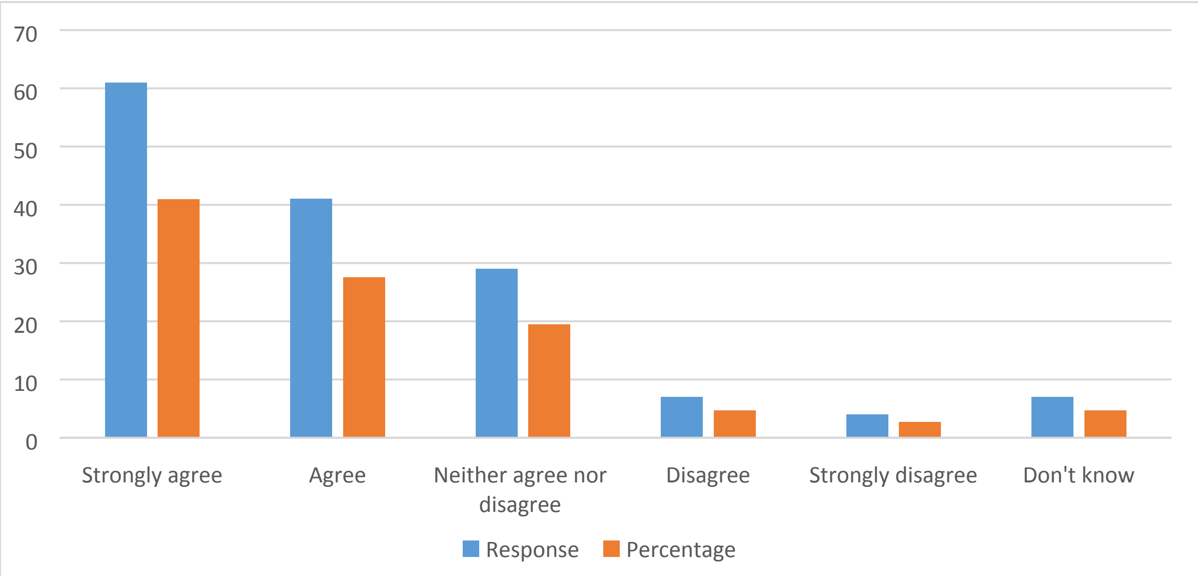
- *'With the unknown outcome of Brexit around the corner, we do not know how this will impact on society and whether after Brexit an increase will be affordable.'*

5 *Q4. How strongly do you agree or disagree that Devon and Somerset Fire and Rescue Service provides value for money?*

Table 3: Responses to Question 4

Answer Option	Response #	Response %
Strongly agree	61	40.94
Agree	41	27.52
Neither agree nor disagree	29	19.46
Disagree	7	4.70
Strongly disagree	4	2.68
Don't know	7	4.70
Total	149	

Chart 3: Results of value for money question



5.1 The results indicate that the majority of respondents almost (69%) agree that the Service provides value for money.

6 *Q5. If you disagreed to Q4, why do you feel the Service does not provide value for money?*

6.1 Those who disagreed that DSFRS provides value for money were asked why they disagreed.

The common emerging themes from respondents highlighted:

- Need for review of current work practices, including sleeping arrangements, commitment to second jobs and work duties.
- Concerns over retained staff cover arrangements.
- Impact on quality and delivery of service with proposed budget cuts.

A sample range of comments made by respondents are listed below:

- *'The working practice of the fire brigade needs to be overhauled in line with current business practices.......bought into line. How do firefighters find all this time for a second job........'*

- *'Fire stations do not necessarily need full kitchens/sleeping arrangements. If you are on a night shift, you should be working. I have always worked for the NHS and currently for the ambulance service. Our stations have a basic kitchen (with microwave, no cooker).'*

- *'Stop sleeping, playing pool and cooking up meals on duty.'*

- *'How is possible to provide value for money when you talk about a £7.7 million cut back by government!'*

- *'Due to the lack of funding there are insufficient personnel to crew the fire engines resulting in many not being available on a daily basis. The wait for the next nearest engine could be fatal!'*

- *'All of the firefighters I know seem to spend a lot of time not working. I'm not permitted to sleep at work.'*

- *'Currently yes, however the future proposed cuts to the service will change this.'*

- *'Lack of retained cover during the day. Employs hundreds of on call fire fighters who can only provide evening and weekend cover.*

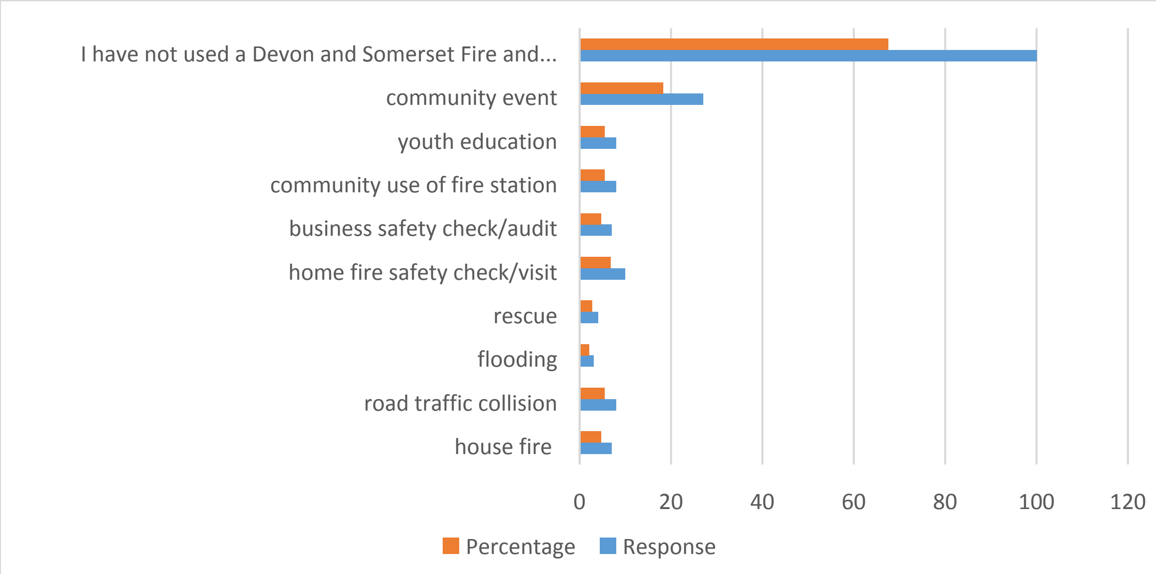
7 *Q6. Have you interacted with Devon and Somerset Fire and Rescue Service in the last 12 months?*

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

Table 4: Response to Question 6

Answer Option	Response #	Response %
Yes, house fire	7	4.73
Yes, road traffic collision	8	5.41
Yes, flooding	3	2.03
Yes, rescue	4	2.70
Yes, home fire safety check/visit	10	6.76
Yes, business safety check/audit	7	4.73
Yes, community use of fire station	8	5.41
Yes, youth education	8	5.41
Yes, community event	27	18.24
No, I have not used a Devon and Somerset Fire and Rescue service	100	67.57
Total	182	

Chart 4: Results of service interaction question



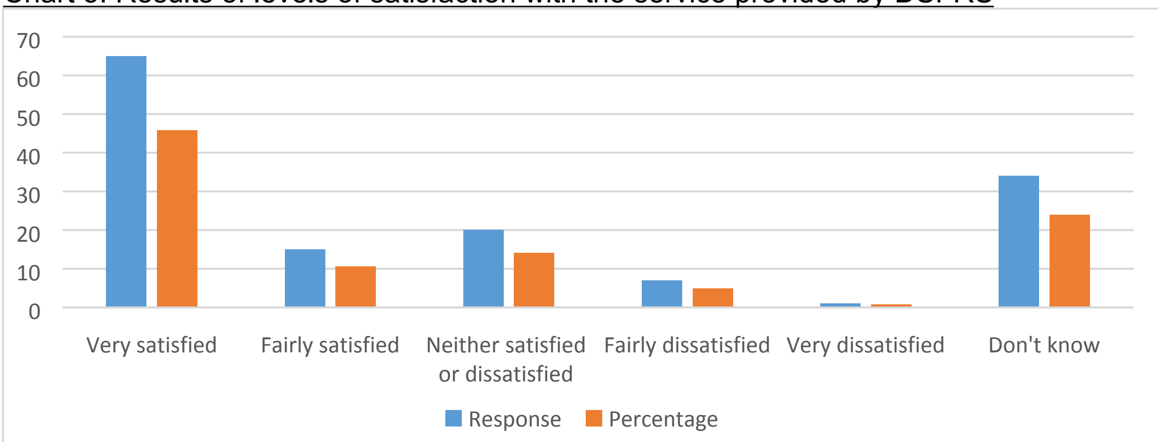
7.2 The results indicate that (67%) of respondents had not interacted with the Service in the last 12 months, however (18%) had attended Community Events and (6%) had received a home fire safety check/visit.

8 ***Q7. How satisfied or dissatisfied are you with the service provided by Devon and Somerset Fire and Rescue Service (DSFRS)?***

Table 5: Response to Question 7.

Answer Option	**Response #**	**Response %**
Very satisfied	65	45.77
Fairly satisfied	15	10.56
Neither satisfied or dissatisfied	20	14.08
Fairly dissatisfied	7	4.93
Very dissatisfied	1	0.70
Don't know	34	23.94
Total	142	

Chart 5: Results of levels of satisfaction with the service provided by DSFRS



8.1 The results indicate that over half of respondents (56%) are satisfied with the level of service received by DSFRS.

9 ***Q8. What has influenced how you answered question 7?***

9.1 Respondents were asked to provide comments on what influenced their level of satisfaction/dissatisfaction with the service provided by DSFRS. It was evident from the comments received that the majority of respondents comprised of three distinct groups:

- Members of the general public
- Local businesses and
- Existing and previous employees of DSFRS.

There were a range of both positive and negative comments received depending on the respondent's level of satisfaction.

A sample range of comments from respondents who expressed satisfaction with the service included:

- '*Helpful friendly staff.'*
- *'A professional and valued service.'*
- *'These people risk their lives for the general public and I feel that you could not even begin to put a price on what they are worth.'*
- *'The sense of security knowing that they are there if we ever need them.'*
- *'Aware of the work they do in community safety as well as fire and rescue.'*
- *'The quality of service provided.'*
- *'I have had interaction with DSFRS on a professional level.'*
- *'My local station is very proactive.'*
- *'An amazing service from all. If we didn't have a fire service our house would have burnt down completely. This is a LIFE SAVING service and should NOT suffer any MORE cuts!'*
- *'I respect the job that they do and I know that sometimes have to put their own lives at risk to save others. One of my ex pupils led a team at the Grenfell Tower fire. You have my respect and gratitude for the work that you do.'*
- *'You still manage to provide your service in spite of current funding shortfalls.'*

9.2 A sample range of comments from respondents who expressed dissatisfaction with the service included:

- *'Disappointed that our local fire engine is not always available.'*
- *'The local retained station is unable to keep the appliances available 24 hours a day. After learning what they are paid this doesn't surprise me. They need a fair wage that will also attract others to join them!'*

- *'The lack of fire cover being provided, the level of crewing per fire engine that does get to an incident and the service is no longer able to support many community events for the communities it is supposed to be serving.'*

- *'I don't think we see where all our money goes from local council funding and I feel that it's mainly covering government cuts ; where the local tax money should be funding improvements in the community and be decided by the local crews how best to use.'*

- *'You need to modernise.'*

10 Profile of respondents

10.1 The following questions provided an opportunity to gather local intelligence from respondents and ascertain whether a cross section of people had responded to the survey.

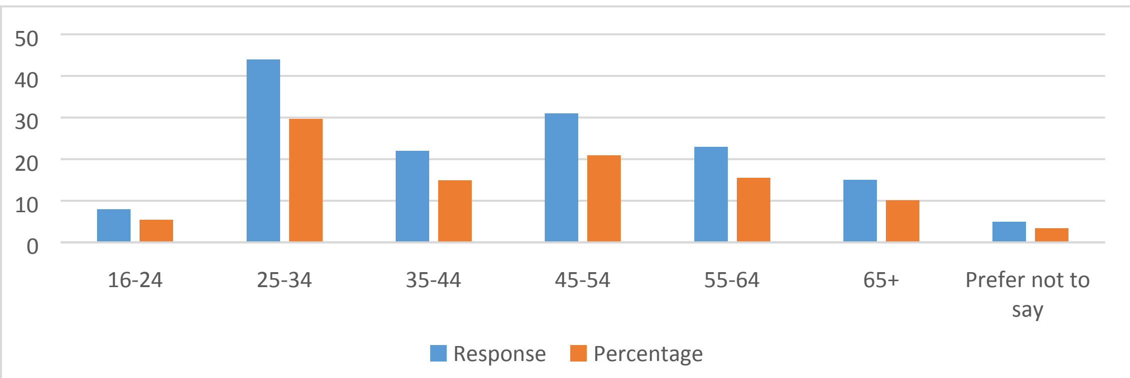
Table 6: Responses to Question 9 – Are you…?

Answer Option	Response #	Response %
A member of the public	143	96.62
Representing a business	5	3.38
Total	148	

Table 7: Responses to Question 10 - regarding age

Answer Option	Response #	Response %
16-24	8	5.41
25-34	44	29.73
35-44	22	14.86
45-54	31	20.95
55-64	23	15.54
65+	15	10.14
Prefer not to say	5	3.38
Total	148	

Chart 6: Results of question regarding age

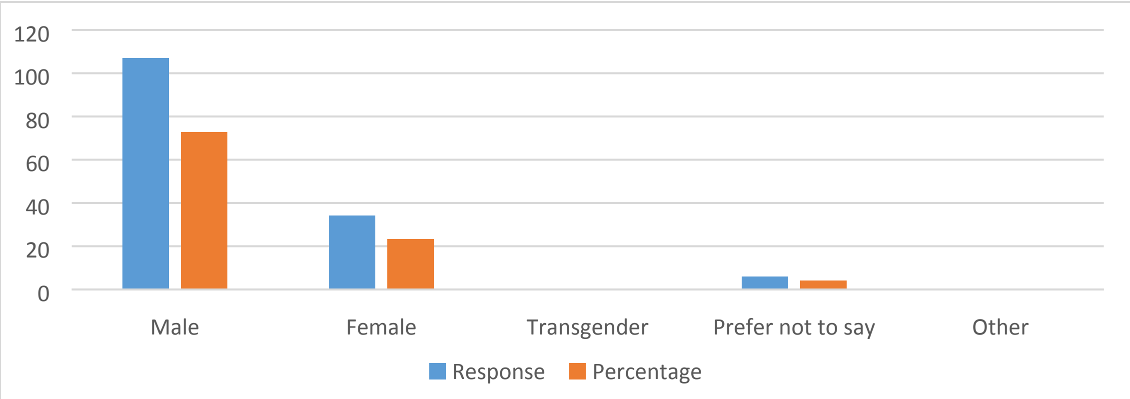


10.2 The results indicate that the majority of respondents (29%) were aged between 25-34 years.

Table 8: Responses to Question 11 - regarding gender

Answer Option	Response #	Response %
Male	107	72.79
Female	34	23.13
Transgender	0	0.00
Prefer not to say	6	4.08
Other	0	0.00
Total	147	

Chart 7: Results of question regarding gender



10.3 The results indicate that the majority of respondents were male (72%).

Table 9: Results of Question 12 - regarding ethnic origin

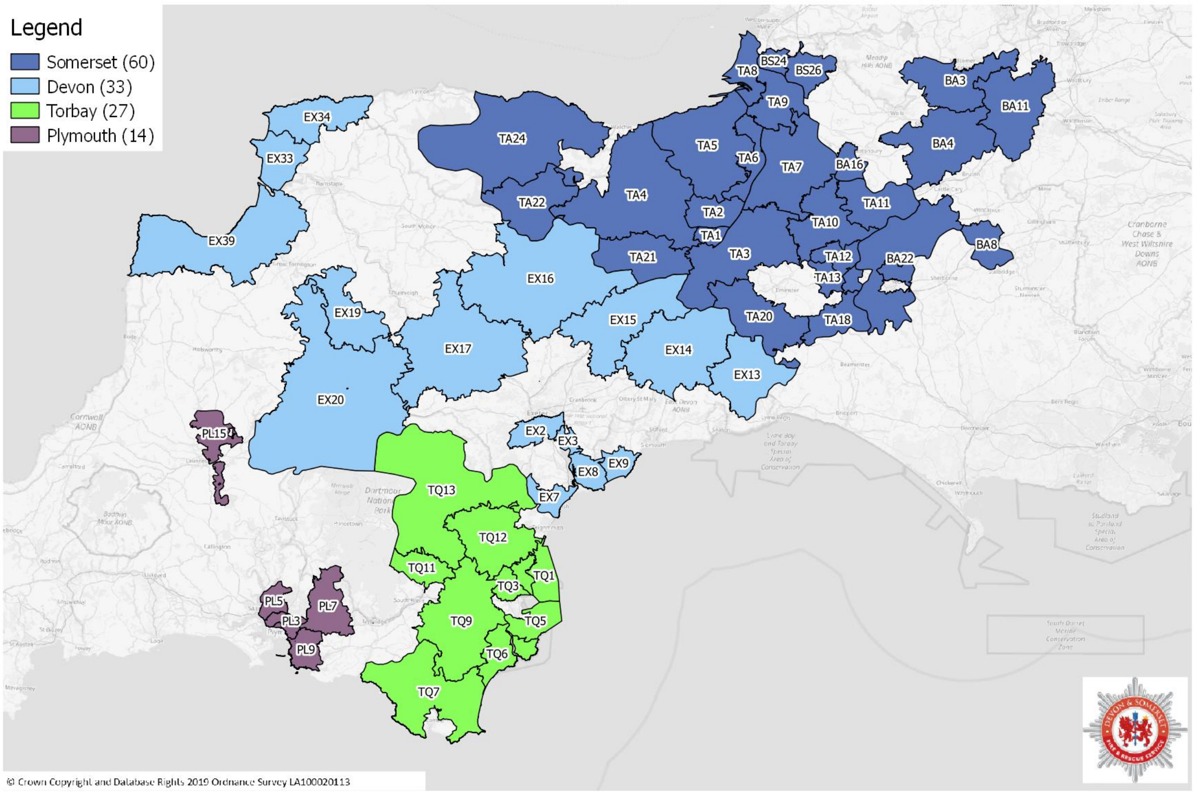
Answer Option	Response	Response %
White - English / Welsh / Scottish / Northern Irish / British	130	89.04
White - Irish	1	0.68
White - Gypsy or Irish Traveller	0	0.00
Black or Black British - African	0	0.00
Black or Black British - Caribbean	0	0.00
Asian or Asian British - Indian	0	0.00
Asian or Asian British - Pakistani	0	0.00
Asian or Asian British - Bangladeshi	0	0.00
Asian or Asian British - Chinese	0	0.00
Mixed or multiple ethnic groups - White and Black Caribbean	0	0.00
Mixed or multiple ethnic groups - White and Black African	0	0.00
Mixed or multiple ethnic groups - White and Asian	0	0.00
Other ethnic group - Arab	0	0.00
Prefer not to say	14	9.59
Other	1	0.68
Total	146	

10.4 The results indicate that (89%) of respondents stated they were White - English / Welsh / Scottish / Northern Irish / British.

10.5 Respondents were asked this question to ensure we had a cross section of responses from across Devon and Somerset. Of the 202 total respondents, 134 provided a postcode and these have been displayed on the map below and grouped in the four constituent authorities.

<u>Map displaying respondents' postcode areas</u>

Postcode Areas responding to Precept Consultation (Online)



REPORT REFERENCE NO.	**DSFRA/19/4**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 FEBRUARY 2019**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2019-20 TO 2021-22**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That, as recommended by the Resources Committee (Budget) meeting held on 7 February 2019 (Minute RC/21 refers)*** ***(a) the draft Capital Programme 2019-20 to 2021-22 and associated Prudential Indicators, as detailed in this report and summarised at Appendices A and B respectively, be approved; and*** ***(b) subject to (a) above, the forecast impact of the proposed Capital Programme (from 2022-23 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report be noted.***
EXECUTIVE SUMMARY	This report sets out the proposals for a three year Capital Programme covering the years 2019-20 to 2021-22 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. The Authority 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 two years beyond 2021-22 based upon indicative capital programme levels for the years 2022-23 to 2023-24.
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 2019-20 to 2021-22 (and indicative Capital Programme 2022-23 to 2023-24). B. Prudential Indicators 2019-20 to 2021-22 (and indicative Prudential Indicators 2022-23 to 2023-24).
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 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. Due to cost pressures and grant funding cuts, it is becoming increasingly difficult to sustain the revenue contribution to capital available in previous years.

1.4. The Fleet replacement programme continues with the smaller type appliances into the Service with 20 Rapid Intervention Vehicle planned to be in service by 2019-20 as well as other appliance replacements.

1.5. The Estates programme has been prepared using information from the Estate Review after appropriate consultation to ensure the programme meets all operational and risk considerations.

1.6. The Authority has set a strategy to reduce reliance on external borrowing. The proposed Capital Programme 2019-20 to 2021-22 and indicative Capital Programme 2022-23 to 2023-24 show that, if the requirement to invest in assets remains at current levels, the Authority will need to borrow up to £19m. The alternative is to restrict the amount of funding available to the Capital Programme and task the Service with rationalising its capital requirement.

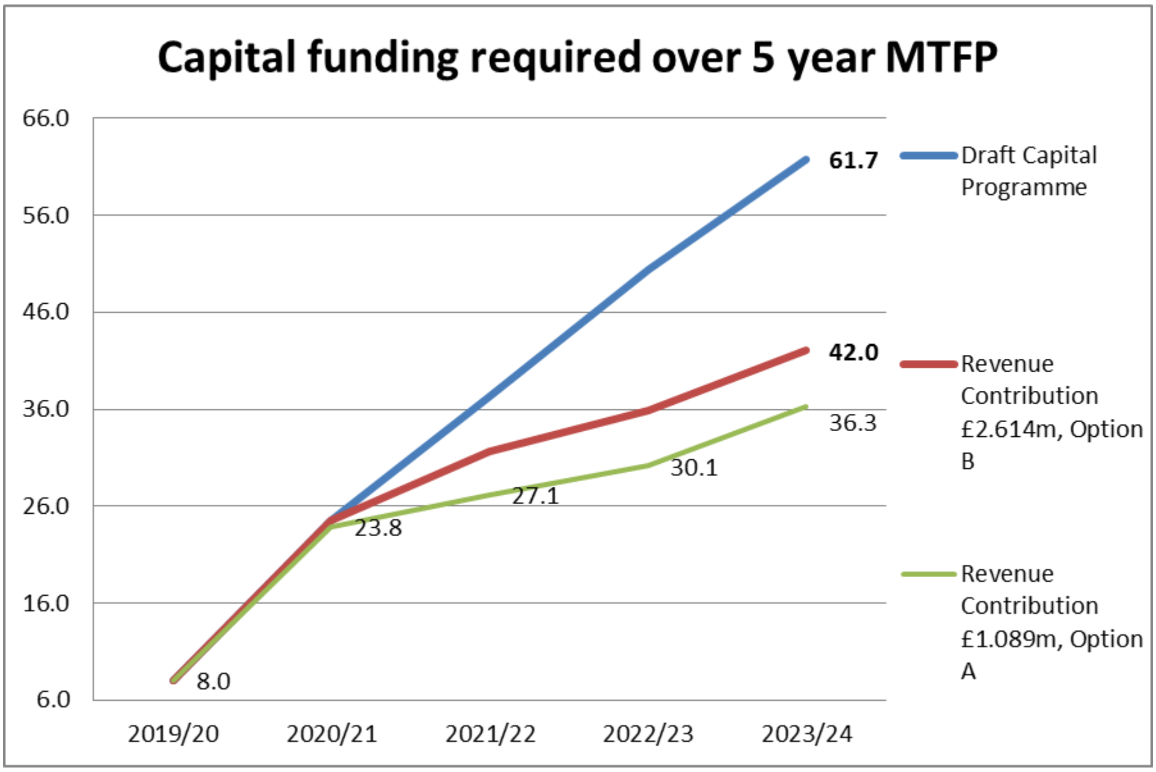
2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

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 proposed programme and funding, as contained in this report, increases the external borrowing requirement to £30.4m by 2021-22 (£34.9m if Council Tax is not increased in 2019/20), and the debt ratio is pushed towards the 5% maximum limit by 2023/24 (forecast to be 4.78% or 5.62% if council tax is not increased). This compares to a current external borrowing of £25.5m as at 31 March 2019 and a debt ratio of 3.93%.

2.3. 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.

2.4. With increasing pressure on revenue budgets, the revised programme has been prepared on the basis that increasing the Revenue Contribution to Capital will not be possible over the Medium Term Financial Plan (MTFP) period and therefore new borrowing will be undertaken. However, as the Authority has a long term strategy to reduce borrowing, the capital programme will need to be redesigned during 2019-20, alongside the project to align our Service Delivery resources to risk. The chart below shows the gap between the costs of maintaining the current asset base and an affordable capital programme based on utilisation of revenue contribution, existing borrowing and the capital reserve.



2.5. The funding gap demonstrates a clear requirement to rationalise the asset base of the Service. Detailed plans – subject to appropriate consultation – will be developed throughout 2019-20 with a view to creating a more sustainable asset base which also reduces the impact on revenue budgets.

2.6. Due to current interest rates and the potential need to borrow in the future, it is not currently recommended that the Authority repay loans early. This means that 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 to maximise economy of funding sources.

2.7. Elsewhere on the agenda for this meeting is a separate report "2019-20 Revenue Budget and Council Tax Levels". The draft 2019-20 revenue budget included in that report makes provision for a revenue contribution towards capital of £2.614m if Council Tax is increased by 2.99% or £1.089m if Council Tax is not increased. The Authority has been made aware that, in order that a sustainable capital programme be prepared, 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. This figure will need to be reviewed annually as part of the annual budget setting process.

3. REVISED CAPITAL PROGRAMME FOR 2019-20 to 2021-22

3.1. Appendix A to this report provides an analysis of the proposed programme for the three years 2019-20 to 2021-22 as contained in this report. This programme represents a net increase in overall spending of £15m over the previously agreed indicative programme as illustrated in Figure 1 below:

Figure 1

	Estates	Fleet & Equipment	Total
	£m	£m	£m
Existing Programme			
2018-19	3.3	3.1	6.4
2019-20	3.6	4.7	8.3
2020-21 (provisional)	2.7	4.1	6.8
2021-22 (provisional)	1.8	2.9	4.7
Total 2018-19 to 2021-22	11.4	14.8	26.2
Proposed Programme			
2018-19 (forecast spending)	1.8	2.1	3.9
2019-20	4.4	3.6	8.0
2020-21 (provisional)	10.2	6.3	16.5
2021-22 (provisional)	7.9	4.9	12.8
Total 2018-19 to 2021-22	24.3	16.9	41.2
Proposed change	12.9	2.1	15.0

Estates

3.2. After a period of significant investment, the Estates programme was reduced from 2013/14 to accommodate other capital programmes. As a result, there was a reduced investment in some key stations over a number of years whilst a revised Integrated Risk Management Plan (IRMP) was developed and an Estate Development Review undertaken to review potential options.

3.3. A range of options and scenarios (including modelling of new and alternative sites to any impact on emergency response times) was then reviewed with the two Assistant Chief Fire Officers to assess the value and merit of the various options within the context of the IRMP to meet current and forecast community risks.

3.4. As a result, a programme of improvement has commenced to improve or replace stations whose future strategic importance is now confirmed and where investment into the facilities and site is appropriate and viable. The current programme anticipates that this investment will increase over the next of 5 years with to meet our future operational needs. However, the affordability considerations detailed in this paper will mean that those plans may have to be revisited.

3.5. Collaboration activities with our Bluelight partners continue to seek to identify further opportunities to co-locate or other development opportunities, as each partner's operational strategy develops. To date this has been successfully achieved for little investment by any party. Consequently, no specific capital budget has been allocated for collaboration projects. Should such a requirement for capital investment emerge, it would be subject to submission of a detailed business case.

Operational Assets

Vehicle Replacements/Equipment

3.6. The Service has developed a Fleet, Equipment and Water Supply Strategy which recognises that our service delivery model is changing. A whole life costing review of the Rapid Intervention Vehicles (RIV) appliance and complete fleet of 121 pumping appliances has therefore been undertaken.

3.7. A review of the fleet profile of Rapid Intervention Vehicles, Light Rescue Pump and Medium Rescue Pumps is being progressed and is anticipated to be finalised in March / April 2019 to support changes to the service delivery model. The review will confirm numbers of the different size and capabilities of pumping appliances To date 15 Rapid Intervention Vehicles have been introduced.

3.8. Whilst the review is in progress the Service has also undertaken a review of the age and condition of appliances and fleet projects are in progress to replace the ageing Medium Rescue Pump operational and training vehicles and the Aerial Ladder platforms. A range of specialist vehicles are also being reviewed and replaced e.g. wildfire 4x4 and Special Rescue Team vehicles.

3.9. A ten year vehicle replacement programme has been developed and an equipment replacement programme is in development. However, as indicated in this paper, the programme will be subject to review due to affordability of the whole capital programme.

4. FORECAST DEBT CHARGES

4.1. Appendix A also provides indicative capital requirements beyond 2022-23 to 2023-24. The estimated debt charge emanating from this revised spending profile is illustrated in Figure 2 overleaf.

Figure 2 - Summary of Estimated Capital Financing Costs and future borrowing

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Forecast Debt outstanding at year end	25.444	24.851	30.383	38.828	42.409
Base budget for capital financing costs and debt charges	3.233	3.219	3.339	3.546	3.984
Change over previous year		(0.014)	0.120	0.208	0.438
Debt ratio	4.03%	3.97	4.08	4.29	4.78

4.2. The forecast figures for external debt and debt charges beyond 2021-22 are based upon the indicative programmes as included in Appendix A for the years 2022-23 to 2023-24. 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 increased from current levels of £26.5m to £43.1.m (including impact of proposed revenue contributions) by 2023-24.

5.2. The reducing revenue budget impacts significantly upon the borrowing capacity of this Authority and the ability to baseline revenue contribution. Whilst the programme now presented maintains borrowing within 5% to 2023-24, this will only be possible with appropriate annual revenue contributions to the capital programme to maintain an affordable and sustainable Capital Programme.

6. CONCLUSION

6.1. This report emphasises the difficulties in meeting the full capital expenditure requirement for the Service, given the geographical size, 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 contribution to capital will be maintained in future years and highlights that unless capital assets are rationalised, there will be a need to borrow in 2021-22. The programme proposed in this report does not commit any spending beyond 2021-22. 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 and a future affordability review will be undertaken.

AMY WEBB
Director of Finance (Treasurer)

PROJECT	2019/20 £000 Budget	2020/21 £000 Budget	2021/22 £000 Budget	2022/23 £000 Indicative Budget	2023/24 £000 Indicative Budget
Estate Development					
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
Estates Sub Total	**4,407**	**10,200**	**7,900**	**9,300**	**7,000**
Fleet & Equipment					
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				
Fleet & Equipment Sub Total	**3,607**	**6,300**	**4,900**	**3,800**	**4,300**
Overall Capital Totals	**8,014**	**16,500**	**12,800**	**13,100**	**11,300**
Programme funding - revenue funding at 2019/20 figure					
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
Total Funding	**8,014**	**16,500**	**12,800**	**13,100**	**11,300**
Programme funding - revenue funding at 19/20 figure no Council Tax increase					
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
Total Funding	**8,014**	**16,500**	**12,800**	**13,100**	**11,300**

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PRUDENTIAL INDICATORS				INDICATIVE INDICATORS 2022/23 to 2023/24	
	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate
Capital Expenditure					
Non - HRA	8.014	16.500	12.800	13.100	11.300
HRA (applies only to housing authorities)					
Total	8.014	16.500	12.800	13.100	11.300
Ratio of financing costs to net revenue stream					
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%
Capital Financing Requirement as at 31 March	£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
Total	26,556	25,861	31,291	39,619	43,065
Annual change in Capital Financing Requirement	£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
Total	(191)	(694)	5,429	8,328	3,446
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£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
Total	28,174	27,949	33,152	42,310	45,946
Operational Boundary for external debt	£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
Total	26,847	26,656	31,587	40,329	43,793
Maximum Principal Sums Invested over 364 Days					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATOR	Lower Limit %
Limits on borrowing at fixed interest rates	70%
Limits on borrowing at variable interest rates	0%
Maturity structure of fixed rate borrowing during 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%

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REPORT REFERENCE NO.	**DSFRA/19/5**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**7 FEBRUARY 2019**
SUBJECT OF REPORT	**TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS REPORT 2019-20 TO 2021-22)**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That following are approved by the Authority:*** ***(a). the Treasury Management Strategy and the Annual Investment Strategy;*** ***(b). the Minimum Revenue Provision (MRP) statement for 2019-20, as contained as Appendix B;*** ***(c). the amendment to Country Credit limits, outlined in paragraph 4.12, to allow for continued investments in the event that the UK sovereign rating is downgraded***
EXECUTIVE SUMMARY	As agreed at the Fire Authority meeting of 18 December 2017, there is a new requirement for Resources Committee to review the Treasury Management Strategy for recommendation to the Full Authority. This report sets out a treasury management strategy and investment strategy for 2019-20, including the Prudential Indicators associated with the capital programme for 2019-20 to 2021-22 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2019-20 is also included for approval.
RESOURCE IMPLICATIONS	As indicated in this report
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing human rights and equality legislation.
APPENDICES	A. Prudential and Treasury Management Indicators 2019-20 to 2021-22. B. Minimum Revenue Provision Statement 2019-20.
LIST OF BACKGROUND PAPERS	Local Government Act 2003. Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code and CIPFA Treasury Management Code of Practice

1. INTRODUCTION

Background

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

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

1.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4. Treasury management is defined as:

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

1.5. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

1.6. This authority has not engaged in any commercial investments and has no non-treasury investments.

Statutory requirements

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

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

1.9. MHCLG issued revised investment guidance which came into force from 1 April 2018. This guidance was captured within the revised CIPFA Treasury Management Code 2017.

CIPFA requirements

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

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- Receipt by the Authority of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a mid-year review report and an annual report (stewardship report) covering activities during the previous year.
- Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for this this Authority the delegated body is Resources Committee, and for the execution and administration of treasury management decisions and for this Authority the responsible officer is the Treasurer.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and polices to a named body. For this Authority the delegated body is Resources Committee.

Treasury Management Strategy for 2019-20

1.11. The suggested strategy for 2019-20 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury advisor, Link Asset Services (Link).

1.12. The strategy for 2019-20 covers two main areas:

Capital Issues

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

Treasury Management Issues

- treasury limits in force which will limit the treasury risk and activities of the Authority
- treasury Indicators
- the current treasury position

- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers

Training

1.13. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. A proportionate training plan will be developed for members of the Resources Committee.

1.14. The training needs of treasury management officers are periodically reviewed.

Treasury Management Advisors

1.15. The Authority uses Link Asset Services, Treasury solutions as its external treasury management advisors.

1.16. The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

2. CAPITAL PRUDENTIAL INDICATORS FOR 2019-20 TO 2021-22

2.1. The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.2. This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts as proposed in the Capital Programme report considered elsewhere on the agenda. Other long term liabilities such as PFI and leasing arrangements which already include borrowing instruments are excluded.

Proposed Capital Expenditure	2018-19 (forecast spending)	2019-20	2020-21 (provisional)	2021-22 (provisional)
	£m	£m	£m	£m
Estates	1.802	4.407	10.200	7.900
Fleet & Equipment	2.140	3.607	6.300	4.900
Total	3.942	8.014	16.500	12.800

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

The Revenue Funding outlined below is conditional upon the Fire Authority decision over levels of Council Tax for 2019-20 – figures below are based on a Council Tax increase of 2.99%.

Capital Financing	2018-19 (forecast spending)	2019-20	2020-21 (provisional)	2021-22 (provisional)
	£m	£m	£m	£m
Capital receipts/ contributions	0.000	0.000	1.250	0.250
Capital grants	0.000	0.000	0.000	0.000
Capital reserves	0.000	3.439	11.189	2.372
Revenue	2.031	2.614	2.614	2.614
Existing and New borrowing	1.911	1.961	1.447	7.564
Total	3.942	8.014	16.500	12.800

The Authority's Borrowing Need (Capital Financing Requirement)

2.4. The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

2.5. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

2.6. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £1.209m of such schemes within the CFR.

2.7. The Authority is asked to approve the CFR projections below as included in Appendix A:

Capital Financing Requirement (CFR)	2018-19 (forecast spending)	2019-20	2020-21 (provisional)	2021-22 (provisional)
	£m	£m	£m	£m
Non-HRA expenditure	25.538	25.444	24.851	30.384
Other Long Term Liabilities	1.209	1.112	1.010	0.907
Total CFR	26.747	26.556	25.861	31.291
Movement in CFR	(2.276)	(2.343)	(2.836)	3.295
Less MRP	(2.093)	(2.152)	(2.141)	(2.135)
Net movement in CFR	(0.182)	(0.191)	(0.694)	5.429

Core funds and expected investment balances

2.8. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Estimated Year end Resources	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m
Reserve Balances	32.529	27.090	13.901	9.529
Capital receipts/ contributions	0.000	0.000	1.250	0.250
Provisions	1.304	0.304	0.000	0.000
Other	8.899	10.860	12.307	19.872
Total core funds	42.732	38.254	27.458	29.650
Working capital*	1.000	1.000	1.000	1.000
Under/over borrowing	0.000	0.000	0.000	0.000
Expected investments	43.732	39.254	28.458	30.650

*Working capital balances shown are estimated year-end; these may be higher mid-year

Minimum Revenue Provision (MRP) Strategy

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

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

2.11. Although four main options are provided under the guidance, the Authority has adopted:

The Asset Life Method

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

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

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

2.15. A draft MRP statement for 2019-20 is attached as Appendix B for Authority approval.

2.16. The financing of the approved 2019-20 capital programme, and the resultant prudential indicators have been set on the basis of the content of this statement.

Prudential Indicators for Affordability

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

2.18. A key indicator of the affordability of capital investment plans is the ratio of financing costs to the net revenue stream; this indicator identifies the trend in the cost of capital financing (borrowing costs net of investment income) against the Authority's net budget requirement. Annual capital financing costs are a product of total debt outstanding, the annual repayment regime and interest rates. The forecast ratios for 2019-20 to 2021-22 based on current commitments and the proposed Capital Programme are shown below.

Financing costs as a % of net revenue	2018-19 (forecast spending)	2019-20	2020-21 (provisional)	2021-22 (provisional)
Annual cost	3.93%	4.03%	3.98%	4.08%

3. <u>BORROWING</u>

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

Current borrowing position

3.2. The Authority's treasury portfolio position at 31 March 2018 and current are summarised below.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.18	31.3.18	31.12.18	31.12.18
Treasury investments	£000	%	£000	%
banks	26,401	71%	31,001	80%
building societies - unrated	0	0%	0	0%
building societies - rated	2,000	5%	3,100	8%
local authorities	5,000	13%	3,500	9%
DMADF (H.M.Treasury)	0	0%	0	0%
money market funds	3,906	10%	1,075	3%
certificates of deposit	0	0%	0	0%
Total managed in house	**37,307**	**100%**	**38,676**	**100%**
bond funds	0	0%	0	0%
property funds	0	0%	0	0%
Total managed externally	**0**	**0%**	**0**	**0%**
Total treasury investments	**37,307**	**100%**	**38,676**	**100%**
Treasury external borrowing				
local authorities	0	0%	0	0%
PWLB	25,631	100%	25,584	100%
LOBOs	0	0%	0	0%
Total external borrowing	**25,631**	**100%**	**25,584**	**100%**
Net treasury investments / (borrowing)	**11,676**	**0**	**13,092**	**0**

3.3. he Authority's forward projections for borrowing are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

External Debt	2018-19 (forecast spending)	2019-20	2020-21	2021-22
	£m	£m	£m	£m
Debt at 1 April	25.631	25.537	25.444	24.851
Expected change in Debt	(0.093)	(0.093)	(0.593)	5.533
Other long-term liabilities (OLTL)	1.299	1.209	1.112	1.010
Expected change in OLTL	(0.090)	(0.098)	(0.101)	(0.103)
Actual gross debt at 31 March	26.747	26.556	25.861	31.291
CFR	26.747	26.556	25.861	31.291
Under/ Over borrowing	0.000	0.000	0.000	0.000

3.4. Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019-20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.5. The Director of Finance reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Limits to Borrowing Activity

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

- **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Estimated Operational Boundary	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m
Non-HRA expenditure	25,731	25,637	25,544	30,577
Other Long Term Liabilities	1,299	1,209	1,112	1,010
Total	27,029	26,847	26,656	31,587

- **The authorised limit for external debt**. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

  This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authority's plans, or those of a specific Authority, although this power has not yet been exercised.

  The Authority is asked to approve the following authorised limit:

Estimated Authorised Limit	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m
Non-HRA expenditure	27,007	26,910	26,787	32,096
Other Long Term Liabilities	1,359	1,265	1,162	1,056
Total	28,367	28,174	27,949	33,152

__Prospects for interest rates__

3.7. The Authority has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The following table and narrative in paragraphs 3.8 and 3.9 gives their central view.

Link Asset Services Interest Rate View	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

3.8. ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years.

They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.

As for the **labour market** figures in October, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. *(Officers are likely to need to verbally update members as events are constantly evolving.)* However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the speed and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.
Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in 2020 which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by *delaying* the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

- **Other minority eurozone governments.** Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree by 29 March a compromise that quickly removed all threats of economic and political disruption and so led to an early boost to UK economic growth.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

3.9. BREXIT TIMETABLE AND PROCESS

March 2017	UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
25.11.18	EU27 leaders endorsed the withdrawal agreement
Dec 2018	vote in the UK Parliament on the agreement was postponed
21.12.18 – 8.1.19	UK parliamentary recess
15.1.19	Brexit deal defeated in the Commons vote by a large margin
By 29.3.19	second vote (?) in UK parliament
By 29.3.19	if the UK Parliament approves a deal, then ratification by the EU Parliament requires a simple majority
By 29.3.19	if the UK and EU parliaments agree the deal, the EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
29.3.19	Either the UK leaves the EU, or asks the EU for agreement to an extension of the Article 50 period if the UK Parliament has been unable to agree on a Brexit deal.
29.3.19	if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed **transitional period ending around December 2020.**

- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

Borrowing strategy

3.10. As reported in the separate report on this agenda “Capital Programme 2019-20 to 2021-22”, it is the strategic intent of the Authority not to increase its exposure to external borrowing during the next six years. To achieve this a recommendation the Authority has supported the inclusion in the base revenue budget a revenue contribution to capital investment (£2.6m in 2019-20).

3.11. This being the case there is no intention to take out any new borrowing during 2019-20. Should this position change then the Treasury Management Strategy will need to be reviewed to reflect any change to the borrowing strategy and would be subject to a further report to the full Authority.

Policy on borrowing in advance of need

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

Debt rescheduling

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

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

3.15. The reasons for any rescheduling to take place will include:

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

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

4. ANNUAL INVESTMENT STRATEGY

Investment Policy

4.1. The Authority's investment policy has regard to the MHCLG's Guidance on Local Government Investments ("the Guidance"), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code") and the CIPFA Treasury Management Guidance Notes 2018. The Authority's investment priorities will be security first, portfolio liquidity second, then yield.

4.2. In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Authority applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

4.3. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

4.4. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness Policy

4.5. This Authority applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's.

4.6. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

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

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

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

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

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

Approved Instruments for Investments

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

4.13. **Country Limits** The Authority will apply a sovereign rating at least equal to that of the United Kingdom for any UK based counterparty. At the time of writing this was AA long term and F1+ short term. If there were to be a disorderly Brexit, it is possible that the credit rating agencies could downgrade the sovereign rating for the UK but as we have no minimum sovereign rating applying to the UK this approach will not limit the number of UK counterparties available to the Council. To ensure our credit risk is not increased outside the UK, it is recommended that the sovereign rating requirement for investments is amended to “Non UK countries with a minimum sovereign rating of AA-“.

Non-specified Investments

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

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

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

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

4.18. The following table shows those bodies with which the Authority will invest.

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

4.19. The Authority's detailed risk management policy is outlined in the Treasury Management Policy which is reviewed and considered on an annual basis. The above criteria have been amended since last year to reflect the potential change to UK sovereign ratings.

Investment Strategy

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

4.21. Investment returns expectations. Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

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

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

4.23. The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

4.24. **Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 364 days			
£m	**2019-20**	**2020-21**	**2021-22**
Principal sums invested > 364 days	£5m	£5m	£5m

End of year investment report

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

Policy on the use of external service providers

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

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

Treasury Management Scheme of Delegation

Full Authority;

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

Resources Committee;

- Receiving and reviewing regular monitoring reports and acting on recommendations
- Review of annual strategy prior to recommendation to full authority

Role of the Section 151 officer (Director of Finance)

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

5. SUMMARY AND RECOMMENDATIONS

5.1. The Authority is required to consider and approve the treasury management strategy to be adopted prior to the start of the financial year. This strategy must also include proposed prudential indicators and a minimum provision statement (MRP). Approval of the strategy for 2019-20 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice.

AMY WEBB
Director of Finance (Treasurer)

PRUDENTIAL INDICATORS

				INDICATIVE INDICATORS 2022/23 to 2023/24	
	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate
Capital Expenditure					
Non - HRA	8.014	16.500	12.800	13.100	11.300
HRA (applies only to housing authorities)					
Total	8.014	16.500	12.800	13.100	11.300
Ratio of financing costs to net revenue stream					
Non - HRA	4.03%	3.98%	4.08%	4.30%	4.79%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£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
Total	26,556	25,861	31,291	39,619	43,065
Annual change in Capital Financing Requirement	£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
Total	(191)	(694)	5,429	8,328	3,446
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£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
Total	28,174	27,949	33,152	42,310	45,946
Operational Boundary for external debt	£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
Total	26,847	26,656	31,587	40,329	43,793
Maximum Principal Sums Invested over 364 Days					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATOR	Lower Limit %
Limits on borrowing at fixed interest rates	70%
Limits on borrowing at variable interest rates	0%
Maturity structure of fixed rate borrowing during 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%

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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.

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REPORT REFERENCE NO.	**DSFRA/19/6**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 FEBRUARY 2019**
SUBJECT OF REPORT	**BUSINESS RATES RETENTION REFORM: CONSULTATION**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDA TIONS	***That the proposed Consultation response as outlined in this report be considered with a view to approving its submission to the Ministry of Housing, Communities and Local Government.***
EXECUTIVE SUMMARY	The Ministry of Housing, Communities and Local Government has issued a consultation on their proposals to reform the Business Rates Retention Scheme (the Consultation) which asks for responses to be submitted by 21 February 2019. The Consultation covers several questions which are addressed in the paper below. The Authority is asked to review the questions and proposed responses and form a view on the draft response. The Authority can then agree a response to be submitted.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Business Rates Retention Reform: Sharing risk and reward, managing volatility and setting up the reformed system (Consultation Document) ***NOTE: a copy of this consultation document may be found by following the link below:*** https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764485/Business_Rates_Reform_consultation_document.pdf

1. INTRODUCTION

1.1. The Ministry of Housing, Communities and Local Government (MHCLG) has issued a consultation on Business Rates Retention Reform (the Consultation) which asks for responses to be submitted by 21 February 2019. A copy of the full consultation document can be found by following the link below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764485/Business_Rates_Reform_consultation_document.pdf

1.2. Each of the topics in the consultation document will be addressed in turn below with a suggested response. The Authority is asked to review the questions and proposed responses prior to submission.

1.3. The current Business Rates Retention Scheme (the Scheme) was introduced in 2013-14:

- The Scheme allows for 50% local retention of business rates
- The Authority is classed as a major preceptor and is entitled to 1% of the business rates collected from billing authorities.
- A baseline funding amount is established with a tariff or top up in place for authorities whose actual business rates varies from the baseline
- The Authority receives a top-up grant which effectively means that the business rates raised in the area are lower than the assessed funding needs of the Authority.

1.4. The Consultation document states that "The Government's ambition for business rates retention remains two-fold: to give local government greater control over the money it raises, recognising that local authorities are best placed to decide local priorities, and to incentivise local authorities to support local economic growth".

1.5. When consulted on Business Rates reform previously, this Authority has expressed a preference that, due to its minimal ability to influence business rates growth, the Fire Sector be removed from the business rates retention scheme and that funding should be distributed via a Fire Grant. A Fire Grant would align Fire funding with Police Funding. The current Consultation does not cover which bodies should be funded via the Business Rates Scheme.

2. BASELINE RESET

2.1. Pages 11-15 of of the Consultation document discuss methods of resetting the funding baseline and makes various proposals. The benefit of a reset is to more closely align the baseline with actual receipts, the dis-benefit is that a reset could result in a significant swing in funding. The questions and suggested responses to this aspect of the Consultation document are set out below:

Question 1: Do you prefer a partial reset, a phased reset or a combination of the two?

Suggested response: *Partial reset*

Question 2: Please comment on why you think a partial/phased reset is more desirable?

Suggested response: ***A partial reset, at pre-determined periods, will improve certainty over funding in the medium term whilst providing a balanced approach to reset***

Question 3: What is the optimal time period for your preferred reset type?

Suggested response: ***A five year reset period would allow authorities* to *align their medium term financial plans with the baseline funding period***

3. <u>THE SAFETY NET AND THE LEVY</u>

3.1. Pages 15 and 17 of the Consultation document outline the proposal for establishing the safety net (the minimum amount of business rates income an authority will receive) and the levy (the threshold at which, if income exceeds it, an authority must pay a levy to Government).

3.2. Since entering the Scheme, the Authority has breached neither top up or levy thresholds (which is only paid by Tariff Authorities). The safety net under the current scheme is set at 92.5% and is proposed to be 95% under a 75% retention scheme and 97.5% under a 100% retention scheme. The Consultation question and proposed response to the safety net issue is set out below:

Question 4: Do you have any comment on the proposed approach to the safety net?

Suggested response: ***We support the proposed increases to the safety net in line with the increased risks of local retention***

3.3. The consultation suggests that the current levy system, where all income above the baseline level for Tariff Authorities is subject to it, be replaced by a system where all income above an "extraordinary" level be returned to the Government. The intention is to further incentivise growth. The consultation seeks views on the level at which the levy should fall due (150%, 200%, 250%, another level). The consultation questions on the levy and suggested responses are set out below:

Question 5: Do you agree with this approach to the reform of the levy?

Suggested response: ***Yes, a cap would result in a simpler administration process***

Question 6: If so, what do you consider to be an appropriate level at which to classify growth as 'extraordinary'?

Suggested response: ***150% would represent a good benchmark to incentivise Authorities to raise further business rates income whilst acknowledging that 50% + growth would be considered extraordinary.***

4. <u>TIER SPLITS AND POOLING</u>

4.1. Pages 17- 19 of the Consultation document outline the proposed Tier splits between district and county councils and is therefore not relevant to the Fire Authority.

4.2. Business Rates pools are formed across Tier authorities and have the benefits of reducing administration whilst sharing risks and rewards of rates growth across the pool. The Devon areas, including Plymouth unitary, participate in a pool. Given that the Fire Authority is not a direct participant in the pool it is difficult to form a view on what measures could be used to incentivise pooling. The consultation questions on these issues, together with the suggested response, are set out below:

> **Question 7: What should the fall-back position be for the national tier split between counties and districts, should these authorities be unable to reach an agreement?**
>
> **Question 8: Should a two-tier area be able to set their tier splits locally**
>
> **Question 9: What Fiscally Neutral measures could be used to incentivise pooling within the reformed system?**
>
> **Suggested responses to questions 7-9:** ***No Comment***

5. SIMPLIFYING THE SYSTEM AND REDUCING VOLATILITY

5.1. Pages 20-23 of the Consultation document outline the proposals for the treatment of Hereditaments (a property which can be inherited) and the use of a proxy measure to calculate losses to the Authority due to valuation changes. Given that the Authority holds no responsibility for or influence over these elements of the Scheme it is recommended that no comment is made on these measures. For clarity, the questions and suggested response are set out below:

> **Question 10: On applying the criteria outlined in Annex A, are there any hereditaments which you believe should be listed in the central list? Please identify these hereditaments by name and location.**
>
> **Question 11: On applying the criteria outlined in Annex A, are there any listed in the central list which you believe should be listed in a local list? Please identify these hereditaments by name and location.**
>
> **Question 12: Do you agree that the use of a proxy provides an appropriate mechanism to calculate the compensation due to local authorities to losses resulting from valuation change?**
>
> **Suggested responses to questions 10-12:** ***No Comment***

5.2. Pages 23-27 discuss proposed changes to the administration of the Scheme and particularly the impact of valuations and provisions for appeals. The current process, which includes a requirement to create a provision in the year the appeal arises, can impact upon the general fund of billing authorities. 1% of the provision is passed on to the Authority but this is offset by an opposing entry with the relevant billing authority.

5.3. The proposals for reform include bringing forward the deadlines for returns so that estimates of future income can be used to pay additional grant within the baseline to offset the provision. This is anticipated to have a neutral impact on the Authority in terms of funding but may improve the timeliness of information which informs the budget setting process each year. Any simplification of the process would be welcome in terms of transparency of calculation and an efficiency benefit for Billing Authority partners. The relevant consultation question and proposed response are set out below:

> **Question 13: Do you believe that the Government should implement the proposed reform to the administration of the business rates retention system?**

Suggested response: ***Yes, any simplification of the system is welcome. As a major preceptor this Authority would welcome an understanding of the proposed timescales for information processing to inform the annual budget setting process.***

6. SETTING UP THE SYSTEM

6.1. The consultation (pages 27-30) outlines several approaches to resetting the business rate baseline in 2020-21 if the reform proposals are not progressed.

6.2. The baseline calculation will use 2018-19 returns to inform a "bottom-up" approach to setting baselines for each billing authority which will then be apportioned to tier and major precepting authorities. A deduction will then continue to be made to account for non-collection and provisions for appeals.

6.3. The Consultation outlines three approaches to calculating the deduction, namely:

(a). Based on billing authorities own estimate of deductions in their annual returns;

(b). the Government will base the deduction on their own estimate of future appeals and then apportion this to authorities;

(c). Authorities would be asked to make a one off estimate of their provision to cover the baseline in future years.

The Consultation question and proposed response is:

Question 14: What are your views on the approach to resetting Business Rates Baselines?

Suggested response: ***Option a) would result in the most accurate business rate baseline, reflecting up to date information on appeals***

7. EQUALITIES IMPACT

7.1 The Consultation document poses the following question, the proposed response to which is also indicated:

Question 15: Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comment

Suggested response: ***No Comment***

AMY WEBB
Director of Finance (Treasurer)

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REPORT REFERENCE NO.	**DSFRA/19/7**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 FEBRUARY 2019**
SUBJECT OF REPORT	**REVIEW OF LOCAL AUTHORITIES' RELATIVE NEEDS AND RESOURCES: TECHNICAL CONSULTATION**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That the proposed Consultation response as outlined in this report be considered with a view to approving its submission to the Ministry of Housing, Communities and Local Government.***
EXECUTIVE SUMMARY	The Ministry of Housing, Communities and Local Government has issued a consultation (the Consultation) on its proposals to review local authorities' relative needs and resources The deadline for responding to the Consultation is 21 February 2019. The Consultation covers several questions which are addressed in this paper. The Authority is asked to review the questions and proposed responses and form a view on the draft response. The Authority can then agree a response to be submitted.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	A review of local authorities' relative needs and resources (Consultation Document) ***NOTE: a copy of this consultation document and a summary presentation may be found by following the link below:*** https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources

1. INTRODUCTION

1.1. The Ministry of Housing, Communities and Local Government (MHCLG) has issued a consultation (the Consultation) on a review of local authorities' relative needs and resources which asks for responses to be submitted by 21 February 2019. A copy of the full Consultation document can be found by following the link below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764487/Review_of_Local_Authorities__Relative_Needs_and_Resources_consultation_document.pdf

1.2. The consultation discusses several topics regarding the review of the funding formulae. Given that fire authorities' funding calculations are limited to specific elements, it is not considered necessary to respond to other elements of the proposed funding reform. The Authority is asked to review the questions and proposed responses prior to submission.

Table 1: Relative need formulas by class of authority

RELATIVE NEED FORMULAS		SHIRE AREAS			METROPOLITAN AREAS	LONDON	OTHER
		Unitaries	Counties	Districts	Metropolitan Districts	London boroughs	Fire authorities[4]
Foundation Formula	Upper tier	●	●		●	●	
	Lower tier	●		●	●	●	
1) Adult Social Care		●	●		●	●	
2) Children and Young People's Services		●	●		●	●	
3) Public Health		●	●		●	●	
4) Highways Maintenance		●	●		●	●	
5) Fire & Rescue[5]		●	●				●
6) Legacy Capital Finance		●	●	●	●	●	●
7) Flood Defence and Coastal Protection		●		●	●	●	

1.3. The methodology behind the current relative needs assessment was first introduced over ten years ago and has not been updated since the introduction of the 50% business rates retention system in 2013-14. There are concerns in the fire and local government sectors that the current formula is unfair, out of date and overly complex which has prompted a review.

1.4. The review has the underlying guiding principles:

- Simplicity
- Transparency
- Contemporary
- Sustainability
- Robustness
- Stability

1.5. Consultation commenced in December 2017 with a series of interactive workshops which were attended by officers. Representatives from each authority were able to put forward their views on the elements which should determine the proportion of funding for each specialist service, which included fire and rescue services. A series of “cost drivers” have been developed and are included in the Consultation document for consideration.

2. RELATIVE NEEDS ASSESSMENT

2.1. Section 2 of the Consultation document discusses the methods of establishing a new funding formula based on the “relative needs” of each authority and makes various proposals. For fire authorities, in section 2.2.67 on pages 31 to 33, there are three approaches suggested:

- Develop a formula based on cost drivers with the greatest explanatory power for sire and rescue services’ spending
- Update the existing ‘Fire’ funding formula as far as possible
- Develop a multi-level model using fire incident data as a proxy for relative risk

Upper or lower tier formula:	Upper tier
Cost drivers included:	– To be confirmed. This will depend on which option is identified as most appropriate
Analytical technique used:	To be confirmed
Will an Area Cost Adjustment apply?:	Yes
Example service areas included in formula:	• Fire fighting and rescue operations • Community fire safety • Fire and rescue service emergency planning and civil defence

Question 1: Do you have views at this stage, or evidence not previously shared with us, relating to the proposed structure of the relative needs assessment set out in this section?

Suggested response: ***We support the maintenance of a Fire funding formula***

Question 2: What are your views on the best approach to a Fire and Rescue Services funding formula and why?

Suggested response: ***There is insufficient information available in the consultation to choose a preferred method for establishing the Fire and Rescue funding formula. However we do have the following comments:***

- ***An approach based on regressive analysis based on past expenditure does not appear to support the aims of reforming the formula as it is based on existing budgets***
- ***Maintaining the current fire formula would have the benefit of stability for the sector but is lacking in transparency***

- ***A multi-level modelling approach would be welcomed. However, using incident volumes as a proxy for risk does not appear to support appropriate behavioural change. Prevention activity, based on risk and which reduces incidents, must be the key to Fire and Rescue activity.***

Question 3: What are your views on the best approach to Home to School Transport and Concessionary Travel?

Suggested response: ***No comment***

2.2. The proposed formula includes an "Area Cost Adjustment" which accounts for the impact of local pricing on the expenditure of each authority. Page 38 of the Consultation proposes that the following elements are included in the Area Cost Adjustment:

- A rates cost adjustment
- A labour cost adjustment
- A remoteness adjustment

Question 4: What are your views on the proposed approach to the area cost adjustment

Suggested response: ***We support the area cost adjustment and particularly recognise that a remoteness adjustment would reflect the cost drivers experienced by authorities***

3. RELATIVE RESOURCES

3.1. The final funding for each local authority is determined using the following formula:

Final funding position = (relative needs share – relative resources adjustment) ± possible transitional arrangements + actual resources income

3.2. The relative resources adjustment takes in to account any reductions/additions to Council Tax and Business Rates income. As the adjustments are made to the income of each billing authority and a share of the net proceeds is then passed on to the Fire Authority it is not considered relevant to comment on this element of the consultation:

Question 5: Do you agree that the Government should continue to take account of non-discretionary council tax discounts and exemptions (e.g. single person discount and student exemptions) and the income forgone due to the pensioner-age element of local council tax support, in the measure of the council tax base? If so, how should we do this?

Question 6: Do you agree that an assumptions-based approach to measuring the impact of discretionary discounts and exemptions should be made when measuring the council tax base? If so, how should we do this?

Question 7: Do you agree that the Government should take account of the income forgone due to local council tax support for working age people? What are your views on how this should be determined?

Question 8: Do you agree that the Government should take a notional approach to council tax levels in the resources adjustment? What are your views on how this should be determined?

Question 9: What are your views on how the Government should determine the measure of council tax collection rate in the resources adjustment?

Suggested response to questions 5 - 9: ***No comment***

3.3. Council Tax is collected by a billing authority and in multi-tier areas the income is split between each tier and/or fire and rescue authorities. Section 3.2.39 – 3.2.41 outlines two approaches to determining the authorities' share of council tax:

- Calculate the average share in council tax receipts in multi-tier areas and apply that percentage uniformly to the measure of council tax in the resources adjustment for relevant areas
- Use actual council tax tier splits in each area

Question 10: Do you have views on how the Government should determine the allocation of council tax between each tier and/or fire and rescue authorities in multi-tier areas?

Suggested response: ***Any approach that simplifies the calculation and increases transparency is welcomed. On the basis of the information provided in the Consultation, the average share approach would be supported.***

3.4. The consultation seeks views on whether, in the case of a multi-year financial settlement, the deemed council tax resources available to each authority should remain fixed over the settlement period or be based on a forecast of tax base and tax levels.

Question 11: Do you agree that the Government should apply a single measure of council tax resource fixed over the period between resets for the purposes of a resources adjustment in multi-year settlement funding allocations?

Suggested response: Yes, ***any approach that simplifies the calculation and increases transparency is welcomed. In such uncertain times any improvement to the ability to effectively plan is likely to improve the financial stability of local government and enable better decision making.***

4. SALES, FEES AND CHARGES

4.1. Because sales, fees and charges can vary by authority, the Consultation pages 61-64 seeks views on whether these elements should be considered as part of the relative resources adjustment.

Question 12: Do you agree that surplus sales, fees and charges should not be taken into account when assessing local authorities' relative resources adjustment?

Suggested response: ***Yes***

Question 13: If the Government was minded to do so, do you have a view on the basis on which surplus parking income should be taken in to account?

Suggested response: ***No comment***

5. TRANSITIONAL ARRANGEMENTS

5.1. The consultation (pages 65-66) discusses possible transitional arrangements to protect authorities from a sudden swing in funding.

5.2. The Government intends to use the following underlying principles in designing transition arrangements:

- Stability
- Transparency
- Time-limited
- Flexibility

Question 15: Do you agree with the proposed transition principles, and should any others be considered by the Government in designing of transitional arrangements.

Suggested response: ***Supportive of the proposed transition principles and do not have anything further to add***

6. EQUALITIES IMPACT

6.1. The Consultation document poses the following question, the proposed response to which is also indicated:

Question 16: Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comment

Suggested response: ***No Comment***

AMY WEBB
Director of Finance (Treasurer)

REPORT REFERENCE NO.	**DSFRA/19/8**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 February 2019**
SUBJECT OF REPORT	**SERVICE RESTRUCTURE MANAGERIAL GRADES**
LEAD OFFICER	**Chief Fire Officer**
RECOMMENDATIONS	***(a) the Service Executive Board structure presented at Appendix A be approved;*** ***(b) that, subject to approval of (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;*** ***(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; and*** ***(c) that implementation of the new Service Delivery managerial structure be approved and £0.850m of the resultant identified savings be used to deliver improvements contained in the Safer Together Programme.***
EXECUTIVE SUMMARY	At an appraisals meeting on 1 December 2017, the Authority Chair tasked the Interim Chief Fire Officer with the development and implementation of a Fire and Rescue Plan to re-engineer the Service to meet the needs of the future. The outcomes of the Fire & Rescue Plan and the Integrated Risk Management Plan (which has assessed all foreseeable fire and rescue related risks faced by the communities of Devon and Somerset) have led to the Safer Together programme being created and the Service is now ready to begin its implementation. The Interim Chief Fire Officer was also tasked by the Chief Fire Officer's Appraisal Panel to significantly improve the Service in a number of key areas, including collaboration with other external key stakeholders and improved visibility both locally and nationally. In coming to a view about the senior management structure required to deliver the Safer Together Programme, the Interim Chief Fire Officer has consulted with the Authority Chair and Committee Chairs, current members of the Executive Board and the Substantive Chief Fire Officer.

	Following these discussions, the preferred option is to increase the size of the Executive Board by one post to include a Deputy Chief Fire Officer and a Director of People and Organisational Development and the deletion of the post of Director of Service Improvement (Assistant Chief Fire Officer. The alternative option of retaining the current structure, which includes two Assistant Chief Fire Officer posts, can be considered but is not the preferred option for the reasons set out within this report.
RESOURCE IMPLICATIONS	Through the budget setting process for 2019/20, savings of £1.094m have been identified arising from implementation of a Service Delivery managerial review. It is proposed that re-investment in the revised Executive Board structure will not exceed £0.150m (allowing for any changes resulting from any job evaluation) and £0.850m will be used to deliver improvements contained in the Safer Together Programme. Implications on the budget for 2019/20 are outlined in the paper elsewhere on this agenda. The remaining £0.094m can be used as revenue contribution to capital.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Executive Board Structure B. Service Delivery Operational Framework
LIST OF BACKGROUND PAPERS	Fire and Rescue Plan Integrated Risk Management Plan HMICFRS Fire and Rescue Service Inspections 2018/19 Summary of findings from Tranche 1 Report DSFRA/18/19 (Arrangements for Authority Proper Financial Officer/Treasurer) to the Authority meeting on 30 July 2018 (and the Minutes of that meeting)

1. BACKGROUND

1.1. The Interim Chief Fire Officer was tasked to develop and implement a Fire and Rescue Plan that would enable the Devon & Somerset Fire & Rescue Service (the Service) to re-engineer in order to meet current and future risks our communities face. These risks are detailed within the Integrated Risk Management Plan.

1.2. The Fire and Rescue Plan sets out how the Service requires a more flexible, cost effective operating model in order to meet the challenges, both now, and in the future. The first stage of implementation requires changes to managerial structures, including the most senior level. Authority approval is required for any changes to the most senior (Director) level posts.

1.3. Since Combination on 1 April 2007 there have been three reviews of the senior management structure. The first, in December 2009, saw a reduction from nine to seven posts. The second review, in May 2013, saw a reduction of a further two posts (the Deputy Chief Fire Officer and an Assistant Chief Fire Officer), from seven to five (one of which was the part-time outsourced Treasurer role). This second restructure left only two uniformed Principal Officers, the Chief Fire Officer and an Assistant Chief Fire officer and an agreement for sharing Principal Officer cover was put in place with Cornwall Fire and Rescue Service.

1.4. The arrangement for sharing Principal Officer cover with Cornwall Fire and Rescue Service was ended by Cornwall in 2017 and the third senior management review, in July 2017, reinstated the second Assistant Chief Fire Officer position and removed a non-operational director position (Director of People and Commercial Services – responsibilities for that post were realigned with the remaining Executive Board positions). The Treasurer's position was also brought back in-house in April 2017.

2. INTRODUCTION

2.1. The request for a senior management structural review comes at a time of significant change for the Service where external factors such as the financial pressures, Government expectations and changing community risk profiles continue to require the management team to adapt our operating models to best meet the needs of the future whilst ensuring sufficient resilience in the operational context to meet current and forecasted operational requirements. In progressing this review, a number of underpinning principles were used:

- The focus will continue to be on improving community outcomes and effectively matching resources to risk.
- Performance management will be at the heart of all that we do at all levels based on empowerment and accountability.
- Our ambitious plans will shape the future of the Service and the structure will need to reflect new ways of working at all levels to facilitate the delivery of these.
- We will review managerial functions and, where possible, offer savings or investment in improvements to the way in which we deliver front line services.

- We will ensure that our managerial structures allow for the development of our staff, improve effectiveness, provide greater resilience at all levels and deliver efficiencies.
- We will ensure that we have the right people with the right skills and experience to help us achieve our transformational ambitions.

2.2. A significant number of managerial roles have been reviewed within a number of key roles at middle and strategic managerial levels. This review has considered current and future managerial requirements, particularly in relation to the Service's transformation programme (the Safer Together Programme) and the results from Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) tranche one inspections.

2.3. The key findings from the HMICFRS tranche one inspections show that the most significant areas where fire and rescue services are failing to demonstrate good performance relate to the way in which they manage people and the way in which they deliver Fire Protection services.

2.4. Our Safer Together Programme has been developed with staff, representative bodies and elected members to deliver improved community outcomes. Our Integrated Risk Management Plan sets out our community risk and our Fire and Rescue Plan is the inward looking plan that provides clarity as to how we need to re-engineer the organisation to best deliver against the risks identified within the Integrated Risk Management Plan, staff expectations and both local and national expectations.

3. DEPUTY CHIEF FIRE OFFICER POST

Rationale

3.1. The workload associated with this ambitious change programme is expected to be significant and major change from "business as usual" activity. It is proposed to reinstate the Deputy Chief Fire Officer post that will allow the Chief Fire Officer to concentrate on key external stakeholder engagement, both locally and nationally, and ensuring that the strategic direction of the Service is aligned to national standards, best practice and the objectives of the Authority. The current Interim Chief Fire Officer has acknowledged through the Chief Fire Officer's Appraisals Panel that the externally focused elements of the role have not been discharged as effectively as Members may have wished because significant internal organisational activity continues to be the focus.

3.2. Under the proposed model, the Deputy Chief Fire Officer will support the Chief Fire Officer to lead the Service. They will assist in creating a vision, direction and culture of the Service that builds public and organisation trust and confidence that enables the delivery of effective services.

3.3. The Deputy Chief Fire Officer will be responsible for the implementation and delivery of Service plans, along with the day-to-day running of the Service in line with the agreed direction and vision, to provide a professional, effective and efficient fire and rescue service. The Deputy Chief Fire Officer will support the Chief Fire Officer in the discharge of the Authority's statutory functions.

3.4. The implementation of the Service plans will transform the Service to ensure that resources are effectively matched to risk. HMICFRS tranche one inspections found that the majority of fire and rescue services inspected required improvement in the way in which they discharged their statutory Protection services. The option to invest £0.85m of managerial savings in this financial year into front line delivery, particularly in relation to Protection services, will mitigate against the risk of HMICFRS finding that this Service requires improvement in this area.

3.5. The Deputy Chief Fire Officer role exists in the majority of fire and rescue services of a comparable size. In reviewing structures from other high performing organisations, such as the Police, a Deputy Chief Officer/Executive role is usually the preferred model.

3.6. The post holder will assume the responsibilities of the Chief Fire Officer when the Chief Fire Officer is absent, giving greater organisational resilience.

3.7. Within the revised structure, the Deputy Chief Fire Officer will be accountable for the delivery of the Safer Together Programme There are four key elements within the Safer Together Programme where the associated projects will lead to the delivery of the Integrated Risk Management Plan, the Fire and Rescue Plan and the financial savings requirements. These four key elements are People, Fleet and Assets, Service Delivery and Digital Transformation. If the revised senior structure is agreed, the four Directors will each be responsible for the delivery of one of the four key elements. This is indicated at Appendix A.

3.8. Having a Deputy Chief Fire Officer in post and leading on the transformational change will afford the Chief Fire Officer more time to progress important external factors and relationships that are of strategic importance to the Authority and will shape the Service for the future.

Recruitment Process for Deputy Chief Fire Officer

3.9. If the Authority is minded to approve the post of Deputy Chief Fire Officer, consideration will need to be given to the recruitment process.

3.10. There are currently two substantive Assistant Chief Fire Officers but only one proposed Assistant Chief Fire Officer position in the revised structure. This would create a potential redundancy situation and, in these circumstances, it is usual HR practice to ring-fence any vacant positions to those at risk of redundancy. The Reorganisation, Review, Redeployment and Redundancy (4R's) Service policy supports this position. Applying this approach would ring-fence the Deputy Chief Fire Officer vacancy to the two existing substantive Assistant Chief Fire Officers (one of whom is the current Interim Chief Fire Officer).

3.11. An alternative approach would be to advertise the vacancy nationally. This carries the risk of neither of the existing substantive Assistant Chief Fire Officers being successful and a redundancy situation would then exist. Given the Service 4Rs Policy specifically provides for ring-fencing of vacancies to reduce the impact of redundancies, this approach would carry a risk of an unfair dismissal claim and for that reason it is recommended that this approach should not be considered.

3.12. Whichever approach is adopted, it is proposed that the existing Chief Fire Officer's Appraisals Panel be delegated authority to determine the appointment of the Deputy Chief Fire officer.

3.13. There are a number of fire and rescue services of a comparable size where the role of Deputy Chief Fire Officer is utilised. In order to expedite the process, if Members are minded to approve the post, it is proposed that a remuneration mean average is taken of three comparable fire and rescue services and that this figure is used to determine the remuneration associated with this role.

4. DIRECTOR OF PEOPLE AND ORGANISATIONAL DEVELOPMENT POST

4.1. The first tranche HMICFRS inspections identified significant shortcomings in relation to the people element of the inspection. This relates to how fire and rescue services support their staff. Out of the 14 services inspected, 10 services were identified as requiring improvement. The Safer Together Programme has been developed to transform the Service to meet future needs and expectations. This transformation will not be easy and there will be very complex issues to consider such as contractual, employee relations, leadership, culture, wellbeing, performance management and talent development. The role of People and Organisational Development Director will take the developmental lead for these critical areas and the post holder will need to be a specialist in transformational organisation change.

4.2. In the current structure, where the specialist capacity and/or capability is not available within the Service, advice on some of the most complex employment matters has been outsourced to other providers. With the clear focus on delivering change, there will be a need to provide a greater level of timely strategic professional advice to the Executive Board.

4.3. The Authority is amongst the largest combined fire and rescue authorities and the professional standards of its support functions need to be at the highest level if the Service is to maintain its national profile. The Authority has effectively been without a People professional at director level in this critical area for over two years and experience has shown that this is not sustainable given the changes ahead. Whilst there will always be a need to commission legal services to deal with employment claims, the addition of this position should, in time, deliver savings by reducing the reliance on legal advice to support casework.

4.4. If the Authority is minded to approve the post of Director of People and Organisational Development, consideration will need to be given to the recruitment process.

4.5. The Director of People vacancy would not require ring-fencing internally as there are no potential redundancy considerations. It is normal practice to conduct a national level recruitment for such a senior professional position. Again, it is proposed that the Chief Fire Officer's Appraisals Panel be delegated authority to determine this appointment.

5. ASSISTANT DIRECTOR (DEPUTY ASSISTANT CHIEF FIRE OFFICER)

5.1. The role of Assistant Director (Deputy Assistant Chief Fire Officer) will form the fourth member of the most senior operational Strategic Officer rota and will support the Deputy Chief Fire Officer in the discharge of their responsibilities. Currently, this operational Strategic Officer rota requires four Incident Command trained operational officers to attend the Strategic Coordinating Group (Multi Agency Gold) when required.

5.2. The Service has been using an experienced Area Manager as the fourth member of this rota, supported by the substantive Chief Fire Officer who has maintained his rota commitments during the period of his secondment. This arrangement will cease when the Chief Fire Officer returns to service in April 2019 and a more permanent arrangement will be required.

5.3. The 2017 review of the senior management restructure saw the reintroduction of a second Assistant Chief Fire Officer post. Principal Officer resilience and cover were key considerations but another important factor was the clear separation between management of actions which deliver the Service today and those which are focused on improving the Service for tomorrow. The position of Assistant Director (Deputy Assistant Chief Fire Officer) is key to maintaining this separation which has been a key enabler in developing our plans over the past 18 months.

5.4. As this post is not at Director level, it is within the Chief Fire Officers delegated powers to implement. However, due to the seniority and importance of the role, it is considered to be worthy of noting within this paper.

6. OTHER OPERATIONAL MANAGEMENT CONSIDERATIONS

6.1. Currently, there are nine operational Strategic Manager posts (Chief Fire Officer, 2 x Assistant Chief Fire Officer and 6 x Area Managers). The proposal is to reduce this to eight (Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer, Deputy Assistant Chief Fire Officer and 4 x Area Manager grade B). Despite a reduction in numbers, this will bring improved operational resilience due to revised working arrangements.

6.2. By way of further information, during major incidents there are two main roles for strategic commanders. The first is to take command of the operational incident itself which will take place at the scene. The second is to work with multi agency partners to ensure a joined up approach is provided to the operational response and recovery phase of the incident. At larger incidents, both of these roles operate simultaneously as each requires a Strategic Commander. The latter function takes place at Police Headquarters. The Chief Fire Officer considers that the number of Strategic Managers working at Area Manager grade B level for operational purposes will need to be four and revised terms and conditions have already been negotiated where greater resilience will be achieved.

7. SERVICE DELIVERY MANAGEMENT STRUCTURE AND FINANCIAL IMPACT

7.1. There are several changes that will offset the costs of the proposed changes to the senior management structure in the 2019/20 financial year. Savings will be generated as a result of the wider managerial review with a proposed reduction of 25 posts (1 x Assistant Chief Fire Officer, 2 x Area Manager grade B, 3 x Group Manager grade B and 19 x Station Manager grade B posts). The changes to the Service Delivery structure are detailed within Appendix B.

7.2. The three non-operational Director posts in the proposed management structure will have new job descriptions and be subject to job evaluation, which will be undertaken in accordance with agreed procedures.

7.3. The net impact is that these proposed managerial changes will result in minimum savings of £1.094m and the investment in the revised senior management structure will be no greater than £0.150m. This figure includes provision for any changes resulting from job evaluation.

7.4. In moving to this revised structure, the Authority is asked to commit £0.850m of the proposed savings within 2019/20 to bringing forward proposals to increase the level of front line delivery activity as identified within our Safer Together Programme. This will bring about improved outcomes for communities as increased front line resources will be available to deliver in areas where the service is currently under resourced.

8. WIDER MANAGEMENT STRUCTURE CONSIDERATIONS

8.1. Once the Authority has determined the senior management structure, the Chief Fire Officer will be able to complete the review of the next level of the Service management structure. The Chief Fire Officer has delegated authority within the Authority's Scheme of Delegations (4.17) to:

(a) effect minor variations in the establishment between uniformed and non-uniformed posts where this is in the best interests of the Service and subject to consultation with representative bodies and to there being no additional resource implications associated with the variation;

(b) to effect changes in the establishment structure subject to any financial implications being contained from within existing resources and to compliance with the virement thresholds as contained in the Authority's Financial Regulations

8.2. Accordingly, any further changes to the next level of the Service management resulting from the Chief Fire Officer's review, which do not constitute a 'major restructuring' (Scheme of Delegations 4.18 (ii)) may be determined by the Chief Fire Officer. Any such changes would be reported, post-implementation, to the Human Resources Management and Development Committee for information.

8.3. Should any changes to the next level of the Service management structure following the Chief Fire Officer's review constitute a 'major restructuring' (e.g. significant changes to the existing pay and grading structure) but where the costs can be met from within existing budget provision, then a full report detailing the proposals would be submitted to the Human Resources Management & Development Committee for consideration and determination. Where costs cannot be met from within existing budget provision, then a full report detailing the proposals would be submitted for initial consideration by the Human Resources Management & Development and the Resources Committees for those Committees to then make an appropriate recommendation to the Authority for determination.

9. CONCLUSION

9.1. The transformational change that the Authority has tasked the Chief Fire Officer to deliver will require a revised managerial structure. This proposed structure (Appendix A) reflects the recommended initial changes to the most senior (Executive Board) managerial structure, together with formalising some changes to roles that have already taken place as the need has arisen to balance workloads. Further restructuring will invariably be required at a number of managerial levels as the Service embarks on its transformational journey.

9.2. These changes reflect the learning from the first tranche of HMICFRS inspections and the assessment of activity required to deliver the Safer Together Programme. In addition, the substantive Chief Fire Officer will return from secondment in April and has had significant involvement in the development of the proposed revised structure.

9.3. If agreed, these changes will bring about a significant overall reduction in managerial numbers and allow for £0.850m of additional funding to support the frontline delivery of services. It will also give a clear indication to our staff, the public and HMICFRS that change is happening and that we are committed to the prioritisation of front line delivery of services, particularly in relation to our preventative activity.

9.4. Through the changes that have already been informally made to manage workload and priorities, the Interim Chief Fire Officer has already seen improvements in performance due to greater clarity of role and accountability. The revised structure is therefore recommended to the Authority for approval.

9.5. The alternative in maintaining the existing senior management structure is an option but would not support the delivery of the Safer Together Programme and the associated changes required in order to meet the existing and future needs of our communities.

GLENN ASKEW
Interim Chief Fire Officer

LEE HOWELL
Chief Fire Officer

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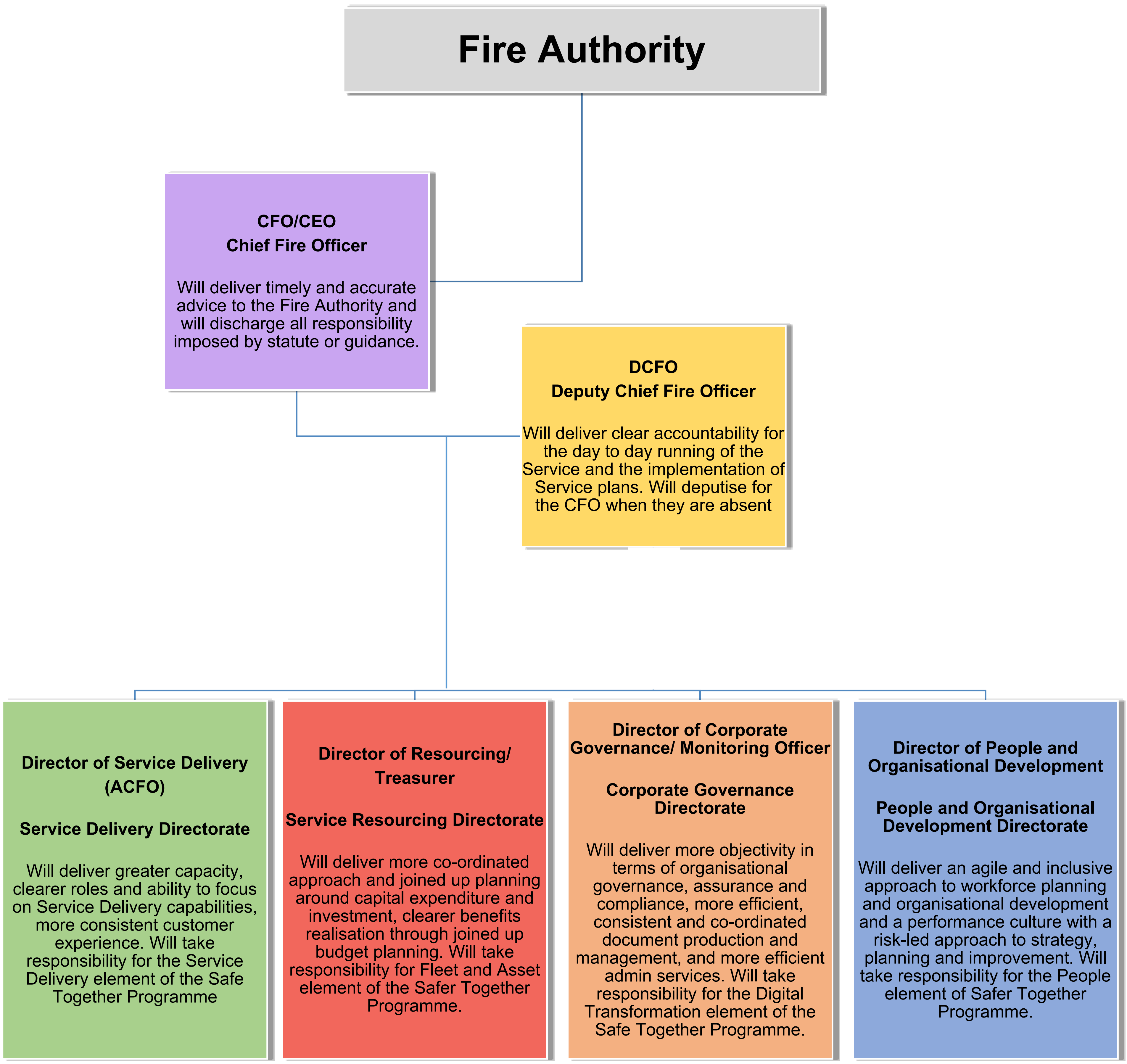
Fire Authority
CFO/CEO
Chief Fire Officer
Will deliver timely and accurate advice to the Fire Authority and will discharge all responsibility imposed by statute or guidance.
DCFO
Deputy Chief Fire Officer
Will deliver clear accountability for the day to day running of the Service and the implementation of Service plans. Will deputise for the CFO when they are absent
Director of Service Delivery (ACFO)
Service Delivery Directorate
Will deliver greater capacity, clearer roles and ability to focus on Service Delivery capabilities, more consistent customer experience. Will take responsibility for the Service Delivery element of the Safe Together Programme
Director of Resourcing/ Treasurer
Service Resourcing Directorate
Will deliver more co-ordinated approach and joined up planning around capital expenditure and investment, clearer benefits realisation through joined up budget planning. Will take responsibility for Fleet and Asset element of the Safer Together Programme.
Director of Corporate Governance/ Monitoring Officer
Corporate Governance Directorate
Will deliver more objectivity in terms of organisational governance, assurance and compliance, more efficient, consistent and co-ordinated document production and management, and more efficient admin services. Will take responsibility for the Digital Transformation element of the Safe Together Programme.
Director of People and Organisational Development
People and Organisational Development Directorate
Will deliver an agile and inclusive approach to workforce planning and organisational development and a performance culture with a risk-led approach to strategy, planning and improvement. Will take responsibility for the People element of Safer Together Programme.

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SERVICE DELIVERY OPERATIONAL FRAMEWORK

Rationale

Over the past few months, managers within Service Delivery have been looking at ways in which we can improve the way we approach daily business. We needed to do this in response to feedback and learning we have received from a number of sources including peer review, staff surveys and EFQM.

In response to this feedback we have developed a new 'Service Delivery Operating Framework' which sets out how the various management teams within the Directorate will work going forwards. The SD Operating Framework does not change the way in which whole time and on-call stations currently work. It is focused on how the management and support teams within the directorate work to better support staff on stations, watches and delivery staff in group support teams.

Although streamlining resources, the new framework will ensure Service Delivery is best placed to adopt the outputs from the Safer Together programme of change whilst improving the Directorates response and reaction to any influencing external factors i.e. regulation, Grenfell outcomes etc.

Approach

Whilst constructing the framework the following principles were adopted.

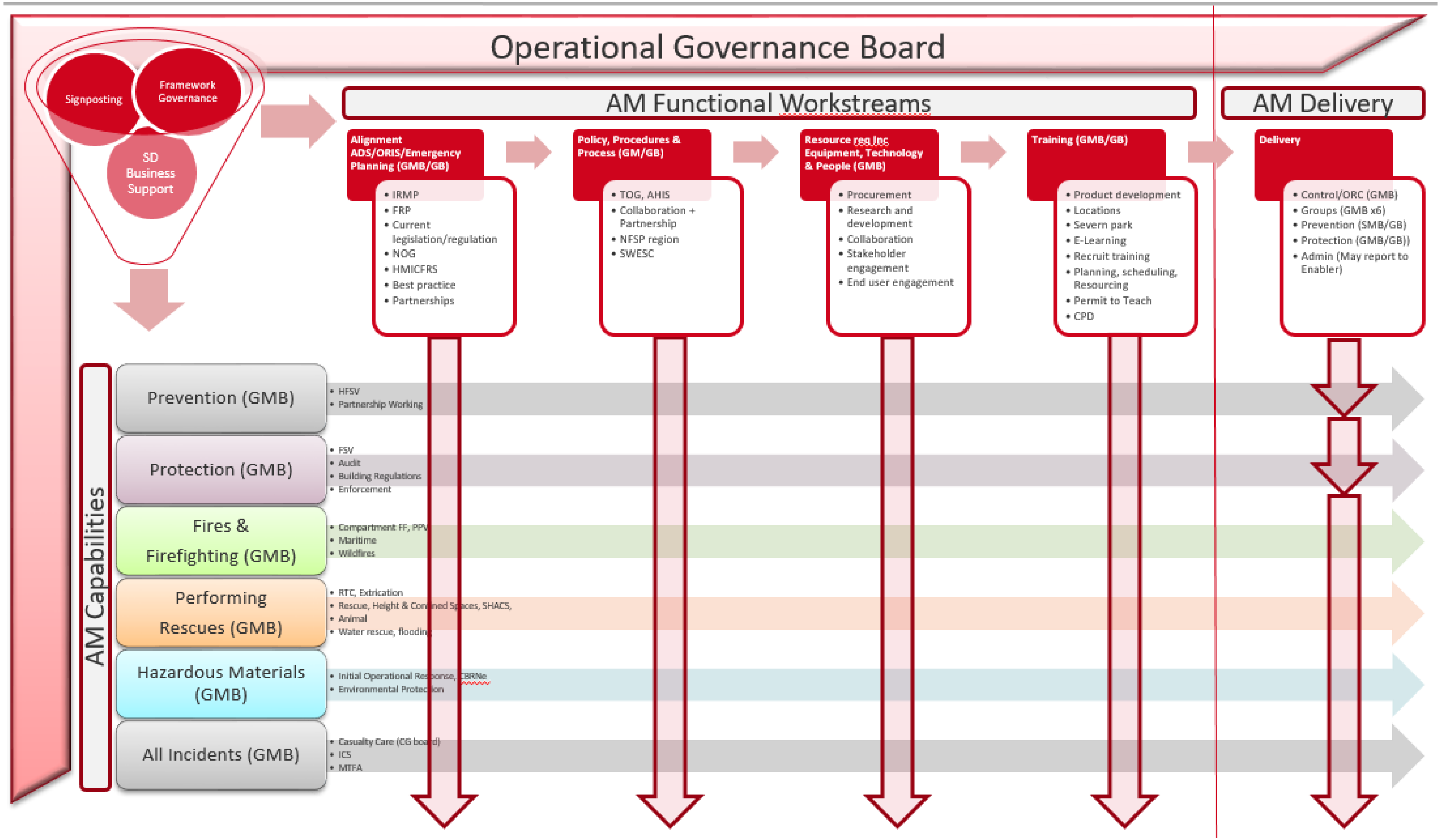
- To make sure that there is a responsive and resilient management structure
- To put in place a resilient operational framework that supports our frontline staff
- To implement an operating framework that improves resilience and promotes a strong connection with frontline firefighters
- To put in place clear, straight forward lines of accountability that make sure individuals understand their role within the structure
- To have clear points of contact for internal staff and external stakeholders
- To increase management capability at a local level
- Avoid duplication across the Service
- Reducing variation and inconsistency between teams across delivery areas.

Once the framework was designed there was extensive direct communication with staff to familiarise those most impacted. Early engagement returned a lot of positive and constructive feedback with many expressing a desire to move to the new ways of working sooner rather than later.

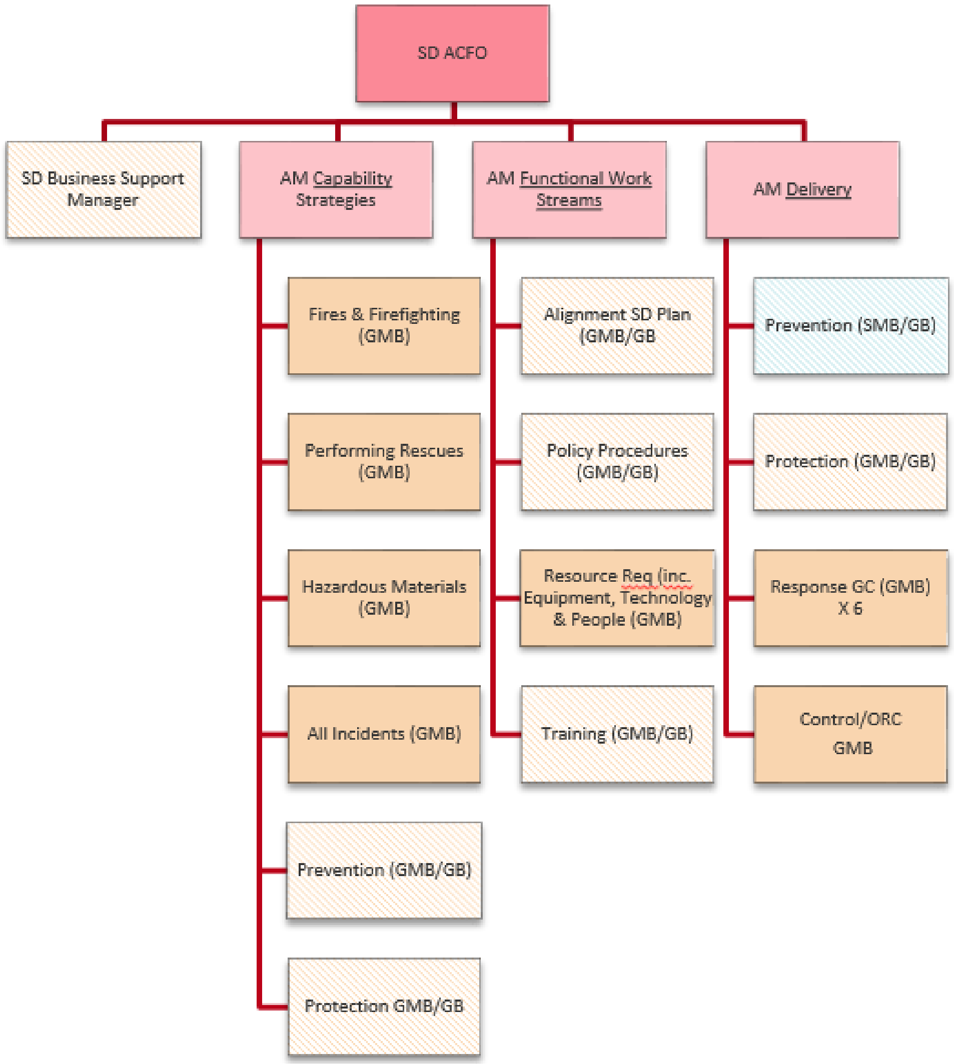
Through facilitated workshops, staff have been involved in the construction of the structures that will operate within the framework. These are designed to meet service needs in alignment with risk and remove waste from the system. The fresh eyes approach has been well received.

The Service Delivery Operational Governance Board is now overseeing the implementation of the framework and transition has commenced with job matching in progress. The transition is due to be complete by the end of March 2019.

Service Delivery Operating Framework



High Level Service Delivery Structure



Key	
	ACFO
	Area Manager
	GMB
	GMB/Green Book
	SMB/Green Book

REPORT REFERENCE NO.	**DSFRA/19/9**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)**
DATE OF MEETING	**19 FEBRUARY 2019**
SUBJECT OF REPORT	**LOCALISM ACT 2011 – PAY POLICY STATEMENT 2019-20**
LEAD OFFICER	**Director of Corporate Services**
RECOMMENDATIONS	***That, as recommended by the Human Resources Management & Development Committee, the Pay Policy Statement 2019-20 as appended to this report be approved and published on the Authority's website.***
EXECUTIVE SUMMARY	The Authority is required under the Localism Act 2011 to approve and publish a Pay Policy Statement, by 31 March of each year, to operate for the forthcoming financial year. This Statement sets out the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees. This paper provides further background information in relation to the requirements of the Localism Act and includes a draft Pay Policy Statement for the forthcoming (2019-20) financial year. The only differences between this iteration and the previous year relate to the application of nationally agreed cost of living pay awards and a minor revision to the controls relating to the re-employment of employees who have retired, which reflects the provisions within the Fire and Rescue National Framework for England published by the Home Office in May 2018. Other than this, the Pay Policy Statement for 2019-20 is as approved by the Authority in the previous year. At its meeting on 10 December 2018, the Human Resources Management & Development Committee considered the proposed Pay Policy Statement 2019-20 as appended to this report and resolved to recommend it for approval.
RESOURCE IMPLICATIONS	There are no resource implications associated with production of the Pay Policy Statement. Funding for staffing costs etc. are contained within the approved Authority revenue budget.
EQUALITY RISK & BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Draft Pay Policy Statement 209-20
LIST OF BACKGROUND PAPERS	1. Localism Act 2011 Sections 38 to 43. 2. "Pay Policy and Practice in Local Authorities: A Guide for Councillors" produced by the Local Government Association, published January 2013.

	3. Code of Recommended Practice for Local Authorities on Data Transparency.

1. INTRODUCTION

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

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

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

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

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

1.5 At its meeting on 10 December 2018, the Human Resources Management & Development Committee considered the draft Pay Policy Statement 2019-20 as appended to this report and resolved to recommend it for approval to the Authority.

2. CONTENT OF THE PAY POLICY STATEMENT

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

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

- use of performance-related pay and bonuses; termination payments; and
- transparency (i.e. the publication and access to information on the remuneration of chief officers).

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

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

3. SENIOR EMPLOYEES AND PAY RATIOS

3.1. Whilst the Localism Act 2011 does not require details on salary levels to be published in the Pay Policy Statement, Schedule 1 to the Accounts and Audit Regulations 2015 requires the published Statement of Accounts for an authority to include information on the number of senior employees who are paid over £50,000. These numbers are to be reported in bands of £5,000. Any senior employee earning in excess of £150,000 must be identified by name.

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

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

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

3.4. Section 5 of the proposed Pay Policy Statement shows two pay multiples. The first being comparison with the median earnings of the whole workforce (as recommended by Hutton), using the basic pay for full-time equivalents. The second multiple is for the lowest pay point, which has previously been used as a benchmark in the media following suggestions by the Government that a ratio of 20:1 should be regarded as a maximum level which public sector organisations should not exceed. The introduction of apprentices to the Service has reduced the lowest pay point from £17,173 to £12,021. The effect of this is that the pay multiple ratio between the Chief Fire Officer and the lowest paid employee has increased from 8.9 : 1 to 12.8 : 1.

4. RE-EMPLOYMENT OF OFFICERS

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

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

4.2 The covering letter to this LGA guidance suggests that this paragraph should be widened to incorporate retirements in addition to redundancies. These modifications were incorporated into the 2014/15 Pay Policy Statement and remain unchanged in the draft now attached for 2019/20.

4.3 Additionally, the Fire and Rescue National Framework for England, published by the Home Office in May 2018, included a section of "Re-engagement of Senior Officers". This set out that fire and rescue authorities must not re-appoint principal fire officers after retirement to their previous, or a similar, post except when such a decision is necessary in the interests of public safety. Principal Officers in this respect is defined as Area Managers and above, or those with comparable responsibilities to those roles. The Authority's Pay Policy Statement previously set out strict controls regarding the re-employment of employees who had retired and those controls have been revised to reflect the new National Framework.

5. THE TRANSPARENCY CODE

5.1 The Local Government (Transparency Requirements) (England) Regulations 2015 imposed additional requirements in terms of publishing data relating to the Authority. The requirements are set out in the Local Government Transparency Code 2015. The Local Government Association produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information.

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

6. PAY POLICY STATEMENT 2019-20

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

6.2 The draft Pay Policy Statement to operate for the 2019-20 financial year is now attached at Appendix A to this report. The only differences between this iteration and the previous year relate to the application of nationally agreed cost of living pay awards and the minor revision to the controls relating to the re-employment of employees who have retired, which reflects the provisions within the Fire and Rescue National Framework for England. Other than this, there are no substantial changes to the Pay Policy Statement as approved by the Authority for 2018/19.

7. CONCLUSION

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

7.2 The Authority is now invited to support the recommendation of the Human Resources & Management Committee and to approve the Pay Policy Statement 2019-20 as appended to this report.

MIKE PEARSON
Director of Corporate Services

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

LOCALISM ACT 2011 – PAY POLICY STATEMENT 2019/20

1. INTRODUCTION

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

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

1.3 It should be noted that the Accounts and Audit Regulations 2015 require authorities to disclose individual remuneration details for senior employees and these can be viewed here: Senior Management Salaries

1.4 In addition, the rates of pay for all other categories of staff can be found at: Rates of Pay

1.5 The Local Government (Transparency Requirements) (England) Regulations 2015 imposed additional requirements in terms of publishing data relating to the Authority. The requirements are set out in the Local Government Transparency Code 2015. The Local Government Association produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information and this open data is accessible via the following link: Transparency Data

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

2. CATEGORIES OF STAFF

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

2.2 ***Executive Board Officers (including Chief Fire Officer)***: The Executive Board is a mix of uniformed Brigade Managers and non-uniformed Officers who are the Directors of the Service. The salary structure for Brigade Managers and other Executive Board members has previously been determined by the Authority and is subject to annual reviews in accordance with the Constitution and Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Local Authorities' Fire Brigades (the "Gold Book"). The two non-uniformed Executive Board Officers are conditioned to the Gold Book for pay purposes only. The minimum remuneration levels for Chief Fire Officers are set nationally in relation to population bands and in accordance with the Gold Book. At a national level, the National Joint Council for Brigade Managers of Fire and Rescue Services reviews annually any cost of living increase applicable to all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration over and above the minimum levels for Chief Fire Officers are taken locally by fire authorities, arrangements for which are set out in paragraphs 3.8 to 3.10.

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

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

3. REMUNERATION OF THE CHIEF FIRE OFFICER AND EXECUTIVE BOARD

3.1. The position of Chief Fire Officer is subject to minimum remuneration levels as set out in the "Gold Book" and according to population bands. The Authority is in Population Band 4 (1.5m people and above). The minimum salary level for this position is currently £122,074 per annum. The Authority is the largest non-metropolitan fire and rescue authority in the UK.

3.2. In 2006, prior to the combination of Devon Fire & Rescue Service and Somerset Fire & Rescue Service, the [then] Shadow Devon and Somerset Fire and Rescue Authority reviewed the remuneration of the Chief Fire Officer and undertook a salary survey of other fire & rescue services within the same population band. The average salary, based on 2005 data, was found to be £124,184 and the salary level for the Chief Fire Officer for the new, combined service, was set at a notional level of £124,800 per annum for 2007. Since then, national annual pay awards, and the review of Executive Board Officers' pay conducted by the Authority in 2015, have increased the salary to £153,466.

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

Assistant Chief Fire Officer – Director of Service Delivery

Assistant Chief Fire Officer – Director of Service Improvement

Director of Corporate Services

Director of Finance and Treasurer to the Authority

3.4. Further details of our Executive Board can be found at Devon and Somerset Fire and Rescue Service - Organisational Structure

3.5. The salary for an Assistant Chief Fire Officer had previously been set locally at 75% of the Chief Fire Officer salary, which reflected the previous minimum salary level set by the National Joint Council. However, following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary was removed by mutual agreement. The current salary for an Assistant Chief Fire Officer is £115,097. Uniformed Brigade Managers (Chief Fire Officer and Assistant Chief Fire Officer) also provide "stand-by" hours outside of the normal working day within a Brigade Manager rota.

3.6. The remaining two "non-uniformed" Executive Board positions are the Director of Corporate Services on Grade 3 and Director of Finance and Treasurer to the Authority on Grade 2 within a four point grading structure, which was determined by the [then] Shadow Devon and Somerset Fire and Rescue Authority in 2006 following an external, independent Job Evaluation process. The salary levels for these grades were set as a percentage of the Chief Fire Officer's salary but, as with the Assistant Chief Fire Officer role, following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary was removed by mutual agreement. The current salary levels for the four grades are:

Grade	Salary
4	£95,916
3	£87,923
2	£79,930
1	£71,937

3.7. The Gold Book NJC recommended minimum increases are with effect from the 1st January of each year.

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

Salaries

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

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

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

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

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

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

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

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

4. REMUNERATION OF THE LOWEST PAID EMPLOYEES

4.1 The lowest grade in the Service is within the Support Staff category which has a grading structure from Grade 1 to 11. However, following the outsourcing of cleaning, there are no employees on Grade 1 so the lowest grade for substantive employees is Grade 2. Each grade has a number of spinal column points and a new joiner will progress through these with increasing service. The salary range at Grade 2 is currently £17,173 to £18,319 for a 37 hour week and is usually subject to review from the 1 April each year. For contextual purposes the salary level for a full-time firefighter is £30,533 per annum and is usually subject to review from the 1July each year.

4.2 However, the Service now employs a business apprentice for which the pay is £12,021 and this is now the lowest paid worker.

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

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

- the median basic pay of the Authority's whole workforce is £30,533 and
- the lowest pay point is £17,173.

The current pay multiple ratios are:

median basic pay	5.0 : 1
lowest pay point	12.8 : 1

5.2 In terms of the pay multiple between the Chief Fire Officer and other staff across the organisation, the Authority's Pay Policy is that this will be 5.0 : 1 when compared with the median basic pay across the organisation, subject to the national pay settlements and any review by the Authority. The Pay Policy Statement for future years will continue to be determined by the full Authority.

6. ADDITIONAL ELEMENTS OF THE REMUNERATION FOR THE CHIEF OFFICER

6.1 These additional elements relate to the following elements:

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

6.2 The Chief Fire Officer does not receive any additional bonuses, performance related pay, charges, fees or allowances. The Chief Fire Officer has an operational requirement for a Service provided emergency response vehicle. This is provided in accordance with the Service's Provided Car Policy and, as Brigade Managers operate on continuous duty, no Benefit in Kind is attributable.

6.3 In relation to the pension entitlement, the Chief Fire Officer is eligible to be a member of the Firefighters' Pension Scheme. All members of this pension scheme (which is closed to new members) can retire on reaching age 50, provided they have at least 25 years' service. The maximum pension entitlement that a member of the pension scheme can accrue is 30 years' service. Chief Fire Officers appointed before 2006 are required to seek approval to retire before age 55 whilst those appointed after 2006 do not. All other members of the pension scheme are not required to obtain such approval. This requirement for Chief Fire Officers to have to seek approval has been recognised nationally as being potentially discriminatory on the grounds of age but can be overcome by agreement with the Authority to permit retirement from age 50. The Authority has previously given approval for the Chief Fire Officer to retire at age 50 subject to any pensions benefit payable before the age of 55 not representing an unauthorised payment as defined in the Finance Act 2004.

6.4 The notice period from either the employee or employer for termination of employment for the post of Chief Fire Officer is three months. There are no additional elements relating to the Chief Fire Officer ceasing to hold this post other than those covered under any other enactments.

7. REMUNERATION OF CHIEF OFFICERS ON RECRUITMENT

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

8. RE-EMPLOYMENT OF EMPLOYEES

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

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

8.2 For each of the above scenarios:

- the approval of the Human Resources Management and Development Committee will be required for the re-employment, following redundancy, of any former employee up to Area Manager or non-uniformed equivalent posts; or
- the approval of the full Authority will be required for the re-employment, following redundancy, of any post-holder at Area Manager or above (including non-uniformed equivalent); and
- for both of the above two approval processes, the Authority may require the repayment of one 24th part of any redundancy payment made by the Authority for every month less than 24 months between the date of redundancy and the date of re-employment.

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

8.4 However, the Fire and Rescue National Framework for England, published by the Home Office in May 2018, sets out that “fire and rescue authorities must not re-appoint principal fire officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety”. In this context, Principal Officers refers to those officers at Area Manager and above, or those with comparable responsibilities to those roles. The Fire and Rescue National Framework also states that fire and rescue authorities will “have regard to this principle when appointing at any level”.

8.5 With this in mind, the re-employment of any employee who has retired will be subject to:

- the approval of the Human Resources Management and Development Committee for all employees up to Area Manager or non-uniformed equivalent; or
- the approval of the full Authority for any post-holder at Area Manager or above (including non-uniformed equivalent).

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

8.7 The appointment of any members of the Executive Board (the Chief Fire Officer, Assistant Chief Fire Officers, Director of Corporate Services and Director of Finance and Treasurer to the Authority) are subject to approval of the Authority and any re-employment following redundancy or retirement will be subject to consideration, by the Authority, of a robust business case and fully scrutinised against the above criteria.

9. <u>THE PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS</u>

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

10. <u>REVIEW OF THE PAY POLICY STATEMENT</u>

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

DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)

19 February 2019

AGENDA ITEM 15 – 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 items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 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.

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