



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

**M. Pearson
CLERK TO THE AUTHORITY**

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

(see below)

**SERVICE HEADQUARTERS
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CLYST ST GEORGE
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Your ref :
Our ref : DSFRA/MP/SY
Website : www.dsfire.gov.uk

Date : 30 May 2019
Please ask for : Steve Yates
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DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Ordinary Meeting)

Friday, 7 June, 2019

A meeting of the Devon & Somerset Fire & Rescue Authority will be held on the above date, **commencing at 10.30 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 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

3 Questions and Petitions from the Public

In accordance with [Standing Orders](#), to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at this meeting of the Authority. Petitions must relate to matters for which the Authority has a responsibility or which affects the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority (e-mail address: clerk@dsfire.gov.uk) **by midday on Tuesday 4 June 2019.**

4 Addresses by Representative Bodies

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

5 Questions from Members of the Authority

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

6 Minutes of Committees

a Human Resources Management & Development Committee (Pages 1 - 4)

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

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

b Chief Fire Officer's Appraisals Panel (Pages 5 - 8)

The Chair of the Panel, Councillor Randall Johnson, to **MOVE** the Minutes of the meetings of the Panel held on 22 March and 14 May 2019.

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

c Standards Committee (Pages 9 - 12)

The Chair of the Committee, Councillor Thomas, to **MOVE** the Minutes of the meeting held on 8 April 2019.

RECOMMENDATIONS

- (i) that the recommendation at Minute SC/11(a)(i) be considered in conjunction with the report at item 7 below;
- (ii) that, subject to (i) above, the recommendations at Minute SC/11(a) be approved;
- (iii) that, subject to (i) and (ii) above, Minutes be adopted in accordance with Standing Orders.

(SEE ALSO ITEM 7 BELOW).

d Audit & Performance Review Committee (Pages 13 - 16)

The Chair of the Committee, Councillor Healey MBE, to **MOVE** the Minutes of the meeting held on 10 May 2019.

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

e Resources Committee (Pages 17 - 54)

The Chair of the Committee, Councillor Coles, to **MOVE** the non-restricted Minutes of the meeting held in public on 15 May 2019.

RECOMMENDATIONS

- (i) That the recommendations of the Committee at Minutes RC/28 (Provisional Financial Outturn 2018-19), RC/29 (Reserves Strategy 2019-20) and RC/30 (Revisions to Capital Programme 2019-20 to 2021-22) be approved subject to (ii) below;

- (ii) that it be noted that, subsequent to the recommendations in (i) above, the final outturn position includes an additional £0.004m underspend, bringing the total to £1.896m. As a result of this:
 - a. This amount will now be included in the transfer to the earmarked reserve for capital funding;
 - b. the revised Capital Programme 2019-20 to 2021-22 will now include the additional £0.004m revenue funding; and
 - c. the figures presented in the Reserves Strategy will be amended to reflect the above.
- (iii) that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

(NOTE: a copy of reports RC/19/9 [Provisional Financial Outturn 2018-19], RC/19/10 [Reserves Strategy 2019-20] and RC/19/11 [Revisions to the Capital Programme 2019-20 to 2021-22] , as submitted to the Resources Committee meeting on 15 May 2019, are included with this agenda for reference)

7 Standards Committee - Appointment of Independent Persons (Pages 55 - 58)

Report of the Director of Corporate Services (DSFRA/19/13) attached.

8 Local Pensions Board - Further Considerations (Pages 59 - 64)

Report of the Director of Corporate Services (DSFRA/19/14) attached.

9 Exclusion of the Press and Public (Pages 65 - 66)

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 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

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

10 Resources Committee - 15 May 2019 - Restricted Minutes (Pages 67 - 70)

The Chair of the Committee, Councillor Coles, to **MOVE** the Restricted Minutes of the meeting held on 15 May 2019.

RECOMMENDATIONS

- (i) that the recommendations at Minutes RC/34 (Red One Ltd. Business Plan 2019-20) and RC/35 (Red One Ltd. Business Plan Assurance) be considered during the Red One Ltd. Annual General Meeting to be held on the conclusion of this meeting;
- (ii) that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

(NOTE: A hard-copy, individually watermarked copy of reports RC/19/13 [Red One Ltd. Business Plan 2019-20] and RC/19/14 [Red One Ltd. Business Plan Assurance], as considered by the Resources Committee at its meeting on 15 May 2019, will be circulated to each Member for information. These reports should be considered during the Red One Ltd. Annual General Meeting to be held on the conclusion of this meeting).

(SEE ALSO ITEM 11 BELOW).

11 Red One Ltd. Annual General Meeting

The main item of business for the Annual General Meeting will be to discuss the Red One Ltd. Business Plan 2019-20.

(SEE ALSO ITEM 10 ABOVE)

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Randall Johnson (Chair), Best, Biederman, Bown, Buchan, Clayton, Coles, Colthorpe, Doggett, Drean, Eastman, Hannaford, Healey MBE, Napper, Peart, Prowse, Radford, Redman, Saywell, Singh, Thomas, Trail BEM, Vijeh, Way, Wheeler (Vice-Chair) and Yabsley

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: <ul style="list-style-type: none">(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.

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HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

18 March 2019

Present:-

Councillors Bown (Chair), Clayton, Peart, Thomas, Vijeh (Vice-Chair) and Randall Johnson (vice Hannaford)

Apologies:-

Councillors Best and Hannaford

* HRMDC/17 Minutes

RESOLVED that the Minutes of the meeting held on 10 December 2018 be signed as a correct record, subject to amendment under the apologies given to include Councillor Bown.

* HRMDC/18 Gender Pay Gap

The Committee received for information a report of the Director of Service Improvement (HRMDC/19/1) that set out the latest iteration of the Service's Gender Pay Gap Report for 2018 which had to be published in accordance with the provisions in the Equalities Act 2010 by 31 March 2019.

It was noted that the Service data for 2018 indicated a mean gender pay gap in favour of male staff of 13% against a gap across the UK of male workers earning 17.9% more than female workers. The Director of Service Improvement elaborated upon the reasons behind the pay gap and also referred to the short, medium and long term actions that were being taken to achieve a more diverse workforce and to improve the position in the 2019 report.

* HRMDC/19 Workforce Culture, Diversity & Inclusion - Quarterly Update

The Committee received for information a report of the Director of Service Improvement (HRMDC/19/2) that set out the progress made in the last quarter of 2018-19 towards achieving a more diverse workforce and a more inclusive working environment.

The Committee noted the following points in particular:-

- The new appraisal process had reached the stage where staff had been informed of the format of the meeting and general principles. The accompanying IT system was still in development but the first stage to support appraisal conversations was expected to be commenced with trials before the end of April 2019;
- The cultural audit had been completed in line with Public Service Internal Audit Standards. Additionally, a survey from the National Centre for Diversity was undertaken by senior leaders and Authority Members which would assist with understanding on FREDIE (Fairness, Respect, Equality, Diversity, Inclusion and Engagement), which was to be an area of interest for forthcoming HMICFRS inspections;

- The People Strategy had been produced and consulted upon with publication of the final draft due in April 2019;
- The People Impact Assessment trial was ongoing and consideration was to be given to an implementation plan and guidance;
- The national report on recruitment and diversity in the workplace had been published and the key findings were set out at paragraph 3.8 of the report circulated.

* **HRMDC/20** **Absence Management Performance Report**

The Committee received for information a report (HRMD/19/3) that set out the Service performance on absence management for the period April 2018 to January 2019.

It was noted that the Service had continued to see an overall reduction in sickness absence during this period. Average employee sickness absence was 6.44 days compared with 7.20 days (a 10% reduction) on the same period in 2017/18. Sickness absence for On Call staff had also reduced by 6.1% to 9.58 days as compared with 10.21 days in 2017/18. The main causes of sickness absence across all staff categories remained as musculoskeletal and mental health issues, which reflected the national position.

Reference was made to the management actions that had been taken to reduce sickness absence across the Service. These included, amongst others, the issuing of 272 vouchers for flu jabs and a task to finish group looking in depth at mental health issues, the recommendations for which were set out within the report circulated.

The Committee enquired as to whether benchmarking information was available. The Director of Service Improvement advised that he would be reporting to the next meeting of the Committee with the up to date benchmarking statistics on sickness absence.

* **HRMDC/21** **Request for Retirement & Re-employment**

The Committee considered a report of the Director of Service Improvement (HRMDC/19/4) that set out a request for retirement and/or re-employment in accordance with the approved Pay Policy Statement for 2018/19.

RESOLVED that the application set out at paragraph 2.4 of the report be approved.

* **HRMDC/22** **Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services Tranche One Reviews: People**

The Committee received for information a report of the Director of Service Improvement (HRMDC/19/5) that gave an overview of the preparations for the forthcoming inspection of the Service by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services in 2019. The report also set out learning from the findings from inspections of other fire services undertaken in tranche one.

It was noted that the inspection would focus on three key themes, namely:

- Effectiveness – how well the community was served in terms of prevention, protection, resilience and response;
- Efficiency – how well each service provided value for money, allocated resources to match risk and collaborated with other emergency services;
- People – how well each service promoted its values and culture, trained its staff and ensured they had the necessary skills, ensured fairness and diversity within its workforce and developed leadership and service capability.

The Service was in the third tranche of inspections and thus, had been able to review the reports published so far from the first tranche. The report examined the key themes emerging from the People theme in tranche one and indicated an assessment of the current Service position in relation to the identified issues.

The Committee made reference to the need to highlight the differences between Wholetime and On Call duty systems and the impact this had on day to day operations.

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

The Meeting started at 2.00 pm and finished at 3.30 pm

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CHIEF FIRE OFFICER'S APPRAISALS PANEL

(Devon & Somerset Fire & Rescue Authority)

22 March 2019

Present:

Councillors Randall Johnson (Chair), Vjeh (Vice-Chair), Best and Hannaford.

Also in attendance:

Bryony Houlden (Chief Executive, South West Councils and independent advisor to the Panel).

* **CFOAP/7** **Minutes**

The Minutes of the meeting held on 24 October 2018 were signed as a correct record.

* **CFOAP/8** **Remuneration for Deputy Chief Fire Officer Post**

The Panel considered a report of the Director of Corporate Services (CFOAP/19/1) setting out information for the Panel to consider in determining the level of remuneration for the post of Deputy Chief Fire Officer. The post of Deputy Chief Fire Officer had been approved by the Authority at its budget meeting on 19 February 2019 as part of approving a revised Service Executive Board structure. The Panel had been delegated authority to determine the appointment to the post of Deputy Chief Fire Officer (which was ring-fenced to the two existing substantive Assistant Chief Fire Officers) along with the level of remuneration associated with the post (Minute DSFRA/42 refers).

To assist the Panel in determining the level of remuneration, the report detailed information for nine fire and rescue services identified as being comparable in terms of either Chief Fire Officer's pay, population or benchmarked "family group" together with information from the last pay survey conducted by the Local Government Association. On the basis of the analysis conducted, the report concluded that it would be reasonable to set the pay level for the Deputy Chief Fire Officer post at either 82% or 83% of the Chief Fire Officer's pay.

RESOLVED that the pay level for the post of Deputy Chief Fire Officer be set at 83% of the Chief Fire Officer's pay, corresponding to an annual salary of £127,376.

(SEE ALSO MINUTE *CFOAP/11 BELOW).

* **CFOAP/9** **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Bryony Houlden, independent advisor to the Panel) 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 1 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to an individual.

* **CFOAP/10** **End of Year Appraisal for Interim Chief Fire Officer**

(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 Bryony Houlden, independent advisor to the Panel] were excluded from the meeting).

The Panel, assisted by Bryony Houlden (Chief Executive of South West Councils) as an independent advisor, conducted the year-end appraisal process for the Interim Chief Fire Officer (Mr. Glenn Askew).

The Panel considered that Mr. Askew had discharged the responsibilities associated with the post both effectively and efficiently. The Panel asked Mr. Askew to research and report back to the Panel on appropriate professional development opportunities.

* **CFOAP/11** **Appointment Process for Deputy Chief Fire Officer**

(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).

In accordance with Minute 42 of the Authority budget meeting held on 19 February 2019, the Panel undertook a process to determine appointment to the post of Deputy Chief Fire Officer. The Authority had resolved that, in the first instance, applications to the post should be ring-fenced to the two existing Assistant Chief Fire Officers.

In the event, Mr. Glenn Askew alone had submitted an application. The Panel conducted a suitability interview and considered that Mr. Askew (during his period as interim Chief Fire Officer) had demonstrated inclusive leadership abilities, personal growth and enthusiasm to embrace and deliver organisational change. Given this, the Panel was unanimous when it:

RESOLVED that the post of Deputy Chief Fire Officer be offered to Mr. Glenn Askew, with the appointment to take effect on the return to the organisation of the substantive Chief Fire Officer.

(SEE ALSO MINUTE *CFOAP/8 ABOVE).

The Meeting started at 9.30 am and finished at 11.03 am

CHIEF FIRE OFFICER'S APPRAISALS PANEL
(Devon & Somerset Fire & Rescue Authority)

14 May 2019

Present:

Councillors Randall Johnson (Chair), Vijeh (Vice-Chair), Best and Hannaford.

Also in attendance:

Bryony Houlden (Chief Executive, South West Councils and independent adviser to the Panel).

* **CFOAP/19/12** Minutes

RESOLVED that the Minutes of the meeting held on 22 March 2019 be signed as a correct record.

* **CFOAP/19/13** Exclusion of the Press and Public

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Bryony Houlden, Chief Executive, South West Councils and independent adviser to the Panel) be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to an individual.

* **CFOAP/19/14** Appraisal - Chief Fire Officer Lee Howell

(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 Bryony Houlden, Chief Executive of South West Councils and independent adviser to the Panel) were excluded from the meeting.

The Panel conducted an appraisal of Chief Fire Officer Lee Howell.

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

The Meeting started at 2.20pm and finished at 4.30pm.

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STANDARDS COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

8 April 2019

Present:

Councillors Thomas (Chair), Bown, Drean, Redman and Trail BEM.

Also in attendance:

Councillor Randall Johnson.

Apologies:

Councillors Ellery and Prowse.

* **SC/10**

Minutes

RESOLVED that the Minutes of the meeting held on 3 December 2018 be signed as a correct record.

SC/11

Review of Code of Conduct and Complaints Guidance

The Committee considered a report of the Director of Corporate Services (SC/19/1) on proposed revisions to the Authority's Code of Conduct, its arrangements for dealing with alleged breaches of the Code and the associated guidance documents for making a complaint and outlining the complaints process followed.

The review had been prompted by publication of the findings by the Committee on Standards in Public Life following its review of local government ethical standards as introduced by the Localism Act 2011; and by a local review in light of recent experience in dealing with complaints.

The review report by the Committee on Standards in Public Life contained a number of recommended changes to the legislation for ethical standards along with a number of "best practice" recommendations that all public authorities were encouraged to adopt. While the Devon & Somerset Fire & Rescue Authority arrangements already complied with the majority of the best practice recommendations, the report proposed amendments to give effect to those recommendations not currently addressed. Stemming from the more local review, the report identified possible changes both to the composition of the Standards Committee and arrangements for dealing with complaints which had been subject to investigation.

RESOLVED

- (a) that the Authority be recommended:
 - (i) to delegate authority to the Monitoring Officer to undertake a process for and determine the appointment of two Independent Persons (as required by the Localism Act), with the term of office for each Independent Person to be limited to two years, renewable once;
 - (ii) to approve remuneration for the Independent Persons on the basis of £100 for each standards issue they are involved in;

- (iii) to grant an indemnity for the Independent Person(s) required by the Localism Act, in line with the Authority's indemnity for officers and Members, to meet any reasonable costs incurred in securing appropriate legal advice and representation in respect of any civil or criminal proceedings that may arise from their involvement in Authority standards matters – this indemnity to include the requirement that any expenditure incurred by the Authority under the indemnity be refunded in the event of any court sanction not subsequently overturned on appeal;
- (iv) to amend the Approved Code of Members' Conduct by:
- A. incorporating the following definition of harassment in paragraph 2.4:
- “harassment” may be defined as any unwanted behaviour which the individual subject to that behaviour finds offensive or which makes them feel intimidated or humiliated. This can happen on its own or alongside other forms of discrimination. Examples of unwanted behaviour include:
- spoken or written words or abuse;
 - offensive tweets, e-mails or comments on social networking sites;
 - images and graffiti;
 - physical gestures;
 - facial expressions; and
 - jokes;
- B. inserting the following into the General Obligations paragraph of the Code (paragraph 4.1)(you must...)
- (6) comply and co-operate fully and openly in any formal standards investigation in which you are either the Subject Member or a witness;
- C. inserting the following into paragraph 4.2 of the Code (you must not...)
- (10) make trivial or malicious allegations against a fellow Member (or Members) of the Authority;
- (b). that the Guidance on Making a Complaint be amended by adding the words (the Public Interest Test) to the “Other Assessment Criteria” sub-heading and amending the introductory paragraph of this sub-section to read “If your complaint meets the above criteria, the Monitoring Officer (following consultation with the Independent Person) may still decide to take no further action in respect of your complaint if it is felt that further action would not be in the public interest. This is likely to be the case where one or more of the following applies:”
- (c). that the complaints handling arrangements be amended as follows in relation to complaints that have been subject to investigation:

- (i) for those instances where an investigation concludes a breach of the Code and indicative sanctions, the matter be determined by a Hearings Panel comprising five Members of the Standards Committee selected by the Monitoring Officer in consultation with the Committee Chair;
 - (ii) for those instances where an investigation concludes no breach of the Code or where no further action is recommended, the Monitoring Officer be delegated authority to determine the matter following consultation with the Independent Person; and
 - (iii) for all cases where a complaint has been subject to investigation, the Monitoring Officer should produce and publish on the Authority's website as soon as possible after the matter has been determined a Decision Notice setting out a brief statement of the facts, the provisions of the Code engaged by the allegations, the view of the Independent Person, the reasoning of the decision maker and any sanction (or other action) applied. In the case of investigation reports where it is determined that there has been no breach of the Code or no further action is recommended, then the Subject Member concerned will not be named in the resulting Decision Notice;
- (d). that the revised arrangements at (c) above take effect for all complaints received from the date of this meeting (i.e. from 8 April 2019);
- (e). that the Clerk be authorised to:
- (i) revise the current Guidance on Making a Complaint to produce two separate documents (a Guide to Making a Complaint; and Procedures to be Followed on Receipt of a Complaint), both to be published on the website; and
 - (ii) amend the Procedures document to reflect the new arrangements as set out at (c) above.

(SEE ALSO MINUTE SC/12 BELOW).

* SC/12

Hearing Process - Right of Representation

The Committee considered a report of the Director of Corporate Services (SC/19/2) on issues relating to representation by Subject Members at hearings to determine Code of Conduct breaches and sanctions.

Previous hearing procedures used by the Authority had been adopted from those formerly used by the Standards Board for England. The former regime, however, had the ability to impose significant sanctions (e.g. suspending a Member) which were no longer available. Consequently, it was felt that the hearing and pre-hearing processes and explanatory documentation should be amended to provide a more proportionate approach.

RESOLVED that the pre-hearing and hearing process and associated explanatory documentation be amended to indicate that a Subject Member may be accompanied at hearings.

(SEE ALSO MINUTE SC/11 ABOVE)

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

The Meeting started at 10.00 am and finished at 11.55 am

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AUDIT & PERFORMANCE REVIEW COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

10 May 2019

Present:

Councillors Healey MBE (Chair), Bown (vice Napper), Bowyer, Clayton, Saywell and Wheeler.

In attendance in accordance with Standing Order 38:

Councillor Randall Johnson.

Apologies:

Councillors Mathews and Napper.

- * **APRC/20** **Minutes**
RESOLVED that the Minutes of the meeting held on 18 January 2019 be signed as a correct record.

- * **APRC/21** **External Audit Progress Report**
(Barrie Morris – Grant Thornton) in attendance for this item.
The Committee received, for information, an external audit progress report and sector update from Grant Thornton (the Authority's external auditor) covering:
 - interim audit findings and initial value for money risk assessment; and
 - a sector report highlighting Grant Thornton publications, insights from local government sector specialists, reports of interest and accounting and regulatory updates.

- * **APRC/22** **External Audit Fee Letter 2019-20**
The Committee received, for information, a letter from Grant Thornton identifying the fee and work to be undertaken on planned external audit activities for 2019-20.

- * **APRC/23** **International Auditing Standards Compliance Letters**
 - a **International Auditing Standards - Response Letter from Management**
The Committee considered a draft letter from the Director of Finance in response to enquiries from Grant Thornton, as part of its work on the Authority's financial statements for the year ended 31 March 2019 and in accordance with International Auditing Standards, on management processes in place to prevent fraud and corruption and to ensure compliance with relevant laws and regulations.
RESOLVED that the Director of Finance be authorised to sign and return the letter to Grant Thornton.

b **International Auditing Standards - Response Letter from Chair of the Audit & Performance Review Committee**

The Committee considered a draft letter from the Committee Chair in response to enquiries from Grant Thornton, as part of its work on the Authority's financial statements for the year ended 31 March 2019 and in accordance with International Auditing Standards, on how the Committee gains assurance over management processes and arrangements for fraud risk assessment and compliance with the law and regulation.

RESOLVED that the Committee Chair be authorised to sign and return the letter to Grant Thornton.

* **APRC/24** **Audit & Review 2018-19 Progress Report**

The Committee considered a report of the Director of Service Improvement (APRC/19/4) summarising assurance statements for all audits completed for the 2018-19 Internal Audit Plan together with updates on additional review work undertaken. Based on the work completed in 2018-19 and knowledge from previous years, the systems in operation within the Devon & Somerset Fire & Rescue Service continued to demonstrate a good level of internal control.

Councillor Wheeler sought information on the latest position in relation to introduction of the Emergency Services Network – in particular, the implications for the Service of delays in the national project as recently announced in the media.

RESOLVED

- (a). that a report be submitted to the next meeting on the Emergency Services Network project and the potential implications for the Service of delays in the project;
- (b). that, subject to (a) above, the report be noted.

* **APRC/25** **2019-20 Internal Audit Plan**

The Committee considered a report of the Director of Service Improvement (APRC/19/5) identifying the proposed Internal Audit Plan for 2019-20. The Plan was divided into audits to be undertaken on an annual cycle (mainly legal requirements) along with examinations of areas of organisational risk and audits to evaluate organisational improvements. The Plan would be delivered by in-house internal audit staff and the Devon Audit Partnership.

RESOLVED that the 2019-20 Internal Audit Plan as appended to report APRC/19/5 be approved.

* **APRC/26** **Draft Annual Statement of Assurance 2018-19**

The Committee considered a report of the Director of Service Improvement (APRC/19/6) to which was appended the draft Authority Statement of Assurance for 2018-19. The Statement had been prepared to comply with the requirements of the Accounts and Audit (England) Regulations 2015 and the latest version of the Fire and Rescue National Framework and examining organisational systems of internal financial control, corporate governance along with operational assurance.

RESOLVED

- (a). that the Authority draft Annual Statement of Assurance 2018-19 as appended to report DSFRA/19/6 be approved in principle and submitted as part of the audit process for the 2018-19 Statement of Accounts;

- (b). that a further report be submitted to the July Committee meeting seeking approval of the final statement, subject to incorporation of any issues identified during the audit process.

* **APRC/27** **Corporate Risk Register**

The Committee received, for information, a report of the Director of Service Improvement (APRC/19/7) on an addition to the Corporate Risk Register. Risk management within the Devon & Somerset Fire & Rescue Service was used to protect Service assets, to ensure service continuity and to facilitate innovation and opportunity. The Service Corporate Risk Register captured the most significant risks (with a focus on cross-cutting risks and major projects) together with identified actions to mitigate against these risks.

The report identified that the Service risk profile had changed in the last six months, with one new risk (that of the potential for industrial action stemming from the National Joint Council pay proposal) having been added to the register. In response to questions from the Committee, the Chief Fire Officer provided assurance on Service business continuity and resilience arrangements.

* **APRC/28** **Devon & Somerset Fire & Rescue Service Performance Report: October 2018 to March 2019**

The Committee received, for information, a report of the Director of Service Improvement (APRC/19/8) to which was appended the Service performance report covering the 2018-19 financial year. The report featured performance measure details with information on the measure status (positive performance; monitor performance; negative exception) established through assessing performance against that in the previous year and medium to long-term trends. Commentary was included to provide additional contextual information and activities being undertaken to improve performance.

* **APRC/29** **Authority Policy For Regulation Of Investigatory Powers Act 2000 (RIPA) - Review**

The Committee considered a report of the Director of Corporate Services (APRC/19/9) identifying amendments to the Authority's policy and processes in relation to the Regulation of Investigatory Powers Act (RIPA) 2000. The amendments were in response to changes in both legislation and responsibility for national oversight of the investigative powers regime, together with updating the list of Devon & Somerset Fire & Rescue Services Designated Officers with designated roles in the Authority's RIPA authorisations process.

The report also identified that this Authority had not used RIPA during the past twelve months. The Authority – along with other fire and rescue authorities - had never previously used RIPA and did not envisage any scenario where it would be necessary to do so. Given this position and in response to representations from the National Fire Chiefs Council (NFCC), the Investigatory Powers Commissioner had agreed to relax the external RIPA inspection regime for fire and rescue authorities until such time as any such authority made use of the RIPA provisions.

RESOLVED

- (a). that the amendments to the Authority's RIPA policy as set out in Section 3 of report APRC/19/9 be endorsed;
- (b). that a report reviewing the current RIPA policy be submitted to this Committee in twelve months' time; and

(c). that, subject to (a) and (b) above, the report be noted.

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

The Meeting started at 10.00 am and finished at 11.10 am

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

15 May 2019

Present:-

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

In attendance:-

Councillor Randall Johnson (Authority Chair) – in accordance with Standing Order 38

* **RC/26** **Minutes**

RESOLVED that the Minutes of the meeting held on 7 February 2019 be signed as a correct record.

* **RC/27** **Treasury Management Performance - Quarter Four and Annual Report 2018-19**

The Committee received for information a report of the Director of Finance (Treasurer) (RC/19/8) that set out the treasury management performance relating to the final quarter of 2018-19 financial year together with a summary of the annual performance for the year. The Chartered Institute of Public Financial Accountancy's (CIPFA) Code of Practice required that the Authority received a report in respect of borrowing and investment activities during the year as compared against the Authority's Treasury Management strategy.

Adam Burleton, representing Link Asset Services, the Authority's treasury management adviser, was present at the meeting and he gave an overview of the performance.

The following points were highlighted in particular:

- There was a decline in growth in the UK economy in the final quarter of 2018-19 due to the uncertainty over Brexit with annual growth coming in at 1.4%. This confirmed that the UK had the third fastest growing economy of all of the individual countries in the G7 in quarter 4;
- The bank base rate had been held at 0.75% and it was unlikely that there would be any further rises until the uncertainty over Brexit was cleared up;
- The Authority's debt position was positive with no new borrowing being taken out within the year to support capital spending and thus, the Capital Financing Requirement (CFR) of £25.537m was matched to external debt;
- The Authority had investments totalling £38.476m with income earned of £0.345m which exceeded the target set by £0.201m due to investment during the year being higher than anticipated and returns exceeding the benchmark;
- The Investment Strategy incorporated within the Treasury Management Strategy Statement (TMSS) remained prioritised with security of capital and liquidity over yield.

Mr Burleton commented that, whilst it was too expensive for the Authority to repay the outstanding debt at present, the position was being monitored continually.

The Committee expressed its thanks to the Director of Finance (Treasurer) and the Finance Team for their excellent performance on treasury management and in particular, exceeding the investment income benchmark.

RC/28

Provisional Financial Outturn 2018-19

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/9) that set out the draft financial outturn position for 2018-19 against the agreed targets. In particular, the report provided a draft outturn spending position against the 2018-19 Revenue Budget with explanations of the major variations.

It was noted that spending was £1.892m below budget which was equivalent to 2.56% of the total budget, due largely to savings on staff costs made during the year as vacancies had been held pending the Safer Together programme. Additional savings had been made on operational equipment arising from timing differences on capital projects which would now be funded from the 2019-20 revenue budget. Grant income and reimbursements had been significantly higher than budget with early payments being made by central government. The figures in the report were provisional at this stage subject to external audit of the accounts in July 2019.

RESOLVED

- (a) That the Authority be recommended to approve that the provisional underspend against the 2018-19 revenue budget of £1.892m be transferred to the Reserve for Capital Funding as outlined in paragraph 6.1 of the report;
- (b) That, subject to (a) above, the following be noted:
 - (i) The draft position in respect of the 2018-19 Revenue and Capital Outturn position, as indicated in this report;
 - (ii) That the underspend figure of £1.892m was after:
 - A. Transfers in from Reserves of (£1.020m) relating to grants received in advance; and
 - B. £0.095m for VEMA repairs, as agreed at previous Resources Committees;
 - C. A transfer of £1.417m to the Reserve for Capital funding;
 - D. A transfer of £0.918m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised;
 - E. Additional provisions relating to pension liabilities of £0.028m;
 - F. Budget pressures identified of £0.075 for upgrade to Wi-Fi infrastructure and £0.070m for personal fitting of respiratory protection masks.

RC/29 **Reserves Strategy 2019-20**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/10) upon the Reserves Strategy for 2019-20.

It was noted that the report included a risk assessment on the adequacy of the General Fund together with a section on each of the Earmarked Reserves including:

- Grants received in advance;
- Invest to improve;
- Budget smoothing; capital funding; and
- Specific projects - carry forward or risks identified.

The Committee expressed its thanks to the Director of Finance (Treasurer) and her team for the work undertaken on achieving this position.

RESOLVED that the Authority be recommended to approve the Reserves Strategy 2019-20 for publication.

RC/30 **Revisions to Capital Programme 2019-20 to 2021-22**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/11) on proposed revisions to the to the three year capital programme for 2019-20 to 2021-22.

RESOLVED that the Authority be recommended to approve the revised capital programme and associated prudential indicators for 2019-20 to 2021-22 (as set out within Appendices A and B of these Minutes for ease of reference).

* **RC/31** **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of 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 items of business on the grounds that they may involve the likely disclosure of exempt information as defined in the following paragraphs 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/32** **Restricted Minutes of the Resources Committee held on 7 February 2019**

The Chair moved this item forward for consideration at this point in the meeting.

(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 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).

RESOLVED that the Restricted Minutes of the meeting held on 7 February 2019 be signed as a correct record.

* RC/33

Red One Ltd Financial Performance 2018-19: Quarter 4

(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 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 were present for this item and spoke in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Lisa Compton).

The Committee received for information a report of the Director of Finance and Dr Sian George (Chair of the Board of Red One Ltd.) (RC/19/12) on the financial performance of Red One Ltd in quarter 4 of 2018-19.

RC/34

Red One Ltd Business Plan 2019-20

(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 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 were present for this item and spoke in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Lisa Compton) to present and answer questions on the Red One Business Plan.

The Committee considered a report of the Director of Finance (Treasurer) and Dr Sian George, Chair of the Board of Red One Ltd. (RC/19/13) in respect of a five year business plan for the company.

RESOLVED that the report and recommendations therein be recommended to the Authority (as sole shareholder) for approval.

RC/35

Red One Ltd Business Plan Assurance

(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 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 were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Lisa Compton) but did not speak.

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/14) in respect of providing assurance for the Authority on the business plan.

RESOLVED that the report and recommendations therein be recommended to the Authority (as sole shareholder) for approval.

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

The meeting started at 10.00hours and finished at 12.27hours

**APPENDIX A TO THE MINUTES OF RESOURCES COMMITTEE ON 15 MAY 2019
- REVISION TO CAPITAL PROGRAMME 2019-20 TO 2021-22**

PROJECT	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000
	Approved Budget	Slippage & Approvals	Revised Budget	Approved Budget	Approved Budget	Indicative Budget	Indicative Budget
Estate Development							
Site re/new build	1,100	17	1,117	3,100	200	0	0
Improvements & structural maintenance	3,307	595	3,902	7,100	7,700	9,300	7,000
Estates Sub Total	4,407	612	5,019	10,200	7,900	9,300	7,000
Fleet & Equipment							
Appliance replacement	1,793	0	1,793	3,800	3,300	2,700	2,200
Specialist Operational Vehicles	1,134	0	1,134	2,300	1,400	900	1,900
Equipment	366	187	553	200	200	200	200
ICT Department	268	0	268	0	0	0	0
Water Rescue Boats	46	0	46	0	0	0	0
Fleet & Equipment Sub Total	3,607	187	3,794	6,300	4,900	3,800	4,300
Overall Capital Totals	8,014	799	8,813	16,500	12,800	13,100	11,300
Programme funding							
Earmarked Reserves:	3,439	756	4,195	11,145	4,628	0	0
Revenue funds:	2,614	0	2,614	2,614	2,614	2,614	2,614
Capital receipt							520
Application of existing borrowing	1,961	43	2,004	1,491	5,308	10,436	5,905
Contributions			0	1,250	250	50	2,261
Total Funding	8,014	799	8,813	16,500	12,800	13,100	11,300

**APPENDIX B TO THE MINUTES OF RESOURCES COMMITTEE ON 15 MAY 2019
- REVISION TO CAPITAL PROGRAMME 2019-20 TO 2021-22**

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	8.813	16.500	12.800	13.100	11.300
HRA (applies only to housing authorities)					
Total	8.813	16.500	12.800	13.100	11.300
Ratio of financing costs to net revenue stream					
Non - HRA	4.09%	4.03%	4.06%	4.04%	4.54%
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	28,081	36,667	40,390
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	28,988	37,457	41,045
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(191)	(695)	3,127	8,469	3,588
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(191)	(695)	3,127	8,469	3,588
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,910	26,787	29,678	39,094	43,003
Other long term liabilities	1,265	1,162	1,056	947	823
Total	28,174	27,949	30,733	40,041	43,826
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	25,637	25,544	28,274	37,260	40,983
Other long term liabilities	1,209	1,112	1,010	907	791
Total	26,847	26,656	29,284	38,168	41,774
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%

REPORT REFERENCE NO.	RC/19/9
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	15 MAY 2019
SUBJECT OF REPORT	PROVISIONAL FINANCIAL OUTTURN 2018-19
LEAD OFFICER	Director of Finance (Treasurer)
RECOMMENDATIONS	<p>(a) That the Authority be recommended to approve that the provisional underspend against the 2018-19 revenue budget of £1.892m be transferred to the Reserve for Capital Funding as outlined in paragraph 6.1 of this report;</p> <p>(b) That, subject to (a) above, the following be noted:</p> <p>(i) The draft position in respect of the 2018-19 Revenue and Capital Outturn position, as indicated in this report.</p> <p>(ii) That the underspend figure of £1.892m is after:</p> <ul style="list-style-type: none"> A. Transfers in from Reserves of (£1.020m) relating to grants received in advance; and B. £0.095m for VEMA repairs, as agreed at previous Resources Committees; C. A transfer of £1.417m to the Reserve for Capital funding; D. A transfer of £0.918m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised; E. Additional provisions relating to pension liabilities of £0.028m; F. Budget pressures identified of £0.075 for upgrade to Wi-Fi infrastructure and £0.070m for personal fitting of respiratory protection masks.
EXECUTIVE SUMMARY	<p>This report sets out the draft financial outturn position for 2018-19 against agreed financial targets.</p> <p>In particular, it provides a draft outturn spending position against the 2018-19 revenue budget with explanations of the major variations. Spending will be £1.892m below budget, (net of transfers to Earmarked reserves noted in this report) equivalent to 2.56% of the total budget.</p> <p>This saving is largely due to savings on staff costs made during the year, as vacancies have been held pending the Safer Together programme. Additional savings have been made on operational equipment arising from timing differences on capital projects which will now be funded from the 2019-20 revenue budget.</p> <p>Grant income and reimbursements have been significantly higher than budgeted with early payments being made by central government.</p>

	The figures included in this report are provisional at this stage, subject to external audit of the Accounts during July 2019.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Provisional Revenue Outturn Position 2018-19. B. Summary of Reserve and Provision Balances at 31 March 2019
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

- 1.1 This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2018-19, and makes recommendations as to how the underspend against the revenue budget is to be utilised. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.
- 1.2 The Authority is well aware of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2019-20 revenue budget for the Authority in February 2019, consideration of the Medium Term Financial Plan (MTFP) recognised that further recurring savings will be required over the next five years to 2023-24 over above the savings already achieved by the implementation of the changes agreed as part of the 2013 Corporate Plan. Further details of savings requirements, forecast within the MTFP targets, are included at section 7 of this report.
- 1.3 Mindful of this difficult outlook the strategy adopted during the last financial year 2018-19 was to balance the budget using Revenue contribution to Capital whilst focussing on development of the Authority's strategy to improve the Service and release savings in the future. The Authority took a prudent approach to determining its staffing budget, planning for a 3% pay award for firefighters, which has yielded in year savings as the pay award was set at 2%. Budget monitoring reports submitted to meetings of the Resources Committee during the financial year have identified further in year savings and the provisional outturn figure for 2018-19, now included in this report, is for an under spend of £1.892, equivalent to 2.56% of the total budget
- 1.4 This is, of course, a welcome result and provides the opportunity to transfer this amount into Reserve balances to be utilised in the best possible way to assist future budget setting. However, this is a one-off saving and can therefore be used only once. It is not a sustainable solution to the Authority's forecast budget shortfalls. Members will recall that in setting a balanced budget in February 2018 for the previous financial year (2018-19), an amount of £2.000m has already been taken from the base budget as part of on-going revenue saving requirements.

2. SECTION 1 – REVENUE OUTTURN 2018-19

- 2.1 Total revenue spending in 2018-19 was £72.903m compared to an agreed budget of £73.871m, resulting in an underspend of £1.892m, equivalent to 2.56% of total budget. A summary of spending is shown in Table 1 overleaf and Appendix A provides a more detailed analysis of spending against individual budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2018-19

	£m	£m	£m
Approved Budget			73.871
Gross Spending (Appendix A Line 28)	75.902		
Gross Income (Appendix A Line 34)	(5.478)		
Net Spending		70.424	
<u>PLUS Transfers to Earmarked Reserves</u>			
- Transfers to Reserves (Appendix A Line 35)	(0.780)		
- Capital Funding (Appendix A Line 36)	1.417		
- Grants Unapplied (Appendix A Line 37)	0.918		
Total Transfer to Earmarked Reserves (Appendix A Line 38)		1.555	
TOTAL NET SPENDING			71.979
NET UNDERSPEND			(1.892)

- 2.2 These figures are based upon the spending position at the end of March 2019 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.
- 2.3 The underspend is after several variances against budget as reported in Appendix A to this report but is mainly due to staff savings as outlined above; being lower than anticipated pay award and vacancy management.
- 2.4 Variances against other budget heads e.g. Uniformed staffing costs, Training Expenses and Capital Financing Costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below.

VARIATION AGAINST BUDGET

Wholetime Staff

- 3.1 Wholetime uniform staff – expenditure exceeded the budget of £28.551m by £0.347m – Temporary arrangements to support the On-call system have been in place throughout the year and resulted in total costs of £0.824m and £0.211m on Community Firefighters. Also included in this amount is a year-end provision of £0.028m towards potential back pay of pensions on allowances. Some of these issues will persist in to 2019-20 until full implementation of a risk based service delivery model and will be closely monitored by officers.

On-Call Firefighters

- 3.2 On-Call firefighters – this budget line is underspent by £0.654m against budget. Lower than average activity in the final quarter of the year along with the actual pay award being lower than budgeted has contributed to savings in this area. As outlined above, alternative models are being utilised to cover vacancies in the on-call model which are paid from different budget lines. The revised service delivery model will seek to address this.

Non-Uniformed Staff

- 3.3 Support Staffing costs were £0.140m lower than budgeted. This is mostly due to vacancies being held during the year.

Training Expenses

- 3.4 Training Expenses – Underspend of £0.157m which has resulted from savings in numerous departments; professional training in support and administration departments is £0.050k under spent and the Training Academy is showing savings of £0.062m following a review of resourcing resulting and greater use of internal instructors.

Running Costs and Insurances

- 3.5 Fleet running costs and insurances are £0.105m over spent against budget of £1.194m following an increase in fuel costs and spare parts to maintain the ageing fleet. Significant Capital expenditure is anticipated in refreshing the operational fleet over the medium term financial plan and therefore this should be a temporary issue.

Travel & Subsistence

- 3.6 Savings of £0.085m have been achieved service wide on these budget lines, in part due to a review by the fleet department of use of service vehicles against hire cars.

Equipment and Furniture

- 3.7 Equipment & Furniture – An outturn position of £2.728m against a budget of £3.022m – savings of £0.294m. Savings have been achieved of £0.037m on Breathing Apparatus maintenance, as new sets are being introduced in May 2019. Operational Equipment is underspent by £0.205m, of which timing differences of £0.102m have arisen from the delayed introduction of Incident Support Units (capital project slowed awaiting the Service Delivery Model), whereby the equipment for these appliances will not be purchased until the vehicles are delivered.

Hydrants

- 3.8 Due to vacancies in the Hydrants team, fewer routine checks and repairs have been completed than planned during the year, resulting in an under spend of £0.060m.

Communications

- 3.9 Savings against budget of £0.069m. The saving is due to slippage on a scheme to upgrade Wi-Fi infrastructure which will now be delivered in 2019-20 and is subject to an earmarked reserve request.

Printing, Stationery and Office Expenses

- 3.10 Savings of £0.093m are spread across multiple departments, most significantly £0.020m on printing, £0.017m on subscriptions and £0.017m on consultation fees.

Support Services Contracts

- 3.11 The over spend of £0.079m on support services contracts has arisen from several legal and employment cases which have exceeded budget by £0.043m and £0.089m respectively. This has been partially offset by savings on contributions to billing authorities' council tax reduction schemes of £0.025m.

Revenue contribution to Capital Spending

- 3.12 Revenue Contribution to Capital – savings of £1.417m against budget. The full budget is still required in order to deliver planned projects in the future. The variance is due to timing differences per Section 2 of this report and is subject to transfer to the earmarked reserve for Capital.

Investment Income

- 3.13 Investment income – has returned £0.144m greater than the budget of £0.201m. Due to timing differences within the Capital scheme, we have larger balances to invest which, when combined with strong yield performance has resulted in a greater return than budgeted.

Grants and Re-imbursements

- 3.14 Grants and Reimbursements, £1.704m greater than budget and as a result of central government funding being sent in advance of need. There have been significant movements on this budget line throughout 2018-19 and therefore a summary is shown in the table below.

Item	£m
Opening budget	2.600
Airwave received in advance	0.918
Business Rates reconciliation for 2017-18	0.249
Levy Account Surplus	0.240
Secondments e.g. Chief Fire Officer	0.091
Hinkley Point income applied from prior year	0.128
Learn to Live	0.030
Reimbursement of Legal costs	0.028
Other minor variations	0.020
Outturn position	4.304

As above, officers were notified during the year that the Authority would receive its 2019-200 grant for Airwave early and therefore a transfer to reserves of £0.918m is requested.

4. DIRECT REVENUE CONTRIBUTIONS TO CAPITAL

- 4.1 Appendix A reflects that savings of £1.417m on Revenue Contribution to Capital arising in year are transferred directly to Earmarked reserves, made up timing differences in the Capital Programme. The funding is still required and will be transferred to the Capital Funding Reserve.

5. CONTRIBUTION TO EARMARKED RESERVES

- 5.1 A summary of predicted balances on Reserves and Provisions is shown in Appendix B to this report. These figures include those proposed transfers to Earmarked Reserves and provision outlined in this report and referenced in Appendix B which are recommended for approval:

- a. **Budgeted Transfers to Reserves (£1.020m)** - Transfers for Airwave £0.890m and National Resilience £0.130m grants received in advance were included in the budget for 2019-20 as transfers in from reserves.

b. **VEMA repairs (£0.095 m)** – a transfer of £0.095m is required for VEMA repairs as agreed by a previous Resources Committee. It should be noted that this is £0.005m less than originally requested due to successful cost negotiation.

c. **Capital Funding (£1.417 m)** – as outlined in Paragraph 4.1 above, the balance of funding which was included in the Revenue budget for Capital funding is to be transferred to the Earmarked Reserve.

d. **Grants Unapplied (£0.918m)** - under International Financial Reporting Standards (IFRS) accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2019-20 via an Earmarked reserve. There was one such grant which has been received which was not included in the budget: An amount has been received from the Home Office which relates to the Airwave communications system.

e. **Provisions (£0.028m)** - As detailed in paragraph 3.1 of this report, a further enhancement to the Provision for Firefighters pension scheme is recommended for the Pensionable Allowances 2018-19 element of £0.028m.

f. **Budget Pressures (£0.145m)**- Budget pressures identified of £0.075 for upgrade to Wi-Fi infrastructure and £0.070m for personal fitting of respiratory protection masks

6. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

6.1 The Authority is asked to approve the recommendation that the underspend figure of £1.892m be used to fund a further transfer into the Capital Reserve to support its strategy to reduce reliance on borrowing and improve long term financial sustainability.

6.2 A summary position of Reserves and Provisions as at 31 March 2019, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

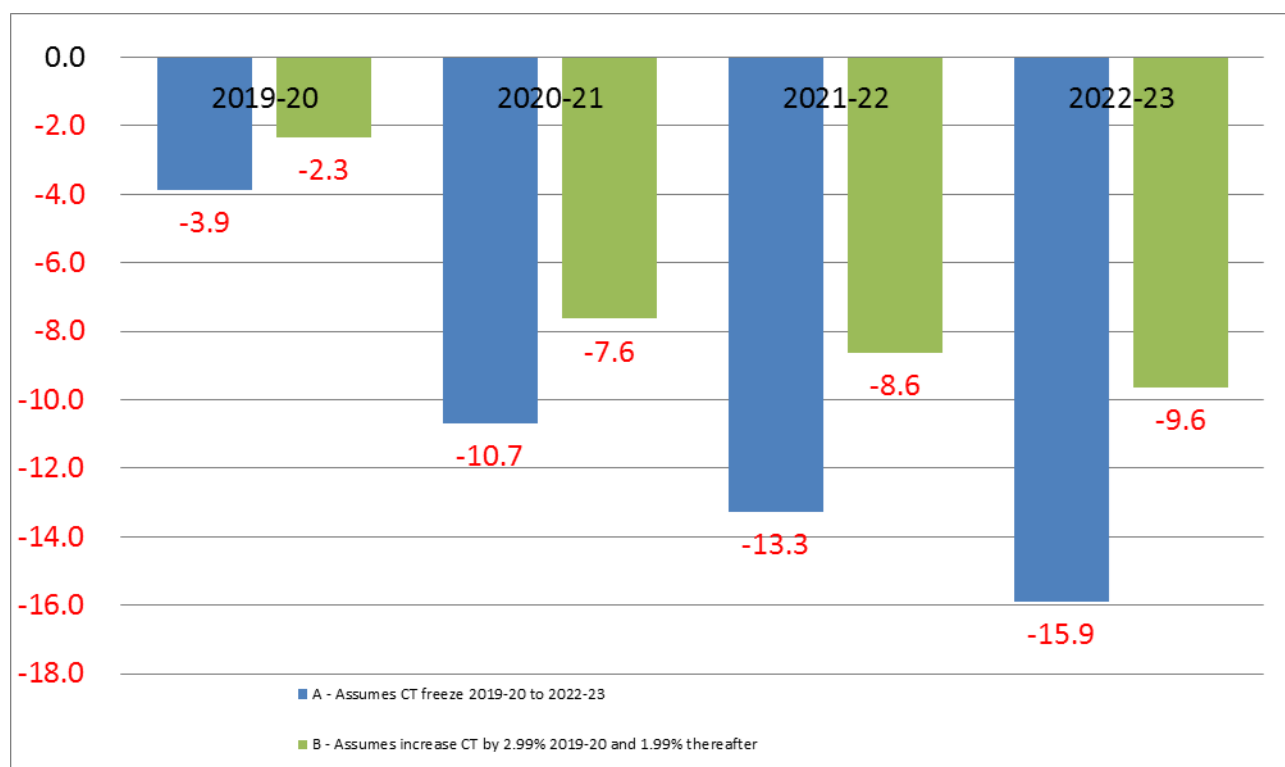
6.3 Included in Appendix B is a summary of the Provision balances as at 31 March 2019. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that an additional charge of £0.028m should be set aside in Provisions.

7. IMPACT TO MEDIUM TERM FINANCIAL PLANNING

7.1 The Authority is well aware of the difficult financial climate currently being faced by local authorities as a result of significant reductions in government funding. Following acceptance by the government, of an Efficiency Plan the Authority has received a four-year settlement to 2019-20. The grant has reduced by £7.5m over that period and the future funding position is uncertain. This means that the Medium Term Financial Plan (MTFP) needs to be planning for the significant reductions beyond 2019-20.

7.2 So far, the Authority has responded well, since 2011 a total of £18.5m of recurring efficiency savings have been identified and used to enable balanced budgets to have been set, including an amount of £2.3m in setting the budget for 2019-20. However the MTFP forecasts that a minimum of £7.3m of on-going savings will be required over the next three years to 2022-23 (if Council Tax is increased).

CHART 1 – SUMMARY OF SAVINGS REQUIRED TO 2022-23



7.3 As reported earlier the budget proposals included in the Corporate Plan agreed by the Authority in 2013 have now been fully implemented delivering total on-going savings of £6.8m.

7.4 The recommendation in this report, to provide a one-off contribution to the Capital Reserve of £1.892m, will enable the Authority to better respond to future austerity measures by reducing borrowing and providing a more sustainable model for capital funding in the future. Devon and Somerset faces unique pressures on its capital programme due to having the highest number of appliances and stations outside of London. The Capital Strategy published in February 2019 showed the need to sustain fleet and buildings and highlighted the potential funding gap of £20m over a five year period. Utilising the underspend to fund capital will reduce the gap to £18m.

8. SUMMARY OF REVENUE SPENDING

8.1 Budget monitoring reports considered during the financial year have shown in year savings across several budget lines and particularly staff costs. It is pleasing therefore that the strategy of retaining in year savings has resulted in a final underspend position of £1.892m. This report makes proposals as to how this underspend can best be utilised and the Authority is invited to consider these with a view to approving the proposals.

9 SECTION 2 – CAPITAL OUTTURN 2018-19

9.1 The 2018-19 capital programme was originally set at £10.3m at the budget setting meeting held in February 2018. This programme figure has reduced during the financial year to £6.4m, as a result of timing differences in spending from the previous year and revisions to the capital spending plan. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2018-19 programme they do not represent any increase to the previously agreed borrowing requirement.

9.2 Table 2 below provides a summary of the provisional outturn position against the agreed 2018-19 capital programme. Against a final capital programme of £6.423m, capital spending in year was £2.878m, resulting in unspent programme of £3.545m, of which £3.267m relates to timing delays to be carried forward to 2019-20, and £0.278m of savings.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2018-19

PROJECT	2018/19 £000 Revised Budget	2018/19 £000 Forecast Outturn	2018/19 £000 Timing Differences	2018/19 £000 Re- scheduling/ Savings
Estate Development				
Site re/new build	200	83	(117)	0
Improvements & structural maintenance	3,113	838	(2,006)	(269)
Estates Sub Total	3,313	921	(2,123)	(269)
Fleet & Equipment				
Appliance replacement	2,129	1,585	(610)	66
Community Fire Safety	0	0	0	0
Specialist Operational Vehicles	125	0	(125)	0
Equipment	583	298	(187)	(98)
ICT Department	227	74	(176)	23
Water Rescue Boats	46	0	(46)	0
Fleet & Equipment Sub Total	3,110	1,957	(1,144)	(9)
Overall Capital Totals	6,423	2,878	(3,267)	(278)

Capital Spending 2019-20

9.3 This Authority has a three year rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to the appliance replacement programme and some Estates projects. Those projects that have moved into 2019-20 will be reassessed and any potential savings identified.

- 9.4 Slippage in Estates projects relates to: Brixham (£0.117m); wash-down improvements (environmental protection) on various sites (£0.083m); station security (£0.060m); Cullompton (£0.234m); Camels Head ship structure (£0.455m); Camels Head (£0.429m); Chagford (£0.023m); Crownhill (£0.096m); Plympton (£0.020m); Plymstock (£0.020m); Wellington (£0.246m); SHQ security (£0.150m); SHQ buildings (£0.200m).
- 9.5 Slippage in Fleet & Equipment and ICT projects relates to: Incident Support Units (£0.210m); 4x4 replacements (£0.400m); Water bowser (£0.125m); LRP RTC upgrade (£0.187m); SQL server (£0.176m); Water Rescue Boats (£0.046m).

10. **FINANCING THE 2018-19 CAPITAL PROGRAMME**

- 10.1 Table 3 overleaf provides an analysis of how the 2018-19 capital spending of £2.878m is to be financed.

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2018-19

	Actual Financing Required £m
<u>Application of existing borrowing</u>	1.911
<u>Other financing sources:</u>	
Revenue contribution to capital	0.667
Red One contribution to capital	0.300
<u>Sub-total – Direct revenue funding/earmarked reserve</u>	1.892
<u>Total Financing</u>	2.878

Borrowing

- 10.2 The amount of external borrowing at the beginning of the financial year stood at £25.631m. No new borrowing was taken out during the year and an amount of £0.093m has been repaid, resulting in an overall reduction of external borrowing to £25.537m as at 31 March 2019. This level of borrowing is well below the agreed maximum borrowing figure of £28.367m allowed under the Prudential Code.

11. **DRAFT PRUDENTIAL INDICATORS**

- 11.1 The prudential indicators at this time can only be regarded as provisional subject to the completion of the Statement of Accounts and resultant audit scrutiny.

Capital Expenditure

- 11.2 This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £3.545m less than anticipated as a consequence of delays on progressing Estates & Fleet capital projects.

	£m
Approved Budget	6.423
Actual Expenditure	2.878
Variance	(3.545)

Capital Financing Requirement– External Borrowing

- 11.3 The Capital Financing Requirement (CFR) reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2018-19 the need to borrow to fund capital spending has remained static.

	£m
Approved CFR	25.538
Revised CFR (Based on Actual Spending)	25.538
Variance	0.000

Capital Financing Requirement– Other Long Term Liabilities

- 11.4 This Capital Financing Requirement (CFR) reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

	£m
Approved CFR	1.209
Revised CFR (Based on Actual Spending)	1.209
Variance	0.000

Authorised Limit and the Operational Boundary for External Debt

- 11.5 Actual external debt as at 31 March 2019 was £25.537m. This is within the revised authorised limit (absolute maximum borrowing approval) of £28.367m and the operational boundary of £27.029m.

Ratio of Financing Cost to Net Revenue Stream

- 11.6 This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 4.03% would be applied, a better ratio has been achieved as a result of strong investment returns.

	£m
Capital Financing Costs	3.178
Interest on Investments	(0.345)
Net Financing Costs	2.833
Net Revenue	73.871
Percentage	3.83%
Budgeted	4.03%
Variance	(0.20) bp

12. DETERMINATION OF CAPITAL FINANCE

12.1 The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed:

- That an amount of £1.911m of external borrowing from previous years be utilised to fund the Capital programme;
- That an amount of £1.892m is capitalised and funded from revenue contributions to capital spending, either directly from the 2018-19 revenue budget or from balances in Earmarked Reserves.

13. RESERVES

13.1 A new requirement was introduced in 2018 under CIPFA guidance for the Fire Authority to publish a Reserves Strategy which outlines the intended use of reserves over the medium term financial period and this is included elsewhere on the agenda.

13.2 The Authority reserves position at the end as at 31 March 2019 is £38.870m, subject to approval of the recommendations in this report, the details of which are shown at Appendix B and in paragraph 5.1 above.

AMY WEBB
Director of Finance (Treasurer)

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY		2018/19 Budget £000	Outturn £000	Projected Variance over/ (under) £000
Line No	SPENDING			
	EMPLOYEE COSTS			
1	Wholetime uniform staff	28,348	28,694	347
2	On Call firefighters	12,596	11,942	(654)
3	Control room staff	1,447	1,419	(28)
4	Support staff	10,881	10,741	(140)
5	Training expenses	726	569	(157)
6	Fire Service Pensions recharge	2,703	2,665	(38)
		56,701	56,030	(672)
	PREMISES RELATED COSTS			
7	Repair and maintenance	1,136	1,165	30
8	Energy costs	573	548	(26)
9	Cleaning costs	458	457	(1)
10	Rent and rates	1,747	1,764	16
		3,914	3,933	19
	TRANSPORT RELATED COSTS			
11	Repair and maintenance	646	684	39
12	Running costs and insurances	1,194	1,299	105
13	Travel and subsistence	1,470	1,385	(85)
		3,310	3,368	58
	SUPPLIES AND SERVICES			
14	Equipment and furniture	3,022	2,728	(294)
16	Hydrants-installation and maintenance	190	129	(60)
17	Communications	2,325	2,255	(69)
18	Uniforms	644	655	11
19	Catering	65	60	(5)
20	External Fees and Services	144	142	(2)
21	Partnerships & regional collaborative projects	237	218	(19)
		6,625	6,188	(438)
	ESTABLISHMENT COSTS			
22	Printing, stationery and office expenses	906	813	(93)
23	Advertising	20	48	28
24	Insurances	356	349	(7)
		1,282	1,210	(72)
	PAYMENTS TO OTHER AUTHORITIES			
25	Support service contracts	669	748	79
		669	748	79
	CAPITAL FINANCING COSTS			
26	Capital charges	3,502	3,459	(43)
27	Revenue Contribution to Capital spending	2,384	967	(1,417)
		5,886	4,426	(1,461)
28	TOTAL SPENDING	78,387	75,902	(2,485)
	INCOME			
29	Treasury management investment income	(201)	(345)	(144)
30	Grants and Reimbursements	(2,600)	(4,304)	(1,704)
31	Other income	(777)	(810)	(33)
32	Internal Recharges	(18)	(19)	(1)
33	TOTAL INCOME	(3,596)	(5,478)	(1,882)
34	NET SPENDING	74,791	70,424	(4,367)
	TRANSFERS TO EARMARKED RESERVES			
35	Transfers to reserves	(920)	(780)	140
36	Transfer to Capital funding	0	1,417	1,417
37	Grants Unapplied	0	918	918
		(920)	1,555	2,475
36	NET SPENDING	73,871	71,979	(1,892)

SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2019

RESERVES AND PROVISIONS						
	Note	Balance as at 1 April 2018 £000	Approved Transfers £000	Proposed Transfers £000	Spending to Month 12 £000	Proposed Balance as at 31 March 2019 £000
RESERVES						
Earmarked reserves						
Grants unapplied from previous years	a/d	(1,376)	1,020	(918)	1,149	(1,145)
Invest to Improve		(6,424)	-	-	486	(5,937)
Budget Smoothing Reserve		(918)	(900)	-	-	(1,818)
Direct Funding to Capital	c	(16,647)	-	(3,309)	-	(19,956)
Projects, risks, & budget carry forwards						
PFI Equalisation		(295)	-	-	-	(295)
Emergency Services Mobile Communications Programme		(921)	-	-	(11)	(932)
Breathing Apparatus Replacement		(1,650)	-	-	201	(1,449)
Mobile Data Terminals Replacement		(800)	-	-	419	(381)
PPE & Uniform Refresh		(504)	-	-	16	(488)
Pension Liability reserve		(1,525)	900	-	164	(461)
National Procurement Project		(215)	-	-	124	(90)
Budget Carry Forwards		(598)	-	-	235	(363)
Commercial Services		(72)	-	-	72	-
Upgrade Wi-Fi & Internet Connection	f	-	-	(75)	-	(75)
Respiratory Protection Masks - Personal Fit	f	-	-	(70)	-	(70)
Vema Outriggers	b	-	(95)	-	-	(95)
Total earmarked reserves		(31,944)	925	(4,372)	2,855	(33,556)
General reserve						
General Fund balance		(5,315)	-	-	-	(5,315)
Percentage of general reserve compared to net budget						7.19%
TOTAL RESERVE BALANCES		(37,259)				(38,870)
PROVISIONS						
Doubtful Debt		(50)	(600)	-	-	(650)
Fire fighters pension schemes	e	(754)	-	(28)	23	(759)

The notes in this table refer to Paragraph 5.1 outlining the transfers to reserves and provisions

REPORT REFERENCE NO.	RC/19/10
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	15 MAY 2019
SUBJECT OF REPORT	RESERVES STRATEGY 2019-20
LEAD OFFICER	Director of Finance
RECOMMENDATIONS	<i>That the Committee recommends the Reserves Strategy to the Authority for publication</i>
EXECUTIVE SUMMARY	<p>The Fire and Rescue National Framework for England introduced a requirement for fire and rescue authorities to prepare and publish a Reserves Strategy setting out the purpose of each Earmarked Reserve, an analysis of the General Fund and the expected timing of expenditure from the reserves. The requirement commenced in 2018 and this is the second such strategy.</p> <p>This report includes a risk assessment of the General Fund and a section on each of the Earmarked Reserves – which it is proposed should be combined into broader categories to simplify the way that Reserves are reported on. It should be noted that this report has been prepared under those new categories.</p>
RESOURCE IMPLICATIONS	As set out within this report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	
APPENDICES	<p>A. Risk Assessment of the Adequacy of General Reserves</p> <p>B. Projected Reserve Balances over MTFP</p>
LIST OF BACKGROUND PAPERS	The Fire and Rescue National Framework for England Reserves Strategy 2018-19

1. INTRODUCTION AND BACKGROUND

- 1.1. Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.
- 1.2. Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.
- 1.3. In May 2018 the Government published the new Fire and Rescue National Framework for England. This introduces a requirement for fire and rescue authorities to publish a Reserve Strategy on their website and outlines the detail which should be included. The Reserves Strategy can form part of the Medium Term Financial Plan or be a stand-alone document.
- 1.4. The Reserves Strategy for this Authority has been prepared as a stand-alone document for 2019-20 and is subject to adoption of the recommendations in the Draft Financial Outturn for 2018-19.

2. STRATEGIC CONTEXT

- 2.1 There are a number of reasons why a Local Government Authority might hold reserves, these include to:
 - (a) mitigate potential future risks such as increased demand and costs;
 - (b) help absorb the costs of future liabilities;
 - (c) temporarily plug a funding gap should resources be reduced suddenly;
 - (d) enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;
 - (e) spread the cost of large scale projects which span a number of years.
- 2.2 Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

3. LONG-TERM SUSTAINABILITY

- 3.1 Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term. Due to the fact that funding for future Capital Projects is held as an Earmarked Reserve, the overall level of reserves held by the Authority is currently still high, but will reduce significantly as the capital programme progresses.
- 3.2 Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

3.3 There are two different types of reserve, and these are:

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

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

3.4 In addition to reserves the Authority may also hold provisions which can be defined as: a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

4. **RISK ASSESSMENT TO DETERMINE THE ADEQUACY OF THE GENERAL RESERVE**

4.1 A well-managed multi-purpose authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, this Authority has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority.

4.2 This Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties (such as the Local Government Employers and Government departments) have on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for, e.g. the 2020/21 funding gap on the Firefighters Pension scheme.

4.3 The Authority has set its Prudential Indicator for the General Reserve at 5% of annual budget which is a commonly used benchmark across the Fire Sector. At the start of 2019-20, the General Reserve represented 7.07% of the Authority's net revenue budget which is a positive variance. Due to varying revenue budgets, maintaining a consistent level of General Reserve will result in the percentage varying over time. Transfers in or out of the General Reserve to conform to the 5% indicator would only be considered if there was significant variance or if resources were earmarked to another project.

4.4 The prudential indicator is a useful control measure but is a rudimentary way of assessing the adequacy of the general reserve and a more meaningful approach is to develop a risk assessment. The Authority will consider both measures as part of its annual reserve strategy.

4.5 A risk assessment of the adequacy of the Authority's General Reserve will be carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment for the current financial year, 2019-20, has been expanded on that prepared as part of the budget setting process and is shown in Appendix A. The impact and scale of potential losses has been estimated to calculate a potential net financial impact of £5.216m. At the start of 2019-20 the General Reserve equalled £5.315m and therefore it will not be necessary to amend the amount based on the current risk assessment.

5. ANNUAL REVIEW OF EARMARKED RESERVES

5.1. The Authority has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the Authority is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy. When the Authority approves the Reserves Strategy for publication it will be made available on its website.

5.2. As part of the annual review of reserves 2018-19, Earmarked Reserves were re-categorised and are now presented as below.

Grants received in advance

5.3. These reserves relate to grants which have been given to the Authority which have either not been fully spent or have been received in advance of the intended expenditure period. Where a grant has been received in advance the Authority's policy and accounting rules dictate that the funding be transferred to an Earmarked Reserve to be spent in future years. Specifically, timing differences of £0.917m have arisen from Home Office grants relating to the Airwave communication system, the Authority has a commitment to the expenditure in the following financial year and therefore the funding will be transferred out of reserves and in to the revenue budget.

5.4. Any smaller grants will be reviewed annually as part of the budget monitoring process to assess whether they are still needed. It is not anticipated that any of the current balances will be carried forward beyond the medium term financial plan period of 2019-24.

	Projected Balance as at 1 April 2019	Projected Spend 2019-20	Proposed Balance as at 31 March 2020	Projected Spend 2021-24	Proposed Balance as at 31 March 2024
	£000	£000	£000	£000	£000
RESERVES					
Grants unapplied from previous years	(1,145)	918	(227)	227	-

Invest to Improve

- 5.5. A significant amount of funding has been set aside in Reserves to support the change activity within the Service. Following release of the Integrated Risk Management Plan, which addresses Community risk, and the Fire and Rescue Plan, which addresses organisational risk, the Service has developed its Safer Together programme. Invest to Improve reserves will be used to invest in projects such as digital transformation and development of our people which will support the modernisation of the Service. If restructure is required, reserve funding could be required to pay for any associated redundancy costs.
- 5.6. The Authority has approved the Service's Safer Together programme which will identify the requirement to invest in improvement activity and the resulting benefits which will then be fed in to the Medium Term Financial Plan for 2019-20 and beyond. The Invest to Improve reserve will be subject to regular budget monitoring and forecasting by the Service Programme Board. Of the current forecast up to 2022, £3.2m is committed to existing projects with the remaining expenditure being an estimate of the Safer Together programme costs.

	Projected Balance as at 1 April 2019	Projected Spend 2019-20	Proposed Balance as at 31 March 2020	Projected Spend 2021-24	Proposed Balance as at 31 March 2024
	£000	£000	£000	£000	£000
RESERVES					
Invest to Improve	(5,937)	1,500	(4,437)	4,437	-

Budget smoothing

- 5.7. The budget smoothing reserve is intended to support any shortfalls in future revenue budgets which are identified during the development of the Medium Term Financial Plan. The reserve has arisen from a surplus of funding in previous financial years, particularly where non-domestic rates or grant income have exceeded the budget requirement. The Medium Term Financial Plan for the period 2019-20 to 2021-24 has identified a potential funding shortfall of between £8.4m and £13.1m which, if not addressed through changes to the way we work, will need to be funded from reserves.
- 5.8. The Safer Together programme is expected to release significant savings but these will be subject to public consultation and Authority approval. The Reserve may also be used where benefits realised from changes to the operating model are released over several years.

At the moment, it is forecast that the Budget Smoothing reserve will be exhausted within the Medium Term Financial Planning Period.

	Projected Balance as at 1 April 2019	Projected Spend 2019-20	Proposed Balance as at 31 March 2020	Projected Spend 2021-24	Proposed Balance as at 31 March 2024
	£000	£000	£000	£000	£000
RESERVES					
Budget Smoothing Reserve	(1,818)	-	(1,818)	1,818	-

Capital Funding

- 5.9. At £20.0m, Capital Funding is the largest of the Authority's earmarked reserves. There is a long term strategy in place to reduce borrowing to fund capital expenditure and this reserve has been built up over several years from under spends in the Capital Programme along with savings made in other areas. Due to the long term nature of the Capital Programme and low levels of expenditure in recent years the reserve has grown significantly and represents an opportunity to reduce borrowing in the future as well as the associated costs.
- 5.10. If the Authority hadn't taken out any borrowing to fund capital expenditure it could save £1.1m per year in debt charges. Borrowing currently stands at £25.5m and the loan portfolio is regularly reviewed for opportunities to pay off loans where there would be a long term benefit but this is dependent on economic conditions. If the Authority does opt to pay off loans early, use of the Capital Funding reserve will accelerate. Currently it is forecast that the programme will require £3.4m of reserve funding in 2019-20 and for the reserve to be exhausted over the medium term. However, a measured approach has been taken when projecting spend over the 2021-24 period to reflect the current pace of expenditure on the programme. If the Safer Together programme identifies a need for further investment in our Estate, infrastructure, vehicles and equipment the reserve can be called upon to fund the acquisition or enhancements, subject to long-term affordability.
- 5.11. Planning for the Capital Programme is undertaken as part of the annual budget setting programme and so each year the Authority will have the opportunity to review the funding options of the programme. The forecast use of the Capital Funding reserve will be determined by that programme. Given that it is prudent to maintain the long term strategy to reduce, ideally remove, reliance on external borrowing to fund Capital expenditure, a healthy reserve will be maintained wherever possible.

	Projected Balance as at 1 April 2019 £000	Projected Spend 2019-20 £000	Proposed Balance as at 31 March 2020 £000	Projected Spend 2021-24 £000	Proposed Balance as at 31 March 2024 £000
RESERVES					
Direct Funding to Capital	(19,956)	3,439	(16,517)	10,000	(6,517)

Specific projects, budget carry forwards or risks identified

- 5.12. The Authority holds several Earmarked Reserves for items which have been identified through a business case, to address a specific risk or where timing differences have arisen in the revenue budget. These items form part of the planning cycle but either address a risk or maintain the status quo rather than being potential improvement activities. Examples of this are a refresh of Breathing Apparatus or Personal Protective equipment and replacement roofing. Expenditure on these items will normally be spread over several financial years within the Medium Term Financial Plan but there are instances where a longer term risk has been identified and provided for which may exceed the 2019-2024 period.
- 5.13. These one off reserves will be reviewed annually and either maintained or enhanced. Any unspent funds remaining at the end of the project will, subject to the relevant approval, be transferred to an alternative reserve such as the Invest to Improve or Capital Funding reserve.

	Projected		Proposed		Proposed Balance as at 31 March 2024 £000
	Balance as at	Spend	Balance as at	Spend	
	1 April 2019 £000	2019-20 £000	31 March 2020 £000	2021-24 £000	
RESERVES					
Projects, risks, & budget carry forwards					
PFI Equalisation	(295)	-	(295)	-	(295)
Emergency Services Mobile Communications Programme	(932)	200	(732)	732	-
Breathing Apparatus Replacement	(1,449)	1,449	-	-	-
Mobile Data Terminals Replacement	(381)	381	-	-	-
PPE & Uniform Refresh	(488)	488	-	-	-
Pension Liability reserve	(461)	-	(461)	461	-
National Procurement Project	(90)	45	(45)	45	-
Budget Carry Forwards	(363)	100	(263)	263	-
Upgrade Wi-Fi & Internet Connection	(75)	75	-	-	-
Respiratory Protection Masks - Personal Fit	(70)	70	-	-	-
Vema Outriggers	(95)	95	-	-	-
Total	(4,700)	2,903	(1,797)	1,502	(295)

5.14. Explanation of specific reserves:

- *PFI Equalisation* – The Authority is part of a tri-service Private Finance Initiative which covers the Severn Park training facility. Due to the nature of the contract and its longevity (will mature in 2028) the amount due at the end of the contract is dependent on various factors such as interest rates and investment performance. The reserve is held to mitigate the risk at the end of the contract period.
- *Emergency Services Mobile Communications Programme (ESMCP)* – The Authority has committed to be part of the ESMCP national project which provides the technology and network to allow Emergency Services a dedicated method of communication whilst being more financially efficient than its predecessor. Whilst funding has been allocated on a regional basis there is a need to support the project beyond the funding (which has been allocated for discrete time periods) because of the South West region being the last to transition which is why the reserve was established. The reserve also holds grant funding from central government to support the establishment of Emergency Services Network capability. The national project is currently under scrutiny of the Public Accounts Committee and may be subject to change or cancellation. If cancelled, there is a risk that the current Airwave facility will cost the Authority more although at this stage that cannot be quantified.
- *Breathing Apparatus Replacement* – The Authority has committed to replacement of aging (and soon to be obsolete) breathing apparatus equipment and has completed a procurement exercise. The new equipment will harmonise sets throughout the Service and improve firefighter safety due to improved functionality including enhanced communications. Delivery of the new sets commenced in May 2019 and so the project will be completed in the 2019-20 financial year.
- *Mobile Data Terminals (MDT) Replacement* – MDTs are computers in appliances which provide site specific risk and technical information to firefighters when they respond to incidents. Due to the age of the current suite of MDTs, which are purchased and maintained under the Airwave Communications system, replacements are required in advance of the roll out of the new Emergency Services Mobile Communications Project. Refreshing the safety critical information available to firefighters at incidents supports the Authority's underlying principles of Public Safety and Firefighter safety.

- *PPE and Uniform refresh* – Firefighters are required to wear a specific range of Personal Protective Equipment (PPE) when responding to incidents and each set has a finite life dependant on the number and type of incidents attended. The Service has determined a provision for lightweight PPE and staff were measured for fitting in April 2019. The project supports the safety and wellbeing of our staff.
- *Pension Liability reserve* – There are ongoing legal cases which may impact on future employers' costs and therefore a pension reserve has been established to contribute towards the revenue budget if a liability arises.
- *National Procurement Project* – The Service has seconded a member of staff to manage the National Procurement Project on behalf of the National Fire Chiefs Council. Grant funding has been received to support the project and is therefore held in a specific reserve until those funds are exhausted.
- *Budget Carry Forwards* – Arise as a result of timing differences, where a revenue project has been unable to complete in year and therefore the under spend on a particular budget line has been transferred to Earmarked Reserves. As reserve funds can span several financial years these are expected to be used in the short term, but the reserve may be enhanced at a later date if there are timing differences in the 2019-20 budget and beyond.
- *Wi-Fi upgrade, Respiratory Protection masks and VEMA outriggers* – These cost pressures were identified as emerging issues as part of the 2018-19 year end process. As these are pressing organisational or operational requirements the reserve funding will be fully utilised in 2019-20.

AMY WEBB
Director of Finance

APPENDIX A TO REPORT RC/19/10

Risk Assessment of the Adequacy of General Reserves

Budget Head	Budget Provision 2019-20 £m	RISK	Likelihood	Impact £m	Net Impact £m
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, which might attract a significant Pay award. An unfunded pay award of 2% has been factored in to the budget for 2019-20.	Medium	0.935	0.467
		Overspend due to supernumerary staff whilst Change Programme is developed - the impact of this has reduced since last year as the majority of these costs are now budgeted	High	0.500	0.375
Retained 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.	Low	1.442	0.360
		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, which might attract a significant Pay award	Medium	0.433	0.216
Major Incident - Belwin		A major incident occurs which qualifies for central government funding under the Belwin Scheme - the first 0.2% of budget, or £0.151m is funded by the Local Authority.	Low	0.151	0.038
Firefighter's Pensions	2.7	The Authority is required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme. There were fewer retirees than budgeted in 2017-18 which has increased the likelihood of those individuals retiring in 2019-20.	High	0.500	0.375
Insurance Costs	0.9	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority. The Insurance Mutual holds a reserve which will enable the pool to absorb a reasonable level of claims.	Low	0.500	0.125
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.	High	0.182	0.137
Treasury Management Income	(0.2)	Reduced Interest Income, rates to 0%. The target income for 2019-20 has been set at a prudent level of achieving only a 0.6% return on investments.	Low	0.201	0.050
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.	Low	0.282	0.071
Capital Programme	8.8	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. The risk of contract deviation up to 10% of value.	Low	0.881	0.220
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.	Low	0.225	0.056
External Contracts		The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier or a customer. The Authority maintains a bad debt provision based on aged debtor analysis but it would be insufficient to fully fund a loss from a major contract. Additionally, Public Sector procurement processes and contracts are coming under increasing scrutiny and could be open to legal challenge.	Low	2.000	0.500

Budget Head	Budget Provision 2019-20 £m	RISK	Likelihood	Impact £m	Net Impact £m
Legal Issues		Given the nature of the work of the Authority there is a possibility that it could suffer a major health and safety or environmental failure.	Low	3.000	0.750
System/ Infrastructure Issues		In the event that a key system, such as the control mobilising system or system networks, were to fail, it is possible that urgent consultancy or replacement equipment would be required within short time constraints.	Low	1.500	0.375
Funding Issues		The changes to the funding mechanism for local government, introduced following the Local Government Resource Review, transferred potentially significant levels of financial risk to the Authority.	Medium	1.000	0.500
Inflation		Whilst allowances for inflation have been made within specific budget lines, generally at 2.4% per annum, the uncertainty surrounding Brexit and the UK economy might lead to increased inflation.	Medium	0.200	0.100
Employment Issues		Issues that might arise in respect of pay settlements or other factors which might lead to industrial action would, in the first instance, be managed within the revenue budget. Prolonged Action or issues would require funding from Reserves.	Medium	1.000	0.500
Estimated Reserve Requirement					5.216

APPENDIX B TO REPORT RC/19/10

Projected Reserve Balances over Medium Term Financial Plan Period (2019-24)

	Balance as at 1 April 2019 £000	Projected Spend 2019-20 £000	Proposed Balance as at 31 March 2020 £000	Projected Spend 2021-24 £000	Proposed Balance as at 31 March 2024 £000
RESERVES					
Earmarked reserves					
Grants unapplied from previous years	(1,145)	918	(227)	227	-
Invest to Improve	(5,937)	1,500	(4,437)	4,437	-
Budget Smoothing Reserve	(1,818)	-	(1,818)	1,818	-
Direct Funding to Capital	(19,956)	3,439	(16,517)	10,000	(6,517)
Projects, risks, & budget carry forwards					
PFI Equalisation	(295)	-	(295)	-	(295)
Emergency Services Mobile Communications Programme	(932)	200	(732)	732	-
Breathing Apparatus Replacement	(1,449)	1,449	-	-	-
Mobile Data Terminals Replacement	(381)	381	-	-	-
PPE & Uniform Refresh	(488)	488	-	-	-
Pension Liability reserve	(461)	-	(461)	461	-
National Procurement Project	(90)	45	(45)	45	-
Budget Carry Forwards	(363)	100	(263)	263	-
Upgrade Wi-Fi & Internet Connection	(75)	75	-	-	-
Respiratory Protection Masks - Personal Fit	(70)	70	-	-	-
Vema Outriggers	(95)	95	-	-	-
Total	(33,556)	8,760	(24,796)	17,985	(6,812)
General reserve					
General Fund balance	(5,315)	-	(5,315)	-	(5,315)
Percentage of general reserve compared to net budget					
TOTAL RESERVE BALANCES	(38,870)	8,760	(30,111)	17,985	(12,126)
PROVISIONS					
Doubtful Debt	(650)	-	(650)		
Fire fighters pension schemes	(759)	100	(659)	659	-
TOTAL PROVISIONS	(759)	100	(659)	659	-

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REPORT REFERENCE NO.	RC/19/11
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	15 MAY 2019
SUBJECT OF REPORT	REVISION TO CAPITAL PROGRAMME 2019-20 TO 2021-22
LEAD OFFICER	Director of Finance (Treasurer)
RECOMMENDATIONS	<i>That it be recommended to the Authority that the revised capital programme and associated prudential indicators for 2019-20 to 2021-22, as included in this report, be approved.</i>
EXECUTIVE SUMMARY	<p>A three year capital programme for 2019-20 to 2021-22 was approved at the budget meeting in February 2019. This report proposes a revision to that programme to reflect:</p> <p style="padding-left: 40px;">a) An amount of money not spent in 2018-19 to be carried forward to 2019-20;</p> <p>The proposed revision does not require any adjustments to the Authority's external borrowing requirements. The Authority has not taken any new borrowing in the last seven years and, currently, there is no new borrowing required to support the Authority's Capital Programme covering 2019-20 to 2021-22.</p>
RESOURCE IMPLICATIONS	As indicated within the Report
EQUALITY IMPACT ASSESSMENT	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	<p>A. Capital Programme 2019-20 to 2021-22.</p> <p>B. Revised Prudential Indicators 2019-20 to 2021-22.</p>
LIST OF BACKGROUND PAPERS	Capital Programme 2019-20 to 2021-22 report to DSFRA on 19 February 2019 (DSFRA/19/4).

1. INTRODUCTION

- 1.1 The current capital programme covering the three years 2019-20 to 2021-22 was approved at the budget meeting in February 2019.
- 1.2 This report seeks approval of the Authority to revise this programme to reflect budget not spent in 2018-19.
- 1.3 It should be noted that the proposed changes do not require any additional external borrowing, over and above what has already been agreed, and therefore places no further burden on the revenue budget in terms of debt charges.

2. CURRENT CAPITAL PROGRAMME 2019-20 TO 2021-22

- 2.1 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.
- 2.2 At the budget meeting on 19 February the Authority considered and approved a three year capital programme covering the years 2019-20 to 2021-22. This approved programme is included at Appendix A (2019/20 Approved Budget column).

3. PROPOSED REVISION TO THE CAPITAL PROGRAMME

- 3.1 Appendix A to this report also provides a revised capital programme for the years 2019-20 to 2021-22. The changes included in the revised programme reflect:
 - a) Since setting the original programme for 2019-20 to 2021-22 in February 2019, there is further variance against budget in 2018/19 of £1.1m. This is made up of savings of £0.3m and budget unspent in 2018/19 of £0.8m which will align the capital programme with the future aspirations of the service going forward. The £0.8m unspent budget is still required (carried forward to 2019-20) but reflects only a change to the timing of spend rather than an increase to funding requirements.

3.2 A summary of the impact to the overall programme of these changes is provided in Figure 1 below.

	Estates £m	Fleet & Equipment £m	Total £m
Original Programme			
2018-19 (predicted outturn)	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
Revised Programme			
2018-19 (actual outturn)	0.9	2.0	2.9
2019-20	5.0	3.8	8.8
2020-21 (provisional)	10.2	6.3	16.5
2021-22 (provisional)	7.9	4.9	12.8
Total 2018-19 to 2021-22	24.0	17.0	41.0
Proposed change	-0.3	0.1	-0.2

Figure 1

3.3 Appendix B to this report provides a summary of the revised prudential indicators emanating from the revised programme. The current forecasts are that the ratio of financing costs to net revenue stream 5% ceiling will not be breached in the medium term as reported to the Authority in February 2019. The next review of capital spending plans will take place in good time to inform the budget setting process for 2020-21.

4. **SUMMARY AND RECOMMENDATION**

4.1 This report provides a revision to the agreed capital programme for the year 2019-20. The Committee is asked to recommend this revision, and associated prudential indicators, to the next meeting of Authority to be held on the 7th June 2019.

AMY WEBB
Director of Finance (Treasurer)

APPENDIX A TO REPORT RC/19/11

PROJECT	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000
	Approved Budget	Slippage & Approvals	Revised Budget	Approved Budget	Approved Budget	Indicative Budget	Indicative Budget
Estate Development							
Site re/new build	1,100	17	1,117	3,100	200	0	0
Improvements & structural maintenance	3,307	595	3,902	7,100	7,700	9,300	7,000
Estates Sub Total	4,407	612	5,019	10,200	7,900	9,300	7,000
Fleet & Equipment							
Appliance replacement	1,793	0	1,793	3,800	3,300	2,700	2,200
Specialist Operational Vehicles	1,134	0	1,134	2,300	1,400	900	1,900
Equipment	366	187	553	200	200	200	200
ICT Department	268	0	268	0	0	0	0
Water Rescue Boats	46	0	46	0	0	0	0
Fleet & Equipment Sub Total	3,607	187	3,794	6,300	4,900	3,800	4,300
Overall Capital Totals	8,014	799	8,813	16,500	12,800	13,100	11,300
Programme funding							
Earmarked Reserves:	3,439	756	4,195	11,145	4,628	0	0
Revenue funds:	2,614	0	2,614	2,614	2,614	2,614	2,614
Capital receipt							520
Application of existing borrowing	1,961	43	2,004	1,491	5,308	10,436	5,905
Contributions			0	1,250	250	50	2,261
Total Funding	8,014	799	8,813	16,500	12,800	13,100	11,300

APPENDIX B TO REPORT RC/19/11

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	8.813	16.500	12.800	13.100	11.300
HRA (applies only to housing authorities)					
Total	8.813	16.500	12.800	13.100	11.300
Ratio of financing costs to net revenue stream					
Non - HRA	4.09%	4.03%	4.06%	4.04%	4.54%
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	28,081	36,667	40,390
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	28,988	37,457	41,045
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(191)	(695)	3,127	8,469	3,588
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(191)	(695)	3,127	8,469	3,588
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,910	26,787	29,678	39,094	43,003
Other long term liabilities	1,265	1,162	1,056	947	823
Total	28,174	27,949	30,733	40,041	43,826
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	25,637	25,544	28,274	37,260	40,983
Other long term liabilities	1,209	1,112	1,010	907	791
Total	26,847	26,656	29,284	38,168	41,774
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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Agenda Item 7

REPORT REFERENCE NO.	DSFRA/19/13
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Ordinary Meeting)
DATE OF MEETING	7 JUNE 2019
SUBJECT OF REPORT	STANDARDS COMMITTEE – APPOINTMENT OF INDEPENDENT PERSONS
LEAD OFFICER	Director of Corporate Services
RECOMMENDATIONS	<i>That Fr. David Watson be re-appointed one of the Authority's Independent Persons, as required by the Localism Act, until the Authority Annual Meeting in 2020 (or until a successor has been appointed, whichever is the sooner)</i>
EXECUTIVE SUMMARY	<p>At its meeting on 8 April 2019, the Standards Committee considered the outcome of a local review of its ethical arrangements together with recommendations contained in the recently published report by the Committee on Standards in Public Life following its review of ethical standards in local government.</p> <p>This report identifies further considerations in relation to the Standards Committee recommendation on the appointment of Independent Person(s) as required by the Localism Act 2011.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	<p>Localism Act 2011</p> <p>Minutes of the meeting of the Standards Committee held on 8 April 2019.</p>

1. BACKGROUND

- 1.1. The Localism Act 2011 introduced a new ethical standards regime for local authorities (including the Devon & Somerset Fire & Rescue Authority). In addition to requiring authorities to adopt a Code of Conduct encompassing the Nolan Principles of Public Life and providing for certain interests to be declared, the Act also requires authorities to have in place arrangements for dealing with alleged breaches of the Code.
- 1.2. As part of these arrangements, at least one Independent Person has to be appointed whose views:
- must be taken into account prior to a decision on an allegation which has been investigated; and
 - may be sought by the authority in other circumstances (to be determined by the authority in question) and by any Member or co-opted member subject to an allegation.
- 1.3. At its meeting on 8 April 2019 the Authority's Standards Committee considered a report on the outcome of both a review of local arrangements and the findings of the Committee for Standards in Public Life following its review of local government ethical standards. That Committee had recommended, amongst other things, that the Localism Act 2011 be amended to provide that Independent Person's should serve for a maximum of two years, renewable once.
- 1.4. Although the legislation has yet to be changed, the Standards Committee was nonetheless minded to recommend the Authority (Minute SC/11(a) refers):
- (i) to delegate authority to the Monitoring Officer to undertake a process for and determine the appointment of two Independent Persons (as required by the Localism Act), with the term of office for each Independent Person to be limited to two years, renewable once;
 - (ii) to approve remuneration for the Independent Persons on the basis of £100 for each standards issue they are involved in.
- 1.5. Should these recommendations be approved, then the remuneration aspect will be contained from within existing resources. This report, though, examines a practical issue in relation to the appointment of the independent persons.

2. APPOINTMENT CONSIDERATIONS

- 2.1. The Authority's Independent Person is currently Fr. David Watson. Fr. Watson has served in this capacity for a number of years and his appointment usually falls to the Authority to confirm on an annual basis.
- 2.2. To avoid a situation where the Authority could be left without an Independent Person (and thereby not compliant with legislative requirements), it is proposed that – should the Authority be minded to approve the recommendation relating to two independent persons – Fr. Watson be re-appointed at this meeting pending the appointment of a successor. The term for this appointment would be until a successor is appointed or until the Authority's annual meeting next year (whichever is the later).
- 2.3. Fr. Watson has indicated that he is prepared to continue to serve as Independent Person pending appointment of a successor.

- 2.4. The Authority is therefore recommended to confirm Fr. Watson's re-appointment on the basis as outlined in paragraph 2.2 above.

MIKE PEARSON
Director of Corporate Services

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Agenda Item 8

REPORT REFERENCE NO.	DSFRA/19/14
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Ordinary Meeting)
DATE OF MEETING	7 JUNE 2019
SUBJECT OF REPORT	LOCAL PENSIONS BOARD – FURTHER CONSIDERATIONS
LEAD OFFICER	DIRECTOR OF CORPORATE SERVICES
RECOMMENDATIONS	<p>(a). that the Authority considers this report and determines:</p> <p>(i). whether it would wish to re-appoint the Clerk (Monitoring) Officer as an employer representative on the Local Pensions Board for a further four year term of office (Section 2 of this report refers);</p> <p>(ii). whether it would wish to increase the overall size of the Board from 6 to 8 (to take effect on appointment of the additional employer and member representatives) and if so to select which of the options as identified in paragraph 3.2 it would wish to adopt to appoint to the additional employer representative place;</p> <p>(iii). subject to (a)(ii) above, that the revised quorum provisions, set out in paragraph 3.1 of this report, are implemented with immediate effect</p> <p>(b). that it be noted that, in accordance with the previously agreed delegation, the Head of Human Resources is currently undertaking a process to identify a member representative to fill the space resulting from expiry of the initial four year term of office and will similarly undertake a process to identify an additional employer representative should the Authority agree to increase the overall size of the Board.</p>
EXECUTIVE SUMMARY	This report advises of a proposal from the Local Pensions Board to increase the size of the Board from 6 to 8 (one additional Scheme Manager representative and one additional Scheme Member representative).
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	This report is considered compatible with existing equalities and human rights legislation
APPENDICES	Nil.

LIST OF BACKGROUND PAPERS	<p>A. Report DSFRA/15/5 (Establishment of Local Pensions Board for Firefighters' Pensions Scheme) to the Authority budget meeting on 20 February 2015 (and the Minutes of that meeting)</p> <p>B. Report DSFRA/15/26 (Local Pensions Board – Additional Appointments) to the Authority meeting on 14 December 2015 (and the Minutes of that meeting)</p> <p>C. The Public Services Pension Act 2013</p> <p>D. The Firefighters' Pension Scheme (England) Regulations 2014</p> <p>E. The Firefighters' Pension Scheme (Amendment)(Governance) Regulations 2015</p> <p>F. Guidance on roles and responsibilities relating to public service pension schemes as published on the Pensions Regulator's website – see link below:</p> <p>https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/roles-and-responsibilities</p>
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1. **BACKGROUND**

1.1. The Authority's Local Pensions Board (dealing only with Firefighters' Pensions Schemes) was established at the Authority meeting on 20 February 2015 (Minute DSFRA/46 refers) in compliance with the Firefighters' Pension Scheme (Amendment)(Governance) Regulations 2015 ("the Regulations"). The Board is responsible for assisting the Authority (as Scheme Manager):

- (a). to secure compliance with:
 - (i) the Regulations;
 - (ii) any other legislation relating to the governance and administration of Firefighters' Pension Schemes; and
 - (iii) any requirements imposed by the Pensions Regulator in relation to Firefighters' Pension Schemes; and
- (b). to ensure the effective and efficient governance and administration of Firefighters Pension Schemes.

1.2. The Regulations provide that it is the responsibility of the Scheme Manager to determine membership of the Local Pensions Board and the manner in which members of it are to be appointed and removed. The Regulations also provide that there must be a minimum of 4 on the Board and that there must be an equal number of employer (i.e. Scheme Manager) representatives and member (i.e. Scheme beneficiary) representatives.

1.3. In establishing the Board, the Authority reserved the power to appoint employer representatives and delegated responsibility for undertaking a process for and appointing employer representatives to the Head of Human Resources (or equivalent post-holder). At the outset, the Board comprised total of four members (two employer and two member representatives). The Authority resolved that the employer representatives should be the Clerk (and Monitoring Officer) and the Treasurer (as proper financial officer).

1.4. At its meeting on 14 December 2015, the Authority approved a request from the Local Pensions Board to increase the overall size to 6 members (three employer and three member representatives)(Minute DSFRA/38 refers). The Authority approved that the additional employer representative should be an Authority Member, with this appointment confirmed at each Authority annual meeting. The current member representatives are the Authority Clerk (Monitoring Officer) and Treasurer together with Councillor Wheeler (appointed until the Authority Annual Meeting in 2019).

2. **APPOINTMENT OF CLERK (MONITORING OFFICER) AND TREASURER AS EMPLOYER REPRESENTATIVES**

2.1. The Board has agreed an operating protocol that provides for a usual term of office of four years, subject to certain conditions being met (continuing to be a Scheme member or, in the case of employer representatives, either an employee or Member of the Authority). As mentioned earlier in this report, the appointment of an Authority Member as an employer representatives is subject to confirmation at the Authority's Annual Meeting. The operating protocol also provides:

"To maintain continuity of knowledge and experience built up by the inaugural members of the Board, after the first four years only two positions will be considered for appointment, i.e. year 5 is first new appointment process, year 6 is second new appointment process etc. This will have the potential effect that two Board members could serve for five years and a further two for 6 years before their initial term ends.

There will be no restriction on existing Board Members being re-appointed to the Board following the end of their initial (or subsequent) term of office.”

- 2.2. The Board was initially constituted in February 2015, so this year effectively marks “year 5” in the appointments process. Two positions (one employer representative and one member representative) should be as such open to appointment at this time.
- 2.3. The Clerk (Monitoring Officer) was one of the initial appointments to the Board and has indicated that he is willing to continue. On this basis, the Authority is invited to re-appoint the Clerk (Monitoring Officer) as an employer representative for a further four year term of office (i.e. until the Authority annual meeting in 2023).
- 2.4. In line with the Authority’s agreed delegation (see paragraph 1.3 above), the Head of Human Resources is currently seeking to appoint to the member representative position.

3. REQUEST TO EXPAND OVERALL SIZE OF THE BOARD

- 3.1. At its meeting on 15 February 2019, the Local Pensions Board agreed to ask the Authority to approve an increase in overall size of the Board from 6 to 8 members (comprising four employer and four member representatives) i.e. one additional employer representative and one additional member representative. The main reason for this was that, given Board’s quorum requirements (currently four, to comprise two employer and two scheme member representatives), it had been necessary to cancel Board meetings owing to unavailability of the required attendees. The Board had discussed reducing the quorum requirement to three but had been unable to reach consensus on this. The Board had agreed, though, that a potential solution might be to increase the overall size of the Board and, subject to this being approved, the quorum requirement moving forwards would be 50% of the membership i.e. four attendees, to comprise at least one employer and one member representative.
- 3.2. If this increase in overall size is approved, then the following options are suggested to the Authority in terms of filling the additional employer representative post:

Option 1

Serving member representatives on the Board have indicated that the additional employer representative place might filled by a senior, uniformed officer (for example, either the Deputy or an Assistant Chief Fire Officer). The rationale for this is that other fire and rescue authority local pension boards have similar membership.

Of relevance here is that the Regulations stipulate (Regulation 4C) that the scheme manager (i.e. the Authority) must be satisfied that any person appointed as a member of the local pension board does not have a conflict of interest defined as follows (Section 5(5) of the Public Service Pensions Act 2013):

“conflict of interest”, in relation to a person, means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

A senior uniformed officer would have a personal financial interest in the Firefighters’ Pensions Schemes (by virtue of being a future beneficiary). While the relevant regulations do not prohibit a senior uniformed officer from serving on the Board as an employer representative, it should be noted that a senior uniformed officer would be eligible to serve as a member representative and the Authority should consider carefully whether being able to serve in both capacities creates a personal conflict of interest that would be difficult to manage.

Option 2

The Authority may wish to appoint a third senior non-uniformed officer to serve as an employer representative on the Board. Should the Authority be minded to approve this option, it is recommended that the Clerk be delegated authority to undertake a process to identify a member of staff to be appointed for a four year term of office and to determine that appointment.

Option 3

The Authority may wish to appoint a second Authority Member to serve as an employer representative on the Board. Should the Authority be minded to approve this option, it is recommended that the appointment be made at this meeting.

Option 4

The Authority might wish to appoint an external person, with relevant subject matter knowledge and experience, to be an employer representative. Such a person might also Chair the Board. The Regulations provide that any person to be appointed as an employer representative should have the capacity to represent the employer, but are not prescriptive in requiring this to be a serving officer or Authority Member.

The regulations associated with the management of the various Firefighter Pensions Schemes are technically complex. Guidance on roles and responsibilities for those involved in public service pension schemes, published on the website of the Pensions Regulator, highlights that “some [local pension boards] have other types of members, such as independent experts or independent chairs or vice-chairs”. Given that the remit of the Board is one of advising the Scheme Manager and providing a level of scrutiny to ensure regulatory compliance and effectiveness/efficiency of governance, an external person with the requisite subject matter knowledge and experience serving as an employer representative could bring an additional level of scrutiny adding value to the Board’s effectiveness.

Should the Authority be minded to approve Option 4, it is recommended that the Clerk to the Authority be delegated authority to undertake a process to identify and appoint a relevant external person with the capacity to represent the employer as an employer representative on the Board. It is also recommended that the position be offered with a remuneration level of £500pa plus travel and subsistence expenses at the same rate as set out in the Authority’s Members Scheme of Allowances (mileage rate currently 45p per mile).

- 3.3. If the Authority is minded to approve an increase in the overall size of the Board, it is proposed that the Board should implement the revised quorum provisions, set out in paragraph 3.1 of this report, with immediate effect.

4. CONCLUSION

- 4.1. The Authority is invited to consider this report and determine:
1. whether it would wish to re-appoint the Clerk (Monitoring) Officer as an employer representative on the Local Pensions Board for a further four year term of office (Section 2 of this report refers);
 2. whether it would wish to increase the overall size of the Board from 6 to 8 (to take effect on appointment of the additional employer and member representatives) and if so to select which of the options as identified in paragraph 3.2 it would wish to adopt to appoint to the additional employer representative place.

- 4.2. The Authority is also asked to note that, in line with the previously agreed delegation, the Head of Human Resources is currently undertaking a process to identify a member representative to fill the space resulting from expiry of the initial four year term of office and will similarly undertake a process to identify an additional employer representative should the Authority agree to increase the overall size of the Board.

MIKE PEARSON
Director of Corporate Services

DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Ordinary Meeting)

7 June 2019

AGENDA ITEM 9 – 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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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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