



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

**Tuesday 18 February 2020**

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

M. Pearson  
Clerk to the Authority

## **A G E N D A**

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

**1 Apologies**

**2 Minutes**

**a 8 November 2019** (Pages 1 - 6)

Minutes of the meeting held on 8 November 2019 attached.

**b Extraordinary Meeting - 10 January 2020** (Pages 7 - 12)

Minutes of the Extraordinary Meeting held on 10 January 2020 attached.

**3 Items Requiring Urgent Attention**

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

## **PART 1 - OPEN COMMITTEE**

### **4 Questions and Petitions from the Public**

In accordance with [Standing Orders](#), to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at this meeting of the Authority. Petitions must relate to matters for which the Authority has a responsibility or which affects the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority (e-mail address: [clerk@dsfire.gov.uk](mailto:clerk@dsfire.gov.uk)) by **midday on Thursday 13 February 2020**.

### **5 Addresses by Representative Bodies**

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

### **6 Questions from Members of the Authority**

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

### **7 Minutes of Committees**

#### **a Human Resources Management & Development Committee (Pages 13 - 18)**

The Chair of the Committee, Councillor Hannaford, to **MOVE** the Minutes of the meeting held on 5 November 2019.

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

#### **b Audit & Performance Review Committee (Pages 19 - 22)**

The Vice-Chair of the Committee, Councillor Prowse, to **MOVE** the Minutes of the meeting held on 13 November 2019.

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

#### **c Resources Committee (Pages 23 - 26)**

The Chair of the Committee, Councillor Drean, to **MOVE** the Minutes of the meetings held on 21 November 2019 (**attached**) and 13 February 2020 (**to follow**).

#### **RECOMMENDATIONS**

- (i) that any recommendations from the Resources Committee meeting on 13 February 2020 relating to:
  - the Capital Strategy;
  - the Medium Term Financial Plan;
  - the 2020-21 Revenue Budget and Council Tax levels;
  - the Capital Programme 2020-21 to 2022-23; and

- the Treasury Management Strategy (including Prudential and Treasury Indicators 2020-21 to 2022-23)

be considered in conjunction with items 8, 9 and 10(a), (b) and (c), respectively, below;

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

**d**     **Appraisals & Disciplinary Committee** (Pages 27 - 28)

The Chair of the Committee, Councillor Randall Johnson, to **MOVE** the Minutes of the meeting held on 7 February 2020 (attached).

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

**8**     **Medium Term Financial Plan** (Pages 29 - 40)

Report of the Director of Finance & Resourcing (Treasurer) (DSFRA/20/2) attached.

**9**     **Capital Strategy** (Pages 41 - 48)

Report of the Director of Finance & Resourcing (Treasurer) (DSFRA/20/3) attached.

**10**    **REVENUE AND CAPITAL BUDGETS**

**a**     **2020-21 Revenue Budget and Council Tax Levels** (Pages 49 - 108)

Report of the Director of Finance & Resourcing (Treasurer) and Chief Fire Officer (DSFRA/20/4) attached.

**b**     **Capital Programme 2020-21 to 2022-23** (Pages 109 - 120)

Report of the Director of Finance & Resourcing (Treasurer) (DSFRA/20/5) attached.

**c**     **Treasury Management Strategy (including Prudential and Treasury Indicators 2020-21 to 2022-23)** (Pages 121 - 146)

Report of the Director of Finance & Resourcing (Treasurer) (DSFRA/20/6) attached.

**11**    **Principal Officer Considerations** (Pages 147 - 152)

Report of the Chief Fire Officer (DSFRA/20/7) attached.

**12**    **Devon & Somerset Fire & Rescue Authority Approved Scheme of Members Allowances 2020-21** (Pages 153 - 172)

Report of the Director of Governance & Digital Services (DSFRA/20/8) attached.

**13**    **Localism Act 2011 - Pay Policy Statement 2020-21** (Pages 173 - 186)

Report of the Director of Governance & Digital Services (DSFRA/20/9) attached.

**14**    **Report of Urgent Action** (Pages 187 - 188)

Report of the Chief Fire Officer (DSFRA/20/10) attached.

**15**     **Exclusion of the Press and Public**

**RECOMMENDATION** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined 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).

**16**     **Resources Committee - Exempt Minutes** (Pages 189 - 190)

The Chair of the Committee, Councillor Drean, to **MOVE** the exempt Minutes of the Resources Committee held on 21 November 2019 (**attached**) and 13 February 2020 (**to follow**).

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

**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, Thomas, Trail BEM, Tuffin, Vijeh, Way, Wheeler (Vice-Chair) and Yabsley

**NOTES**

<b>1.</b>	<b><u>Access to Information</u></b> 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.
<b>2.</b>	<b><u>Reporting of Meetings</u></b> 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.
<b>3.</b>	<b><u>Declarations of Interests at meetings (Authority Members only)</u></b> 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"><li>(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</li><li>(ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest.</li></ul> 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.
<b>4.</b>	<b><u>Part 2 Reports</u></b> 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.
<b>5.</b>	<b><u>Substitute Members (Committee Meetings only)</u></b> 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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## DEVON & SOMERSET FIRE & RESCUE AUTHORITY

8 November 2019

### Present:

Councillors Randall Johnson (Chair), Best, Bown, Buchan, Clayton, Colthorpe, Doggett, Drear, Eastman, Napper, Peart, Radford, Redman, Thomas, Trail BEM, Tuffin, Vijeh, Way, Wheeler (Vice-Chair) and Yabsley.

### Apologies:

Councillors Coles, Healey MBE and Saywell.

### **DSFRA/21     Minutes**

**RESOLVED** that the Minutes of the meeting held on 28 June 2019 be signed as a correct record.

### **DSFRA/22     Authority Meeting to Consider Service Delivery Operating Model Consultation Results**

(An urgent item taken in accordance with Sections 100(B)(3)(b) and 100B(4)(b) of the Local Government Act 1972).

The Chair considered that this item should be discussed at the current meeting as a matter of urgency given the potential implications of the forthcoming General Election on 12 December 2019 (announced following publication of the agenda for this meeting) and in light of concerns expressed by representative bodies on the potential impact on staff welfare of decisions on the Safer Together consultation being taken immediately prior to Christmas.

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/19/20) on the potential implications of the forthcoming snap General Election for the Authority meeting scheduled for 18 December 2019.

#### **RESOLVED**

- (a). that the extraordinary meeting of the Authority scheduled for 18 December 2019 be cancelled because of proximity to the snap General Election to be held on 12 December 2019; and
- (b). that it be noted that, in accordance with Standing Orders, the Clerk would identify a new date for the extraordinary meeting to be held early in the new year.

### **DSFRA/23     Minutes of Committees**

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

The Committee Chair, Councillor Redman, **MOVED** the Minutes of the meeting held on 27 June 2019 which had considered, amongst other things, proposed options for a public consultation on a new Service Delivery Operating Model.

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

(**NOTE:** in accordance with Standing Order 25(3), Councillor Bown requested that her vote against this decision be recorded).

**b Human Resources Management & Development Committee**

In the absence of the Committee Chair, the Committee Vice-Chair, Councillor Vjeh, **MOVED** the Minutes of the meeting held on 10 July 2019 which had considered, amongst other things:

- a report on absence management for the organisation;
- a report on workforce culture, diversity and inclusion;
- requests for retirement and re-employment in accordance with the Authority's Pay Policy Statement; and
- proposed appointments to the Internal Disputes Resolution Panel.

**RESOLVED**

- (i) that, in accordance with Standing Orders, the Minutes be adopted; and
- (ii) that it be noted that the Minutes of the Committee meeting held on 5 November 2019 would be submitted for adoption to the next Authority meeting.

**c Audit & Performance Review Committee**

In the absence of the Committee Chair and Vice-Chair, Committee Member Councillor Wheeler **MOVED** the Minutes of the meeting held on 19 July 2019 which had considered, amongst other things:

- the Devon & Somerset Fire & Rescue Authority's financial statements for 2018-19 (including the Statement of Accounts and the Audit Findings on the statements);
- the Annual Statement of Assurance for 2018-19;
- a report on the ability of the Authority to continue as a going concern;
- a report on progress with the 2019-20 internal audit plan;
- a comparative analysis of national incident statistics for the calendar year ended 31 December 2018; and
- the Local Pensions Board annual report 2018-19.

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

**d Appraisals and Disciplinary Committee**

The Committee Chair, Councillor Randall Johnson, **MOVED** the non-restricted Minutes of the meeting held on 2 August 2019 which had considered a complaint against a statutory officer.

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

**(SEE ALSO MINUTE DSFRA/28(a) BELOW).**

**e Resources Committee**

The Committee Chair, Councillor Drean, **MOVED** the non-restricted Minutes of the meeting held on 4 September 2019 which had considered, amongst other things:

- a report on Treasury Management performance for the first quarter of the 2019-20 financial year;
- a report on Service financial performance for the first quarter of the 2019-20 financial year; and



- a report on the financial performance of Red One Ltd. for the first quarter of the 2019-20 financial year.

**RESOLVED**

- (i) that, as recommended by the Committee (Minute RC/3(a) refers) and in accordance with the Authority's Financial Regulations, the budget transfers shown in the table below be approved:

Line Ref	Description	Debit £m	Credit £m
	<i>Transfer of budget relating to the Airwave Grant moving it to match where the income has been credited.</i>		
31	Decrease Grants and Reimbursements	0.949	
36	Increase Transfer to (from) Earmarked Reserve		(0.949)
	<i>An additional amount of grant was received to assist with the impact of the pension costs increase. It is proposed to move this to the Pensions earmarked reserve.</i>		
31	Increase Grants and Reimbursements		(0.559)
36	Increase Transfer to (from) Earmarked Reserve	0.559	
	<i>Savings from the middle management restructure were invested in Prevention and Protection activities, at 2019/20 budget setting funds were held within wholetime pay line. Transfer will move budet to the correct heading</i>		
1	Decrease Wholetime Uniformed Staff		(0.479)
3	Increase Non uniformed staff	0.400	
12	Increase Vehicle Running costs and insurances	0.035	
14	Increase Equipment and furniture	0.044	
	<i>To align on-call pay budgets to match changes to Group structure</i>		
2	Increase on-call budget (Cost Code changes only)	1.029	
2	Decrease on-call budget (Cost Code changes only)		(1.029)
		<b>3.016</b>	<b>(3.016)</b>

- (ii) that, subject to (i) above and in accordance with Standing Orders, the non-restricted Minutes be adopted.

**(SEE ALSO MINUTE DSFRA/28(b) BELOW).**

**DSFRA/24 Budget Virement Request**

The Authority considered a report of the Director of Finances and Resourcing (Treasurer) (DSFRA/19/16) on proposed budget transfers, in accordance with the Authority's Financial Regulations, to align pay budgets to the revised Service delivery managerial structure and the restructure of the Training Academy. Both transfers were between cost centres and did not involve any change in expenditure.

**RESOLVED** that, in accordance with Financial Regulations, the budget transfers shown in the table overleaf be approved:

Line Ref	Description	Debit £m	Credit £m
	To align Wholetime Uniformed Staff pay to align to the revised Service Delivery operating model.		
1	Increase Wholetime budget (Cost Code changes only)	5.100	
1	Decrease Wholetime budget (Cost Code changes only)		(5.100)
4	Increase Non-uniformed budget (Cost Code changes only)	1.919	
4	Decrease Non-uniformed budget (Cost Code changes only)		(1.919)
	To align Wholetime Uniformed Staff pay to align to the revised Training Academy delivery model.		
1	Increase Wholetime budget (Cost Code changes only)	3.400	
1	Decrease Wholetime budget (Cost Code changes only)		(3.400)
		<b>7.019</b>	<b>(7.019)</b>

#### **DSFRA/25 Appointments to Committees**

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/19/17) on a proposal to fill the existing vacancy on the Resources Committee.

**RESOLVED** that Councillor Tuffin be appointed to the Resources Committee, to serve until the Authority's annual meeting in 2020.

#### **DSFRA/26 Authority Budget Meeting 2020 - Proposed Change of Date**

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/19/18) on a proposal to amend the date for the Authority's budget setting meeting in 2020 to assist district councils (as billing authorities) with the timely issue of council tax bills.

**RESOLVED** that the date of the Authority's 2020-21 budget setting meeting be changed to 10.00hours on Tuesday 18 February 2020.

#### **DSFRA/27 Exclusion of the Press and Public**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the following Paragraph(s) of Part 1 of Schedule 12A (as amended) to the Act:

##### ***For Minute DSFRA/28(a)***

- Paragraph 1 (information relating to an individual);
- Paragraph 2 (information likely to reveal the identity of an individual); and
- Paragraph 3 (information relating to the financial and business affairs of any particular person – including the authority holding that information).

##### ***For Minute DSFRA/28(b)***

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

***For Minute DSFRA/29***

- Paragraph 1 (information relating to an individual).

**DSFRA/28 Restricted Minutes of Committees**

**a Appraisals and Disciplinary Committee**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

The Committee Chair, Councillor Randall Johnson, **MOVED** the restricted Minutes of the meeting held on 2 August 2019 which had considered a complaint against a statutory officer. The Minutes identified the issues considered by the Committee (including the complaint and supporting documentation provided by the complainant; and a report of the Deputy Chief Fire Officer referencing factual, contextual information relevant to the complaint). The Committee, having applied the balance of probability to all the matters before it, had resolved that no prima facie case had been established for referring the case to independent investigation and that in light of this it would be inappropriate to expend the Authority's resources on so referring the complaint.

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

***(SEE ALSO MINUTE DSFRA/23(d) ABOVE).***

**b Resources Committee**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

The Committee Chair, Councillor Drear, **MOVED** the restricted Minutes of the Resources Committee meeting held on 4 September 2019. The restricted Minutes identified financial information of Red One Ltd. (the Company) disclosed to the Committee during its consideration of the financial performance of the Company for the first quarter of the 2019-20 financial year.

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

***(SEE ALSO MINUTE DSFRA/23(e) ABOVE).***

**DSFRA/29 Localism Act 2011 - Appointment of Independent Persons**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

The Committee considered a report of the Director of Governance & Digital Services (DSFRA/19/19) on the outcome of a process to identify two Independent Persons for the Authority, as required by the Localism Act 2011. The Act required that appointment of the Independent Persons be approved by a majority of Authority Members.

**RESOLVED** that Martin Gosford and Michael Harrison be appointed as Independent Persons (as defined by the Localism Act 2011) for the Authority, to serve for an initial two years from the date of appointment, renewable once and subject to a maximum term of office of four years.

The Meeting started at 10.00 am and finished at 10.17 am

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## DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Extraordinary Meeting)

10 January 2020

### Present:-

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

### **DSFRA/30     Questions and Petitions from the Public**

In accordance with Standing Orders, questions were asked by members of the public and answers given as summarised below:

**Question from Gideon Amos OBE** asking the Authority to take into account the strength of feeling in Taunton Deane on the proposed reduction of fire engines based at Taunton fire station.

**Answer by the Chair** that the consultation on the proposed new Service Delivery Operating Model had run for a twelve-week period from 3 July to 22 September 2019. The proposal for removal of the third appliance from Taunton fire station had featured as part of the consultation. Responses to the consultation had been subject to independent analysis and would be considered by the Authority as part of its decision making process.

**Question from Councillor Paul Millar (East Devon District Council)** on whether the Authority would consider delaying implementation of any recommendations arising from the recent consultation pending appointment of a government Minister for Fire Services and clarity on future funding provision.

**Answer by the Chair** that Kit Malthouse MP was currently the Minister of State for Crime, Policing and the Fire Service, having been appointed to that position on 25 July 2019. The proposals subject to consultation were aimed at achieving a better alignment of Service resources to risk together with providing an increase in prevention and protection work. Future funding provision was not a principal driver and there would be no advantage in delaying consideration of any changes.

### **DSFRA/31     Addresses by Representative Bodies**

In accordance with Standing Orders, the Authority received addresses from:

the **Fire & Rescue Services Association** recognising the need for change but commenting that change should be based on sound rationale, implemented in the right way and should be sustainable. The FRSA had welcomed the opportunity to work with both the Authority and the Service during the consultation period, with FRSA Members being satisfied that the consultation was clear. The FRSA expressed its expectation that any changes introduced should result in improvements to the service.

the **Fire Brigades Union** welcoming the proposals before the meeting as being an improvement on the initial proposals but still expressing concerns over day-crewing at wholtime stations and in relation to what the FBU considered to be minimum numbers to crew fire engines in the interests of public and staff safety.

The FBU indicated that it was supportive of proposals for enabling more prevention and protection work and for investing some financial reserves into front-line services.

**DSFRA/32 Safer Together Programme (Service Delivery Operating Model) - Outcomes of Consultation on Reallocation of Resources**

The Authority considered a report of the Chief Fire Officer (DSFRA/20/1) on proposals for a new Service Delivery Operating Model stemming from the outcome of the public consultation undertaken from 3 July to 22 September 2019 on seven options previously approved by the Authority for the purposes of public consultation. The consultation had attracted 3,818 completed consultation questionnaires, 205 written submissions, 381 e-mail responses and five petitions with a total of 43,644 signatures. All responses to the consultation had been subject to independent analysis, the outcome of which was appended to the report.

The consultation was around proposed measures to address those risks identified in the Authority's approved Integrated Risk Management Plan (IRMP) by better aligning resources to risk and prioritising prevention and protection activity. The proposals set out in the report had been developed in light of the consultation responses received, specifically to Option 7 which allowed a "mix and match" approach to elements in the other six options approved by the Authority for consultation purposes and which, in summary, related to station closures, removal of fire engines and the introduction of revised crewing arrangements.

Since the launch of the consultation, the Devon & Somerset Fire & Rescue Service ("the Service") had received the report of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) following its inspection of the Service earlier in the year. This report had identified a number of areas for improvement which the proposals, if approved, would help address. Additionally, since launching the consultation, the Service had:

- reached an "in principle" agreement with representative bodies on a new "pay for availability" on-call duty system;
- assessed the impact of successful trials of aggregate crewing at two on-call stations;
- commenced initial discussions with representative bodies on changes to the existing whole-time rota system; and
- been advised, via the provisional Local Government Finance Settlement, of a 1.7% increase in central government grant funding and a partial funding of firefighter pension funding pressures which had improved the overall financial picture for 2020-21.

The proposals set out in report DSFRA/20/1 would, if approved, secure benefits in delivering:

- an efficient, effective delivery model that actively reduces community and commercial risk while improving responses to emergencies;
- increased fire engine availability;
- increased flexibility, reward, recruitment and retention of the on-call workforce;
- a choice of duty systems for whole-time staff;
- the start of cultural reform;

- increased productivity; and
- increased public safety.

An additional recommendation to those printed in report DSFRA/20/1 was circulated at the meeting. At the commencement of the debate, the Authority agreed to consider each of the recommendations individually.

Councillor Drean **MOVED**, with Councillor Trail seconding:

“deferral of the decision to implement day crewing at Barnstaple, Exmouth and Paigton, subject to a revised 24/7 crewing model, including roving appliances, being agreed with the Fire Brigades Union before the end of the 2019-20 financial year”.

The motion was put to the vote and declared **CARRIED** by 25 votes for, with one abstention.

Councillor Drean **MOVED**, with Councillor Clayton seconding:

“approval of the closure of Budleigh Salterton fire station, with affected firefighters allowed to respond from Exmouth fire station”.

Councillor Biederman sought to propose, with Councillor Bown seconding, an **AMENDMENT** to the motion to defer closure of Budleigh Salterton fire station. It was considered, however, that the proposed amendment would have the effect of negating the motion before the Authority and as such was contrary to the provisions of Standing Order 21 (11).

There being no further, valid, amendments proposed the motion was then put to the vote and declared **CARRIED**, by 23 votes for, 2 against and with one abstention.

Councillor Drean **MOVED**, with Councillor Clayton seconding:

“the relocation of Topsham fire station to Service Headquarters and the relocation of one fire appliance to Middlemoor fire station (both existing Topsham fire engines to be relocated to Service Headquarters until an on-call crew can be established at Middlemoor).

Councillor Thomas sought to propose an **AMENDMENT** to add the words

“with a report on the proposed disposal of the Topsham site to be presented to the Authority at a future date”

to the motion before the Authority. Councillors Drean and Clayton indicated their acceptance of this and the altered motion was accepted in accordance with Standing Order 21 (15).

The altered motion was put to the vote and declared **CARRIED** by 17 votes for to 5 against, with 5 abstentions.

The meeting then adjourned at 12.30pm, reconvening at 12:40pm.

On reconvening, Councillor Drean **MOVED**, with Councillor Saywell seconding:

“removal of the third fire engines from Bridgwater, Taunton, Torquay and Yeovil”.

At the commencement of the debate on removal of the third fire engine from Bridgwater, Taunton, Torquay and Yeovil fire stations, Councillor Redman sought to propose an **AMENDMENT** to the Motion. This was not, however, seconded. Councillor Healey then expressed the view that, instead of removal of the third fire engine, it might instead be replaced by a Rapid Intervention Vehicle.

The Deputy Chief Fire Officer advised that replacement of the third fire engine with a Rapid Intervention Vehicle would still amount to overprovision to address the risks identified in those areas.

The Deputy Chief Fire Officer went on to say that it might be possible, however, to replace the third fire engine with an alternative vehicle (for example, a light 4 x 4 pump) at each of the stations, potentially with limited firefighting capability but which, more significantly, could be used to transport additional firefighters to incidents should this be necessary, in-keeping with addressing the risks identified for those areas.

In light of this, Councillor Healey proposed, with Councillor Peart seconding an **AMENDMENT** to the motion:

“to delete the word “removal” at the beginning of the motion, insert the word “replacement” at the beginning of the motion and insert the words “with alternative vehicles” at the end of the motion”.

Councillors Drean and Saywell indicated their acceptance of this and the altered motion was accepted in accordance with Standing Order 21 (15).

The altered motion was put to the vote and declared **CARRIED**, unanimously.

Councillor Drean **MOVED**, with Councillor Saywell seconding:

“removal of the second fire engines from Crediton, Lynton, Martock and Totnes fire stations”.

Councillor Way proposed, with Councillor Coles seconding, an **AMENDMENT** to the motion:

“ to delete the word “Crediton” from the motion”.

The amendment was put to the vote and declared **LOST**, by 15 votes against, 7 for and with one abstention.

The substantive motion was then put to the vote and declared **CARRIED** by 18 votes for to 6 against.

Councillor Drean **MOVED**, with Councillor Buchan seconding:

“introduction of variable fire engine availability dependent on risk as set out in paragraph 9,14 [of report DSFRA/20/1]”.

The motion was put to the vote and declared **CARRIED** by 16 votes for to 5 against.

Councillor Drean **MOVED**, with Councillor Peart seconding:

“that the Authority notes the arrangements for payments for on-call firefighters as set out in section 6 [of report DSFRA/20/1]”.

The motion was put to the vote and declared **CARRIED**, unanimously.

Councillor Drean **MOVED**, with Councillor Thomas seconding:

“that, in approving a new Service Delivery Operating Model, existing emergency response standards be maintained but an explicit performance target for meeting the first appliance attendance times for both incident types (house fires and road traffic collisions) on 75% of all occasions be set”.

The motion was put to the vote and declared **CARRIED**, unanimously.



Councillor Buchan **MOVED**, with Councillor Peart seconding:

“that the Audit & Performance Review Committee be tasked with reviewing existing performance measures and developing any additional measures necessary to enable performance monitoring against the expected improvements derived from better resource distribution according to risk, including (but not limited to):

- (i) on-call fire engine availability;
- (ii) emergency response standards against the target set; and
- (iii) levels of prevention and protection activity”.

The motion was put to the vote and declared **CARRIED**, unanimously.

It was, therefore, **RESOLVED**:

- (a). that, having taken account of analysis of the outcome of the consultation on the reallocation of resources to support the new Service Delivery Operating Model, the following be approved:
  - (i) deferral of the decision to implement day crewing at Barnstaple, Exmouth and Paignton subject to a revised 24/7 crewing model, including roving appliances, being agreed with the Fire Brigades Union before the end of the 2019-20 financial year;
  - (ii) closure of Budleigh Salterton fire station, with affected firefighters allowed to respond from Exmouth fire station;
  - (iii) relocation of Topsham fire station to Service Headquarters and relocation of one fire appliance to Middlemoor fire station (both existing Topsham fire engines to be relocated to Service Headquarters until an on-call crew can be established at Middlemoor), with a report on the proposed disposal of the Topsham site to be presented to the Authority at a future date;
  - (iv) replacement of the third fire engines at Bridgwater, Taunton, Torquay and Yeovil with alternative vehicles;
  - (v) removal of the second fire engines from Crediton, Lynton, Martock and Totnes; and
  - (vi) introduction of variable fire engine availability dependent on risk, as set out in paragraph 9.14 of report DSFRA/20/1;
- (b). that the arrangements for payments for on-call firefighters as set out in section 6 of the report be noted;
- (c). that, in approving a new Service Delivery Operating Model, existing emergency response standards be maintained but an explicit performance target for meeting the first appliance attendance times for both incident types (house fires and road traffic collisions) on 75% of all occasions be set;
- (d). that the Audit & Performance Review Committee be tasked with reviewing existing performance measures and developing any additional measures necessary to enable performance monitoring against the expected improvements derived from better resource distribution according to risk, including (but not limited to):
  - (i) on-call fire engine availability;

- (ii) emergency response standards against the target as set in (c) above; and
- (iii) levels of prevention and protection activity.

The Meeting started at 10.00 am and finished at 2.17 pm

## HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

5 November 2019

### Present:-

Councillors Best, Hannaford (Chair), Peart, Thomas, Wheeler and Vijeh (Vice-Chair)

### Apologies:-

Councillor Clayton

#### \* HRMDC/6 Minutes

**RESOLVED** that the Minutes of the meeting held on 10 July 2019 be signed as a correct record.

#### \* HRMDC/7 Absence Management Performance Report

The Committee received for information a report of the Director of Service Improvement (HRMDC/19/10) that set out the Service's performance in relation to absence management for the period April to August 2019.

The following points were noted during discussion on this report:

- current performance in respect of absence was 3.09 days/shifts lost as compared with 3.37 days/shifts lost for the same period in 2018/19. This was also the lowest level achieved since 2013/14 (2.76 days/shifts lost). The Head of Human Resources advised the Committee that the Service was in a good position and ahead of target;
- that the Service would need to develop a target for absence for On Call staff but was still collecting data presently and would report to a future meeting on this matter;
- In terms of the different staff categories, absence for On Call staff had increased slightly in the period April to August 2019 from 4.79 days to 5.24 days when compared with the same period in 2019/20. The RAG rating was still amber, however, despite performance being only 9.4% worse than in 2018/19. The Committee enquired as to whether this may be due to motivational issues arising as a result of the proposed changes in service delivery under the Safer Together Programme that had been consulted upon during the summer of 2019 and if so, what course of action the Service was taking to mitigate against this. The Head of Human Resources replied that this was possible but that the Service had taken steps to support staff through this period. The Service had established a range of supporting mechanisms for staff and had increased the number of officer visits to stations.
- Comparative data with other fire and rescue services together and the national statistics from the Chartered Institute for Personnel & Development (CIPD) would be submitted to the Committee in due course;
- Work related injuries were monitored via the Health & Safety department and a separate report was included on the agenda for this meeting for reference;

- It was suggested that the way in which the data for sickness rates by post type was not the most helpful way of reporting sickness absence to the Committee.

Councillor Thomas **MOVED** (seconded by Councillor Peart):

“that an additional recommendation be added to the report to the effect that future sickness rate charts were RAG (Red, Amber, Green) rated against the current target for absence (8 days/shifts lost) and no longer against the previous year actuals”.

The motion was **CARRIED** unanimously.

### **RESOLVED**

- (a) that future sickness rate charts were RAG rated against the current target for absence (8 days/shifts lost) and no longer against the previous year actuals; and
- (b) Subject to (a) above, the report be noted.

### \* **HRMDC/8 Health, Safety & Welfare Report**

The Committee received for information a report of the Director of Governance & Digital Services (HRMDC/19/11) that set out the approach being taken by the Service in respect of the health, safety and wellbeing of its employees with both proactive and reactive monitoring and its performance in this area during 2019/20.

The report was a new report presented to the Committee to reflect the importance being placed on the health, safety and wellbeing of its staff. The Department for Communities and Local Government had set out a framework entitled “Health, Safety and Welfare for the Operational Environment” and the Service had aligned its practices to this. This required clear and positive safety leadership and to this end, the Chair of the Fire & Rescue Authority would be signing an annual Health, Safety and Welfare Policy statement jointly with the Chief Fire Officer.

The new approach facilitated the provision of more information for the Committee regarding the Service’s performance in this area. The Service’s Health and Safety Manager advised the Committee on how the Service was managing health safety and welfare of its staff through both the proactive and reactive monitoring of incidents. The following points were noted:

- Proactive monitoring – this involved the use of a safety management system audit together with workplace inspections and assessment. In 2018/19, the Service had 45 audit areas where it was not compliant but by quarter 2 of 2019/20 (July to September 2019) this had been reduced to 4. In quarter 2 of 2019/20, the Service had 11% of workplace inspection and assessments overdue against a target of 0%;
- Reactive monitoring – the Service undertook monitoring via the Reporting of Injuries, Disease and Dangerous Occurrences Regulations 2013 (RIDDOR) which required the reporting of certain types of work related safety event outcomes such as, amongst others, the death of a worker/non-worker from a work related accident, specific injuries to workers such as fractures, amputations, loss of sight, over 7 day injuries and reportable occurrences such as carpal tunnel syndrome.

In 2019/20 to quarter 2, the Service reported 6 over 7 day injuries, 3 dangerous occurrences and 2 specified injuries. The Service also monitored the number of personal injuries together with vehicle incidents. In quarter 2 of 2019/20, the Service recorded 48 personal injuries compared with 59 in 2018/19. On vehicle incidents, the Service recorded 105 vehicle incidents to quarter 2 of 2019/20 as compared with 188 in 2018/19;

- Work was ongoing in respect of enhancing the Service's safety event reporting mechanisms and a cultural survey had been commissioned in order to ascertain any work necessary to improve the safety culture.

The Committee noted that this was the first report to the Committee on health, safety and welfare and that future reporting would evolve as new mechanisms were implemented.

\* **HRMDC/9 People Strategy & People Development Project**

The Committee considered a report of the Director of Service Improvement (HRMDC/19/12) that introduced the People Strategy to the Authority and set out how it had been created. The report also informed the Committee of the associated work undertaken under the People Development Project within the Safer Together Programme.

The Head of Human Resources advised the Committee upon the steps taken in preparation of the People Strategy. The Service had undertaken workshops and this had resulted in the following areas of focus within the strategy:

- Leadership;
- Inclusion;
- Ways of working;
- Learning and development; and
- Wellbeing.

The Committee received a presentation at the meeting that set out the process involved at the workshops held together with an explanation of the content of each of the strategic themes.

The Head of Human Resources further advised that the Strategy was prepared following the workshop and following feedback from staff and consideration of the Safer Together Change & Improvement Programme. A final version of the Strategy was then prepared and endorsed by the Service's Extended Leadership Team for publication online. A Monitoring and Review group involving a cross section of staff and Trade Union representatives has been established in order to assess the Service's progress on implementation of the Strategy.

The Area Manager (Organisational Development) advised the Committee that the People Development Project under the Safer Together Programme was in progress currently. This project was moving towards completion of a business case to introduce a more joined up approach to how the Service ensured it was recruiting, retaining, supporting and developing the very best people with the right skills, experience, passion and commitment to support these changes both now and in the future.

The three key workstreams within this project were:

- Inspiring leadership;
- Building career pathways; and
- Developing our people.

The Area Manager (Organisational Development) advised the Committee that the overarching Leadership Strategy had been prepared in line with the National Fire Chiefs Council's Leadership Strategy. The presentation at the meeting covered the work that had been undertaken to date during the Project.

\* **HRMDC/10** **Workforce Culture, Diversity & Inclusion - Quarterly Update**

The Committee received for information a report of the Director of Service Improvement (HRMDC/19/13) that set out the progress made in the second quarter of 2019-20 towards achieving a more diverse workforce and a more inclusive working environment.

The Committee noted the following points in terms of:

Inclusive culture/leadership:

- The People Strategy had been published and linked to this, the Diversity & Inclusion Plan for 2019-20 had also been published. This would give a focus to diversity and inclusion objectives for future years to reflect the aims in the People Strategy;
- A Fairness & Respect Policy and "living the values" guidance had also been published to provide a framework for staff in terms of the Service's culture and how staff were expected to treat one another;
- The People Impact Assessment (PIAs) project had undergone extensive trials and learning points had been identified as a result. Wider implementation of the PIAs would be instigated shortly;
- A Dignity at Work review had been instigated by the Estates Department to identify whether Service premises complied with legal requirements and provided dignity for staff in their work locations. The lightweight Personal Protective Equipment (PPE) project had found that many female operational staff had not been issued with or wearing female specific PPE and this would now be addressed.

Recruitment, Promotion & Retention:

- In support of both the Integrated Risk Management Plan and the Fire & Rescue Plan, multiple initiatives had been instigated or were planned to increase diversity in the workforce;
- In terms of On Call, an analysis of the relative levels of success in recruitment practices had been completed. The findings had been utilised to review and refine the On Call recruitment process and the role of service delivery within this;
- A Recruitment Working Group had been established and was working towards the planning of positive action, initiation of new recruitment processes and preparation of a communications plan;

- The Government Equality Office had released guidance in respect of how to reduce the gender pay gap, highlighting the importance of creating an inclusive culture and supporting women's careers and progress for part time workers. Within this, a sponsorship programme had been instigated for women and the Service was collaborating with Devon & Cornwall Constabulary, Dorset Constabulary and Devon County Council to facilitate implementation of the Programme.

Community Inclusion:

- In relation to the recent consultation exercise in respect of the Service Delivery Operating Model proposals, a wide range of consultation exercises had been undertaken within local communities;
- Specific engagement events were undertaken with groups of people who may be impacted by the proposed changes to the Service delivery model such as the Devon Disability Network, Taunton Together and the Gypsy and Traveller community;
- An internal Consultation & Engagement Task to Finish Group had been established to increase the efficiency and consistency of campaign messages and also to prevent consultation overload.

The Committee enquired as to the percentage of white, British, heterosexual male applicants in previous recruitment exercises. The Diversity & Inclusion Manager advised that she did not have this information to hand but she was aware that it was a high percentage. The Deputy Chief Fire Officer added that it was recognised that recruitment had been dominated largely by white, British, heterosexual males as in other fire and rescue services and that national work was ongoing via the NFCC to address this. The Service was aware of the need to work on this actively but this was not an issue that would be solved in the short term. It was anticipated that the work being undertaken within the Service on its People Strategy would assist with retention as well as recruitment of staff but it was recognised that there were challenges to be overcome in terms of culture.

\* HRMDC/11

**Requests for Retirement and Re-employment**

The Committee considered a report of the Director of Service Improvement (HRMDC/19/14) setting out requests for retirement and re-employment in accordance with the approved Pay Policy Statement for 2019/20. The Committee also considered an additional request for retirement and re-employment as set out within a supplementary report (HRMDC/19/14(a)).

**RESOLVED** that the requests for retirement and re-employment as set out within reports HRMDC/19/14 and HRMDC/19/14(a) be approved.

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

The Meeting started at 10.00 am and finished at 12.07 pm

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## **AUDIT & PERFORMANCE REVIEW COMMITTEE**

(Devon & Somerset Fire & Rescue Authority)

13 November 2019

### Present:-

Councillors Clayton, Napper, Prowse (Vice-Chair), Saywell and Wheeler

### Apologies:-

Councillors Healey MBE (Chair)

NB. Councillor Prowse took the Chair for this meeting in the absence of Councillor Healey MBE.

#### \* **APRC/8**

##### **Minutes**

**RESOLVED** that the Minutes of the meeting held on 19 July 2019 be signed as a correct record.

#### \* **APRC/9**

##### **External Audit**

##### \* a **Audit Progress - Request for a Late Audit**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (APRC/19/16) that set out further information on a request received from the external auditor, Grant Thornton, for a late audit of the Authority's financial statements in 2020.

Barrie Morriss, representing Grant Thornton, was present at the meeting and he gave an overview of the main reasons behind the request made to the Authority for a late audit. These included:

- That the bringing forward of publication of the Statement of Accounts to 31 July was untenable for external auditors given the availability of quality resources to help meet public sector demand;
- Although Grant Thornton had outperformed other external auditors (63% of its audits delivered by 31 July as opposed to a 58% average in the sector) it was still requesting a late audit for the Authority on the basis that it had fewer issues to be resolved (i.e. financial management and internal controls were of a good standard) and this would allow more time for Grant Thornton to focus on other, less compliant clients;
- This was a sector wide issue and agreeing to the request for a late audit would not prejudice the Authority's ability to publish its accounts in compliance with the Account & Audit Regulations 2015 and would not be a reflection on the Authority's performance.

The Director of Finance & Resourcing (Treasurer) advised the Committee of her reservations in respect of the request made for a late audit. These were primarily surrounding the points:

- that the Home Office was collating a list of those authorities that did not meet the requisite audit publication date and that the Public Sector Audit Appointments (PSAA) may choose to publish this in 2020 so there was a potential reputational risk for this Authority; and
- that this may increase pressure on the Finance team as pushing the audit of financial statements to late September would begin to clash with the start of the budget setting process.

It was noted that the Director of Finance & Resourcing would, however, work closely with Grant Thornton to ensure that the requisite statement on publication of a late audit would reflect the reasons behind this clearly should the Committee be minded to agree this. The Director of Governance & Digital Services added that the purpose of the audit was to provide assurance and, if agreeing to a late audit would assist the auditors in the performance of their duties, it could be justified as being in the general public interest.

Councillor Saywell **MOVED** (seconded by Councillor Wheeler):

“that the request made by Grant Thornton for a late audit in 2020 be approved and that the Director of Finance & Resourcing be delegated authority to publish a revised audit notice by 31 July 2020 stating clearly the reasons behind this”.

The motion was **CARRIED** unanimously.

**RESOLVED** that the request made by Grant Thornton for a late audit in 2020 be approved and that the Director of Finance & Resourcing be delegated authority to publish a revised audit notice by 31 July 2020 stating clearly the reasons behind this.

\* b **External Audit Progress Report and Sector Update**

The Committee received, for information, an external audit progress report and sector update from Grant Thornton (the Authority’s external auditor) covering, amongst other areas:

- The completion of the financial statements audit by 31 July 2019 and value for money assessment;
- The 2019-20 audit deliverables;
- a sector report highlighting Grant Thornton publications, insights from local government sector specialists, reports of interest and accounting and regulatory update;
- Her Majesty’s Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) news;
- Chartered institute of Public Financial Accountants (CIPFA) – Chief Fire Officer confidence survey;
- Minister for Housing, Communities and Local Government – an independent probe into local government audit and Brexit preparations; and
- National Audit Office – Code of Audit Practice.

\* c **Annual Audit Letter**

The Committee received for information the Authority's Annual Audit Letter for the year ended 31 March 2019 as submitted by the Authority's external auditor, Grant Thornton.

Barrie Morriss, representing Grant Thornton, drew attention to the work that had been undertaken with the Authority during the year, including the Statement of Accounts and the Value for Money conclusion, both of which had received an unqualified opinion.

\* **APRC/10** **Audit & Review 2019/20 Progress Report**

The Committee received for information a report of the Director of Governance & Digital Services (APRC/19/17) that set out the progress made to date by the Service against the approved 2019-20 Internal Audit Plan and which also provided an update on any additional reviews undertaken.

The Audit & Review Manager drew attention to the final report on the Fleet Review which was a repeat audit. He indicated that this area was still requiring improvement but that there was a positive direction of travel with a lot of actions implemented but not embedded yet. It was expected that it may be up to 2 years before the benefits would be realised fully. Reference was also made to the work being undertaken by the Operational Assurance team on reviewing systems and processes which would impact on the reporting of any trends identified in the future.

\* **APRC/11** **Corporate Risk Register**

The Committee received for information a report of the Director of Governance & Digital Services (APRC/19/18) on the Corporate Risk Register and specifically, any new risks added within the previous six months.

The report identified that the Service risk profile had changed in the last six months. The corporate risk register entries totalled nine with one new risk (added in July 2019) in respect of Firefighter Fitness (CR054). Risk CR052 (industrial action) had reduced as a result of the 2019 Firefighters' pay award being accepted. The risk of a "no deal" Brexit has also been de-escalated because of the decision by the EU to agree an extension to 31 January 2020.

The report identified that the Service risk profile had changed in the last six months. The corporate Risk register entries totalled nine now with one new risk (added in July 2019) in respect of Firefighter Fitness (CR054). Risk CR052 (industrial action) had reduced now as a result of the 2019 Firefighters' pay award being offered and accepted. The risk of a "no deal" Brexit has also been de-escalated currently due to the decision by the EU to agree an extension to 31 January 2020.

\* **APRC/12** **Devon & Somerset Fire & Rescue Service Performance Report: April to September 2019/20**

The Committee received, for information, a report of the Director of Service Improvement (APRC/19/19) to which was appended the Service performance report covering the Period April to September 2019. 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.

The status on performance for the period April to September 2019 was included in the report which showed that four measures were positive, two were being monitored and two were in negative exception. The two measures in negative exception were:

- Fire related deaths where people live; and
- Fire related deaths where people work, visit and in vehicles.

Further detail on the reasons behind these measures being in negative exception were set out within the report.

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

The Meeting started at 10.00 am and finished at 11.17 am

## RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

21 November 2019

### Present:-

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

### Apologies:-

Councillors Biederman and Yabsley

\* **RC/7**            **Minutes**

**RESOLVED** that the non-restricted Minutes of the meeting held on 4 September 2019 be signed as a correct record.

\* **RC/8**            **Treasury Management Performance 2019-20 - Quarter 2**

*NB. Adam Burlerton, representing Link Asset Services - the Authority's treasury management adviser – was present for this item of business.*

The Committee received for information a report of the Director of Finance & Resourcing (RC/19/18) that set out the Authority's performance relating to the second quarter of 2019-20 (to September 2019) in accordance with the Treasury Management in Public Service Code of Practice (published by the Chartered Institute of Public Finance and Accountancy {CIPFA}) and the CIPFA Prudential Code. The report set out how this Authority was demonstrating best practice in accordance with these Codes.

During consideration of this item, the following points were noted:

- there was concern in respect of the general weakening of growth in the major world economies including the United States and the European Union;
- The UK had seen growth of 0.5% in quarter 1 but this was boosted by stock building ahead of the original March Brexit deadline so it was expected that quarter 2 would be slightly negative and it came in at -0.2%;
- The bank base rate was not forecast to change for at least 12 months with inflation below target at 1.5%;
- That the annual treasury management strategy continued on a prudent approach, being underpinned by investment priorities based on security of capital, liquidity and yield with investment income of £0.098m in quarter 2 outperforming the LIBID benchmark rate of 0.66% by 0.19bp;
- None of the Prudential Indicators (affordability limits) had been breached in quarter 2 with external borrowing at 30 September 2019 being £25.491m, forecast to reduce to £25.444m by the end of the financial year with no new borrowing undertaken.

\* **RC/9**      **Financial Performance Report 2019-20 - Quarter 2**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/19/19) that set out the Service's financial performance during the second quarter of 2019-20 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2019-20 revenue budget with explanation of the major variations.

The Committee noted that it was forecast that spending would be £0.508m (0.68%) less than budget. The Director of Finance & Resourcing (Treasurer) advised this was attributable largely to savings on the Fire Service Pension Recharge (£0.156m), an underspend on equipment and furniture budget (£0.155m) and an increase in the Authority's investment income (£0.071m) due to prudent investment planning by the Finance team.

The Director of Finance (Treasurer) also drew attention to proposed budget transfers totalling £1.187m as set out at Table 3 of the report.

**RESOLVED**

- (a) That the budget transfers shown in Table 3 of report RC/19/19 be approved;
- (b) That the monitoring position in relation to projected spending against the 2019-20 revenue and capital budgets be noted; and
- (c) That performance against the 2019-20 financial targets be noted.

\* **RC/10**      **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 Dr Sian George and Lisa Compton {Red One Ltd} and Councillors Saywell and Thomas {Authority appointed Non-Executive Directors on the Board of Red One Ltd.}) be excluded from the meeting for the following 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/11**      **Restricted Minutes of Resources Committee held on 4 September 2019**

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

*NB. Councillors Saywell and Thomas were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Dr Sian George) but did not speak.*

**RESOLVED** that the Restricted Minutes of the meeting held on 4 September 2019 be signed as a correct record.

\* RC/12

**Red One Limited Financial Performance 2019-20: Quarter 2**

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

*NB. Councillors Saywell and Thomas were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Dr Sian George).*

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) and Dr Sian George (Chair of the Board of Red One Ltd.) (RC/19/20) on the financial performance of Red One Ltd. in quarter 2 of 2019-20.

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

The Meeting started at 10.00 am and finished at 11.35 am

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## **APPRAISALS AND DISCIPLINARY COMMITTEE**

(Devon & Somerset Fire & Rescue Authority)

7 February 2020

### Present:

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

### Also in attendance:

Bryony Houlden (Chief Executive, South West Councils) – Independent Advisor to the Committee.

\* **ADC/4**

### Minutes

**RESOLVED** that the public Minutes of the meeting held on 2 August 2019 be signed as a correct record.

\* **ADC/5**

### 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) 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 the following Paragraph(s) of Part 1 of Schedule 12A (as amended) to the Act:

#### ***For Minute \*AD/6:***

- Paragraph 1 (information relating to an individual);
- Paragraph 2 (information likely to reveal the identity of an individual); and
- Paragraph 3 (information relating to the financial and business affairs of any particular person – including the authority holding that information).

#### ***For Minute \*AD/7:***

- Paragraph 1 (information relating to an individual).

\* **ADC/6**

### Exempt Minutes of the meeting held on 2 August 2019

(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).

**RESOLVED** that the exempt Minutes of the meeting held on 2 August 2019 be signed as a correct record.

\* **ADC/7**

### Appraisal of 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).

The Committee, assisted by Bryony Houlden (Independent Advisor to the Committee), conducted an appraisal of Chief Fire Officer Lee Howell. To assist with this, the Committee had been provided in advance with:

- a copy of the note prepared by the Independent Advisor following the last appraisal in May 2019. This contained information on achievements during 2018-19 and objectives, challenges and personal developmental issues for 2019-20; and

- an update document prepared by the Chief Fire Officer on performance in 2019-20 and potential objectives and priorities for 2020-21.

**RESOLVED**

- (a). that the objectives, priorities and developmental matters for 2020-21 as approved by the Committee following the appraisal be progressed;
- (b). that the appraisal in meeting those objectives, priorities and developmental matters as set for 2019-20 be noted.

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

The Meeting started at 2.30 pm and finished at 4.40 pm

# Agenda Item 8

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/20/2</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>18 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>MEDIUM TERM FINANCIAL PLAN</b>
<b>LEAD OFFICER</b>	<b>Director of Finance &amp; Resourcing (Treasurer)</b>
<b>RECOMMENDATIONS</b>	<b><i>That the Devon &amp; Somerset Fire &amp; Rescue Authority be recommended to endorse the Medium Term Financial Plan as appended to this report.</i></b>
<b>EXECUTIVE SUMMARY</b>	<p>The requirement to produce and publish a Medium Term Financial Plan is included in the current iteration of the Fire &amp; Rescue National Framework for England.</p> <p>The document now attached outlines funding, income and expenditure forecasts for the Authority for the next five financial years (to 2024-25). The Plan identifies how the financial forecast is constructed (including funding sources and expenditure/cost pressures) together with savings targets over the period covered and the Change &amp; Improvement Programme (Safer Together) which will be the principal vehicle for delivering these savings.</p> <p>As such, the Medium Term Financial Plan should be considered alongside the Safer Together Programme (which aims to deliver against those objectives in the community-facing Integrated Risk Management Plan and organisation-facing Fire &amp; Rescue Plan) and the Reserves Strategy.</p> <p>The Medium Term Financial Plan will be updated at least annually as part of the budget setting process and will be refreshed more frequently as soon as any information making a material difference becomes available.</p> <p>An earlier version of this report was considered by the Resources Committee (Budget meeting) on 13 February 2020. Any recommendations from that meeting will be reported at this meeting for consideration alongside the contents of this report.</p>
<b>RESOURCE IMPLICATIONS</b>	As set out in the Medium Term Financial Plan appended to this report.
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	The contents of this report are considered compatible with existing Equalities and Human Rights legislation.
<b>APPENDICES</b>	A. Medium Term Financial Plan

<b>LIST OF BACKGROUND PAPERS</b>	Fire & Rescue Plan Integrated Risk Management Plan Report RC/19/10 (Reserves Strategy 2019-20) to the Resources Committee meeting on 15 May 2019, together with the Minutes of that meeting and the Minutes of the Authority Ordinary Meeting held on 7 June 2019 Fire & Rescue National Framework for England 2018
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### Introduction

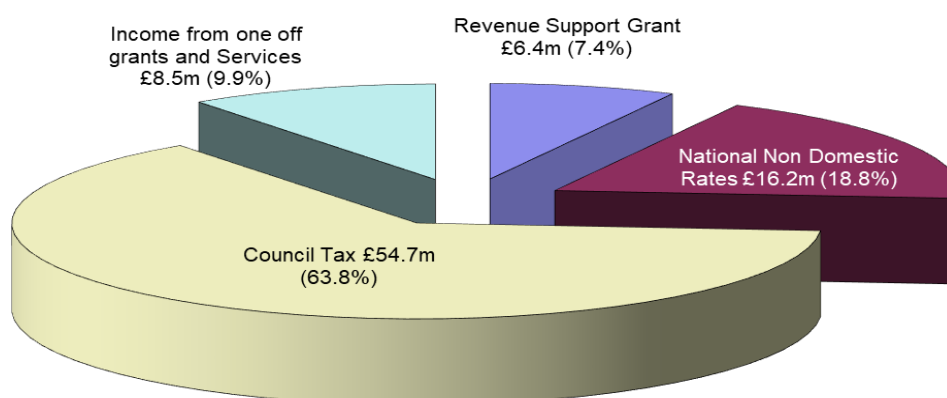
Devon & Somerset Fire & Rescue Authority (the Authority) covers a diverse geographical area across two counties; with large towns and cities, market towns and isolated rural areas together with major roads and two extensive lengths of coastline. The current budget of £77.3m is used to resource 83 fire stations, 112 fire engines in addition to numerous special appliances. Over 2,000 staff deliver fire prevention and protection activity, respond to emergency calls and incidents and provide professional support functions. The Authority is progressing an ambitious change programme which will result in better alignment of resources to risk and see a significant investment in our On Call service. 2020/21 is the first year where the Authority will be budgeting for the new operating model and uses reserves to offset some of the investment, with benefits being realised over the medium term.

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

### Funding and Income

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

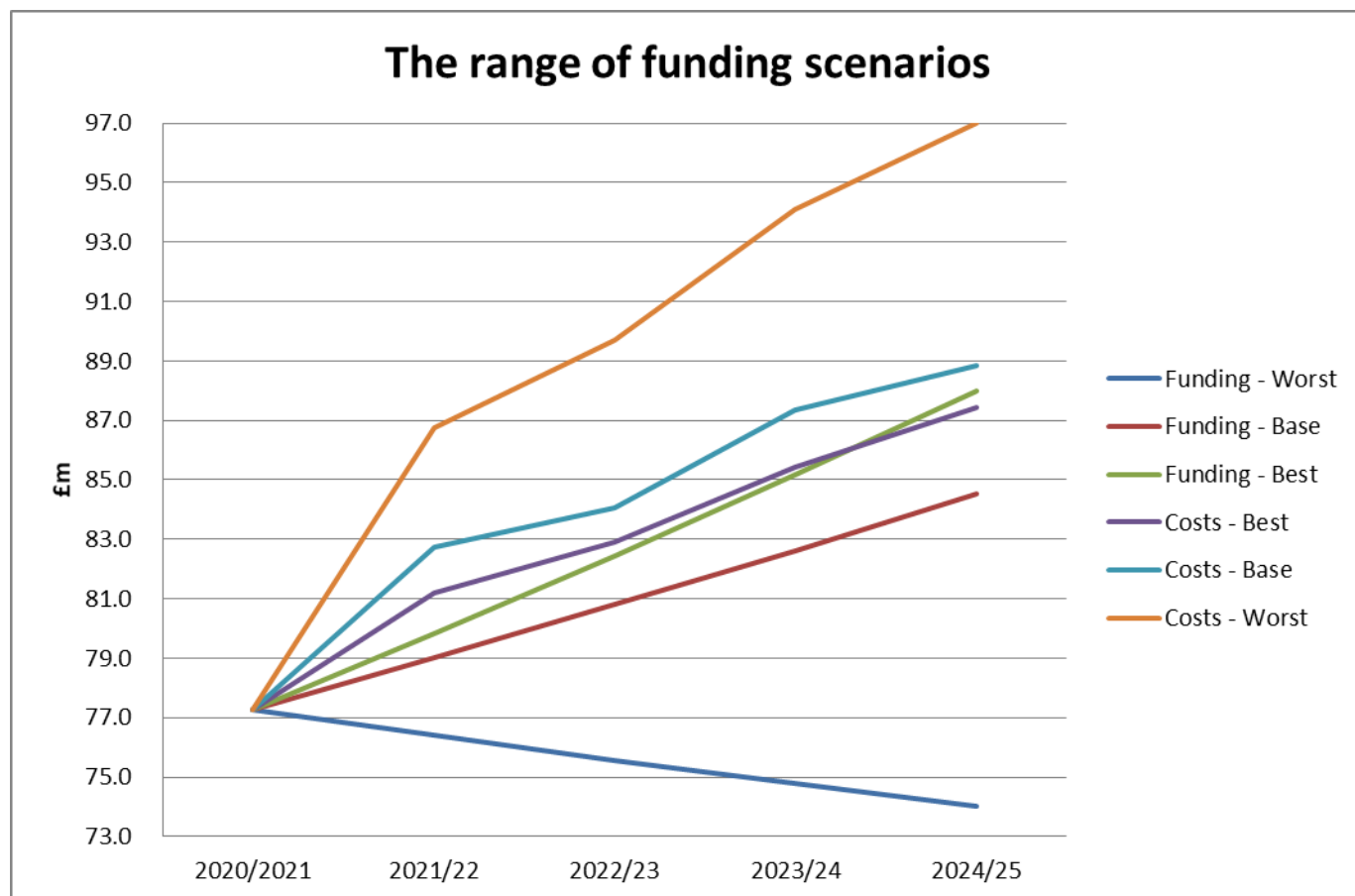
Devon & Somerset Fire & Rescue Authority - Analysis of Funding 2020/21



**Building the Medium Term Financial Forecast**

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

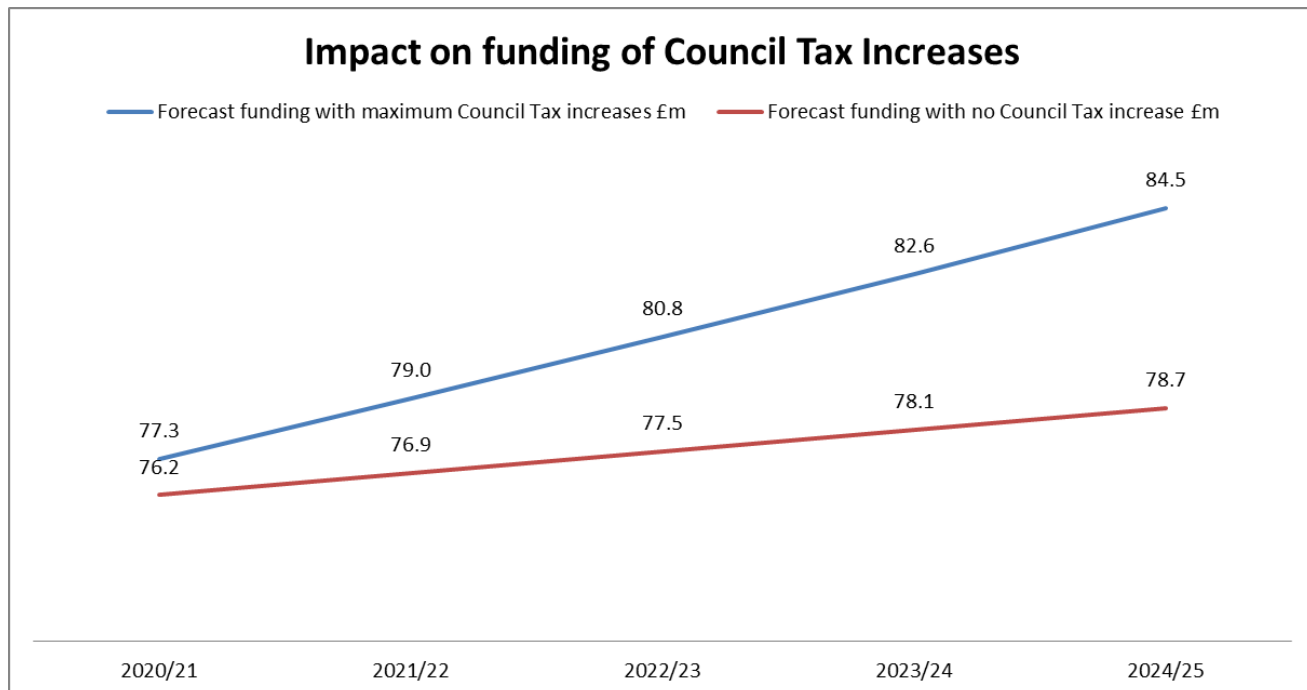
- In the Worst case; government grants are cut, pay and inflation see a steep increase, pension costs are unfunded , Council Tax is frozen and the base doesn’t grow.
- In the Best case; government grants, pay and inflation remain steady, pension costs are funded and Council Tax is increased every year, with the council tax base achieving the 2% growth estimated by government.
- In the Base case, which is presented here; government remain static, pay and inflation remain steady, pension costs are funded and Council Tax growth tracks at the average for the area. This is what we consider to be the most likely scenario.
- The Base case is presented to the Authority with options over Council Tax and where savings targets are fed back into the budget setting process each year.



The range of scenarios presented in the chart above demonstrates that the savings gap (the difference between funding and costs) could vary from a deficit of £23m to a benefit of £0.6m over the next five years. The base case represents the most likely scenario and informs the Medium Term Financial Plan. Because the Plan is reviewed annually, variations can be built in and projections are refined at regular intervals, short term exceptions can also be smoothed out using reserves.

## Medium Term Financial Plan 2020-21

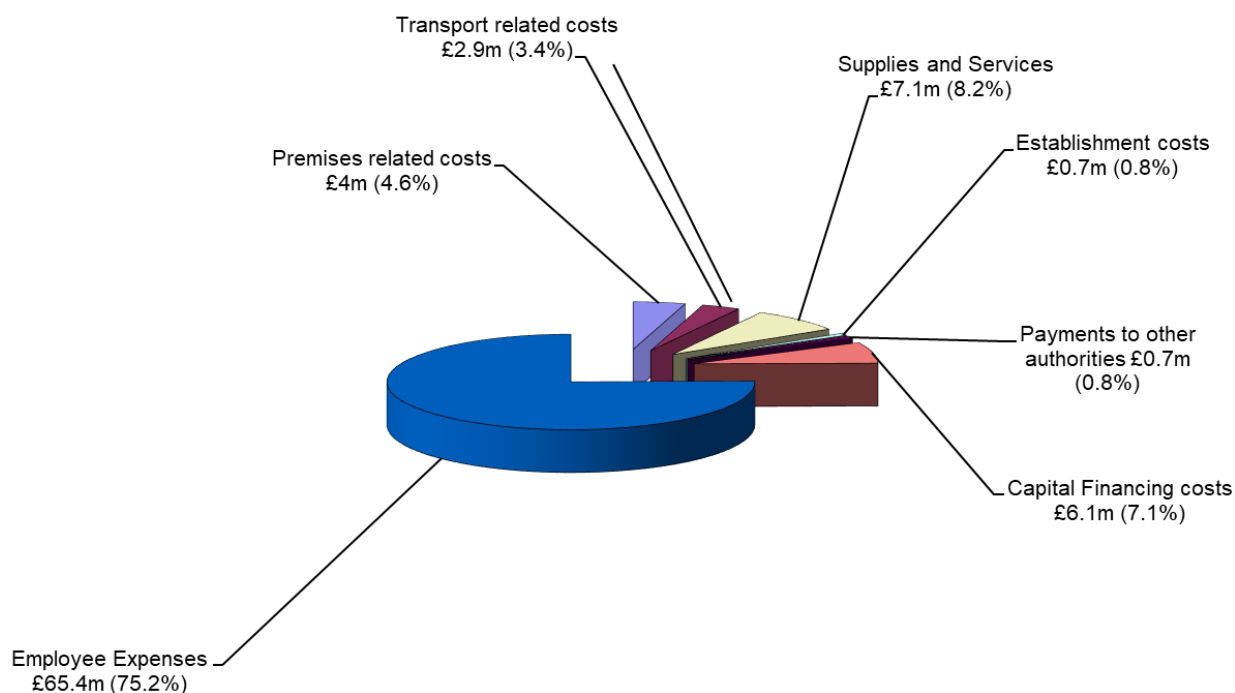
**Funding:** When building the five year forecast, assumptions are made about each of the funding sources and how they may change in the coming years. A range of scenarios can then be used to calculate the anticipated funding available. The Authority only has direct control over the level of Council Tax raised each year and the following graph shows the impact on funding of maximum raises against no increases, which could amount to a difference of £5.8m over the next five years.



**Expenditure:** Assumptions are also made about forecast expenditure. The Authority can control some of its costs by managing its budget effectively; other elements are dependent on national drivers such as inflation, superannuation (pension) costs and pay awards. Expenditure is shown in the chart below and highlights that 75.2% of our costs are related to employees, meaning that increases in this area can have a significant impact on the budget.

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

Devon & Somerset Fire & Rescue Authority - Analysis of Spending 2020/21

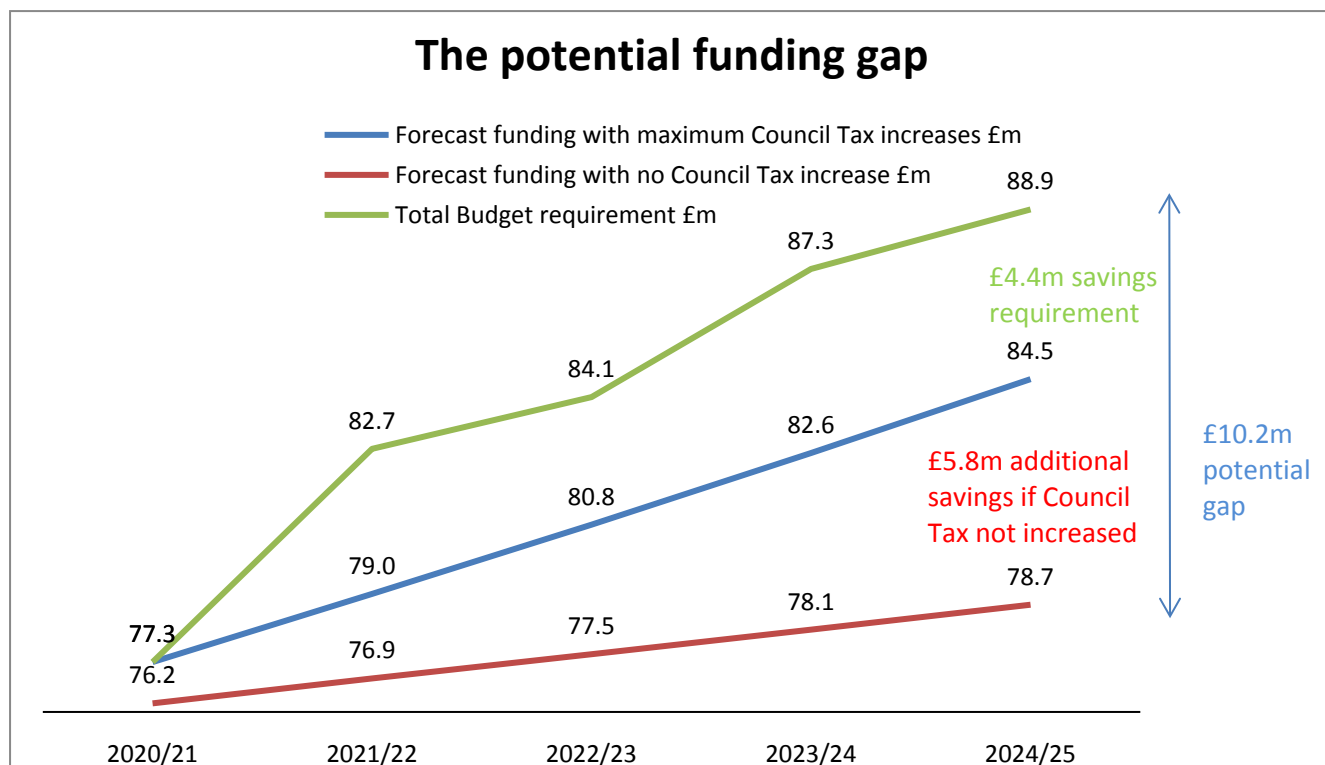


**Cost Pressures:** The medium term financial forecast identifies the following cost pressures within the next five years which are added to the current budget to reach the future budget requirement:

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

The most significant cost pressure at time of writing is firefighters' superannuation costs, which have increased to 30.4% of pay following the latest governmental valuation and which equates to approximately £4.1m per year extra. Whilst the majority of this increase (£3.9m) will be covered by one-off central government grant in 2020/21, the future position is uncertain. If the full cost is to be covered locally it will have a material impact on the Authority's finances.





#### Savings targets and the Safer Together Programme

The chart above shows the gap between potential funding available versus the budget requirement, including cost pressures. This is known as the funding gap. Over five years the funding gap could reach £10.2m if Council Tax is frozen, falling to £4.4m if increased in line with assumed referendum limits set by HM Treasury.

The Authority has an excellent history of achieving savings targets, with £13.5m saved over the five years to 2019/20 and also delivered in year savings which have been transferred to reserves.

Given the big challenge posed by the funding gap and the need to reform the Service, plans have been approved to future proof the organisation and deliver budget savings. The Fire and Rescue Plan describes what needs to change (and why) and together with the Integrated Risk Management Plan this has informed the development of the Safer Together Programme. The programme is the principal vehicle for realising the financial savings required to close the funding gap but the purpose is to improve the service to our communities. The changes to the Service Delivery Operating Model agreed in January 2020 will in fact represent an increase in costs rather than any overall savings as a result of investment in On Call Pay for Availability. The full Fire and Rescue Plan can be found at [http://www.dsfire.gov.uk/AboutUs/WhatWeDo/OurCorporatePlan/documents/OurFireRescuePlan\\_000.pdf](http://www.dsfire.gov.uk/AboutUs/WhatWeDo/OurCorporatePlan/documents/OurFireRescuePlan_000.pdf).

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

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

## **Medium Term Financial Plan 2020-21**

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

### **Service Delivery Operating Model**

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

This programme is designed to deliver the following key benefits:

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

### **The Digital Strategy**

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

The development and implementation of the Digital Strategy will provide clarity on the digital solutions that are required to enable service improvements, support new ways of working and to realise savings.

This work stream is designed to deliver the following key benefits:

- Efficiencies leading to financial savings
- Improved compatibility and simplification of existing systems
- Staff will have ready access to comprehensive, accurate, up to date information
- Enhanced use of mobile technology that reflects people's everyday use of technology
- Increased automation, reduced duplication and improved productivity
- Improved information management and security

### **Management of Fleet and Equipment.**

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

This work steam is designed to deliver the following key benefits:

## Medium Term Financial Plan 2020-21

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

### Learning and Development

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

This work stream is designed to deliver the following key benefits:

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

### Summary

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

### Glossary and methodology for calculating assumptions

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

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

- The amount of Council Tax Precept that each household pays is set by the Authority each year and in 2020/21 is subject to a maximum of 1.99% increase (any increase above that level would require a local referendum to be held).
- The number of households in the area (the Council Tax Base) which is estimated based on housing growth.
- The success of billing authorities in collecting their Council Tax; each authority will have a surplus or deficit on their collection fund, a proportion of which is passed on to the Authority (Council Tax Surplus/Deficit).

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

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

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

**Revenue Support Grant** is received directly from central government and is based on the Settlement Funding Agreement which is determined based on analysis of spending requirement across English Fire Services. The Settlement Funding Agreement can be set annually or for a longer period. In 2016/17 a four year funding settlement was offered and accepted by the Authority, which meant that there was certainty over the Revenue Support Grant up to 2019/20. A one year settlement was made for 2020/21. Beyond that period assumptions have to be made as to the level of grant income to be received.

## Medium Term Financial Plan 2020-21

Medium Term Financial Plan Assumptions	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax Precept	1.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Base	1.15%	1.20%	1.20%	1.20%	1.20%
Council Tax Surplus	-5.00%	0.00%	-5.00%	-5.00%	-5.00%
National Non-Domestic Rates	0.00%	0.00%	0.00%	0.00%	0.00%
Revenue Support Grant	1.70%	0.00%	0.00%	0.00%	0.00%
<b>Total Impact on net funding £m</b>	<b>2.1</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>
<b>Forecast funding with maximum Council Tax increases £m</b>	<b>77.3</b>	<b>79.0</b>	<b>80.8</b>	<b>82.6</b>	<b>84.5</b>
<b>Forecast funding with no Council Tax increase £m</b>	<b>76.2</b>	<b>76.9</b>	<b>77.5</b>	<b>78.1</b>	<b>78.7</b>

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

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

### Cost Pressures:

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

**Inflation.** The Authority is responsible for funding inflationary increases'. The rate is set for pensions on an annual basis (1.7% for 2020/21) and prices for goods and services may fluctuate depending on the contract in place for purchasing them.

**Superannuation.** The Authority is responsible for paying employer pension contributions (also known as superannuation) which are based on a percentage of pensionable pay. There are several pension schemes for firefighters and support staff and the employer contribution percentage rates are determined every three years via an actuarial valuation. Superannuation currently accounts for around 20% of expenditure on employee costs so variations to rates can have a significant impact. Estimated increases are included in the Medium Term Financial Plan as a cost pressure.

**Capital Programme.** Significant purchases of assets costing £20,000 or more with a useful life beyond one year are classified as Capital expenditure. Can include purchasing vehicles and equipment, building new stations, extensions and major refurbishment, as well as ICT infrastructure.

## Medium Term Financial Plan 2020-21

<b>Medium Term Financial Plan Assumptions</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Firefighter pay awards	2.00%	2.00%	2.00%	2.00%	2.00%
Support staff pay awards	2.00%	2.00%	2.00%	2.00%	2.00%
Inflation and Pensions	1.70%	2.00%	2.00%	2.00%	2.00%
Superannuation (to be funded locally)	14.00%	14.00%	14.00%	14.00%	114.00%
<b>Cost Pressures £m</b>	<b>2.1</b>	<b>5.5</b>	<b>1.3</b>	<b>3.3</b>	<b>1.5</b>
<b>Total Budget requirement £m</b>	<b>77.3</b>	<b>82.7</b>	<b>84.1</b>	<b>87.3</b>	<b>88.9</b>

# Agenda Item 9

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/20/3</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>18 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>CAPITAL STRATEGY</b>
<b>LEAD OFFICER</b>	<b>Director of Finance &amp; Resourcing (Treasurer)</b>
<b>RECOMMENDATION</b>	<b><i>That the Authority endorses the Capital Strategy as set out in this report.</i></b>
<b>EXECUTIVE SUMMARY</b>	The 2017 Prudential Code included the requirement for all Local Authorities to produce an annual capital strategy that is agreed by the Authority. The capital strategy is a key document for the Authority and forms part of the financial planning arrangements, reflecting the priorities set out in the Fire & Rescue Plan and the Medium-Term Financial Strategy. It provides a high level overview of how capital expenditure and the way it is financed, contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance process for approval and monitoring of capital expenditure.
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report.
<b>EQUALITY IMPACT ASSESSMENT</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	Nil.
<b>LIST OF BACKGROUND PAPERS</b>	The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017

## **1. INTRODUCTION**

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 included a new requirement for local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with the Service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.
- 1.2. The capital strategy is a key document for the Authority and forms part of the financial planning arrangements, reflecting the priorities set out in the Fire & Rescue Plan and the Medium-Term Financial Strategy. It provides a high level overview of how capital expenditure and the way it is financed contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance process for approval and monitoring of capital expenditure.
- 1.3. An earlier version of this report was considered by the Resources Committee (Budget meeting) on 13 February 2020. Any recommendations from that meeting will be reported at this meeting for consideration alongside the contents of this report.

## **2. CAPITAL EXPENDITURE**

- 2.1. Capital expenditure is incurred on the acquisition or creation of assets that yield benefits for a period of more than one year and carry significant cost; for this Authority the capital de minimis level is set as £20,000. It includes land, new buildings, enhancement to existing buildings within the estate and the acquisition of vehicles and major items of equipment. Intangible assets such as software can also be classed as capital expenditure; this is in contrast to revenue expenditure which represents spending on day to day running costs such as salaries, heat and light.

## **3. CAPITAL EXPENDITURE COMPARED TO TREASURY MANAGEMENT INVESTMENTS**

- 3.1. Treasury Management investments arise from the organisation's cash flows and debt management activity, and ultimately represent balances which can be invested until the cash is required for use in the course of business. As an example, the Authority sets aside an amount each year to reflect the usage of an asset (Minimum Revenue Provision – see Section 17 below). This amount is invested but cannot be used to fund future capital expenditure as it is required to pay off a loan on maturity.
- 3.2. For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the annual Treasury Management Strategy Statement.
- 3.3. Performance on Treasury Management investments is reported to the Resources Committee at the end of each quarter.



#### **4. CAPITAL REQUIREMENTS**

- 4.1. This Authority has experienced significant revenue grant reductions since 2010 and no longer receives any capital grant. With further revenue grant reductions a possibility and increasing cost pressures, new ways of working are being implemented so that the Service can address the risks within our communities and balance the budget. The Safer Together programme has identified those risks and helps quantify the resources needed in terms of premises and vehicles that are needed in each location. The Integrated Risk Management Plan (IRMP), along with the Fire and Rescue National Framework, identifies emerging challenges such as the continued threat of terrorism, the impacts of climate change and impacts of an ageing population.
- 4.2. The Authority currently has 85 fire stations across the counties of Devon and Somerset, two of these are due to close in 2020/21 as part of the Safer Together Programme.
- 4.3. Currently, the Service has 121 front-line fire engines (which will reduce to 112 in 2020/21) and 19 Special Appliances, many of these have surpassed their economic life. Ensuring prioritisation over where capital resources are used to best utilise our Estate and Fleet of vehicles is paramount.

#### **5. PROJECT INITIATION**

- 5.1. Capital projects are subject to a robust justification process, bringing together a clear business case with sufficient detailed costings to ensure transparent decisions can be taken.
- 5.2. Proposals are commissioned by the Executive Board and then monitored through regular meetings between capital leads, procurement and finance officers. The Safer Together Programme Board considers variations to plan and monitors milestones.
- 5.3. A formal process of project management is followed with a project manager or building surveyor assigned to each Capital scheme to ensure they are subject to thorough oversight for the duration of the project. The project manager will oversee planning, delivery, management, skills assessment and governance of capital projects.
- 5.4. Capital projects will be assessed for:
- Strategic fit – corporate objectives are being met by the expenditure;
  - Identified need – e.g. vital repairs and maintenance to existing assets;
  - Achievability – this may include alternatives to direct expenditure such as partnerships;
  - Affordability and resource use – to ensure investment remains within sustainable limits;
  - Practicality and deliverability; and
  - Resource time is assessed when considering projects to ensure both delivery of projects and day-to-day work is covered.

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

## 6. THE SERVICE CAPITAL PROGRAMME 2020/21 – 2024/25

- 6.1. The Service capital programme for 2020/21 – 2024/25 is considered annually and is set out in Table 1 below.

Capital Programme 2020/21 to 2024/25									
2019/20 £000 Budget	2019/20 £000 Forecast Outturn	Item	PROJECT	2020/21 £000 Budget	2021/22 £000 Budget	2022/23 £000 Budget	2023/24 £000 Indicative Budget	2024/25 £000 Indicative Budget	
			<b>Estate Development</b>						
1,117	352	1	Site re/new build (subject to formal authority approval)	3,495	500	0	0	0	
3,902	937	2	Improvements & structural maintenance	5,423	4,100	6,100	3,800	3,700	
		3	Optimism bias	(2,700)	1,300	(400)	1,800		
<b>5,019</b>	<b>1,289</b>		<b>Estates Sub Total</b>	<b>6,218</b>	<b>5,900</b>	<b>5,700</b>	<b>5,600</b>	<b>3,700</b>	
			<b>Fleet &amp; Equipment</b>						
1,793	0	4	Appliance replacement	5,034	3,200	1,600	2,200	3,300	
1,134	1,089	5	Specialist Operational Vehicles	300	3,600	1,100	1,100	900	
553	380	6	Equipment	0	0	0	0	0	
268	92	7	ICT Department	176	300	0	0	0	
46	0	8	Water Rescue Boats	46					
		9	Optimism bias	(1,100)	(300)	900	500		
<b>3,794</b>	<b>1,561</b>		<b>Fleet &amp; Equipment Sub Total</b>	<b>4,456</b>	<b>6,800</b>	<b>3,600</b>	<b>3,800</b>	<b>4,200</b>	
<b>8,813</b>	<b>2,850</b>		<b>Overall Capital Totals</b>	<b>10,674</b>	<b>12,700</b>	<b>9,300</b>	<b>9,400</b>	<b>7,900</b>	
			<b>Programme funding - revenue funding at £2.037m</b>						
4,195	0	10	Earmarked Reserves:	7,055	8,646	5,904	135	0	
2,614	846	11	Revenue funds:	2,037	2,037	2,037	2,037	2,037	
0	0	12	Capital receipts:	60	0	0	0	0	
2,004	2,004	13	Borrowing - internal	1,522	2,017	1,359	1,276	1,672	
		14	Borrowing - external				5,952	4,191	
<b>8,813</b>	<b>2,850</b>		<b>Total Funding</b>	<b>10,674</b>	<b>12,700</b>	<b>9,300</b>	<b>9,400</b>	<b>7,900</b>	

## **7. FUNDING THE CAPITAL PROGRAMME**

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

## **8. REVENUE FUNDING**

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

## **9. PRUDENTIAL BORROWING**

- 9.1. The Authority is permitted to take out regulated external borrowing. The Local Government Act 2003 refers to affordability and the requirement that the local authorities in England and Wales keep under review the amount of money they borrow for capital investment.
- 9.2. The Code requires that "The local authority shall ensure all of its capital and investment plans and borrowing are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt (including Minimum Revenue Provision) and consideration of risk and the impact on the overall fiscal sustainability". The impact of borrowing is outlined within the Treasury Management Strategy Statement and monitored by the Resources Committee on a quarterly basis.

## **10. RESERVES**

- 10.1. It has been the strategy of the Authority to utilise revenue contribution to fund capital expenditure. Following approval by the Authority, an amount of the in-year revenue budget underspend has been set-a-side and moved in to a Reserve to fund the future capital programme. The amount of Earmarked Reserve funding identified to fund the Capital programme is shown in Table 1 above. No additional external borrowing has been taken out - the last loan the Authority took out was in 2012. Depending on the size of the Capital programme, there could be a requirement for new borrowing within financial year 2022/23 if the quantity and type of assets remain the same.

## **11. MONITORING CAPITAL EXPENDITURE**

- 11.1. The performance of the capital programme is reported to Officers each Month and to the Resources Committee each quarter as part of the Financial Performance report. Any timing differences are also identified within the report.

## **12. RISK MANAGEMENT**

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

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

- 12.2. Each Capital scheme project will have its own risk register and options appraisal to manage the operational risk arising from the project, however this section of the strategy focuses on strategic risks arising from capital investment activity.
- 12.3. Every item will go through a rigorous justification process so that a greater scrutiny can be achieved over what is included within the capital programme. This will become even more critical if collated bids exceed the available funding. All investment will be aligned to the Integrated Risk Management Plan and the Fire & Rescue Plan to ensure that the Service is replacing the right assets, at the right location to address the risk and at the same time reducing our revenue costs to help balance the budget.
- 12.4. The Capital budget requirement is determined on an annual basis. The process starts at the end of the summer with relevant departments determining their requirements. Once formalised, the requirements are discussed and scrutinised with the relevant Director. Following that, they are presented to the Executive Board in Late November/early December before being presented to the Authority in February for approval in advance of the financial year to which it relates.

**13. CREDIT RISK**

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

**14. LIQUIDITY RISK**

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

**15. FRAUD, ERROR AND CORRUPTION**

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

**16. LEGAL AND REGULATORY RISK**

- 16.1. This is the risk that changes to laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. An example of this is the potential for tariffs to be applied to import of vehicles chassis following Brexit, which could add tens of thousands to each appliance. Before entering into a capital project, officers will determine the powers under which any investment is made with input from our Treasury Management advisors.

- 16.2. Capital schemes must comply with legislation (Disability and Discrimination Act as an example) and also consider Authority Regulations, Service plans and Policies such as:
- Fire & Rescue Plan;
  - Integrated Risk Management Plan;
  - Contract Standing Orders; and
  - Financial Regulations.

## **17. MINIMUM REVENUE PROVISION**

- 17.1. Within the Local Government Act 2003, local authorities are required to have regard to the statutory guidance on Minimum Revenue Provision. The Ministry of Housing, Communities and Local Government has produced statutory guidance which local authorities must have regard to.
- 17.2. Minimum Revenue Provision represents the minimum amount that must be charged to an authority's revenue budget each year for financing capital expenditure, where it has initially been funded from borrowing. The Minimum Revenue Provision accounting practice allows the Authority to set aside an amount of money each year to ensure that it can pay off the debts it has from buying capital assets.
- 17.3. The Minimum Revenue Provision Policy is reviewed annually and is outlined within the Authority's Treasury Management Strategy Statement.

## **18. AFFORDABILITY OF THE CAPITAL PROGRAMME**

- 18.1. A variety of factors are taken into account when determining the affordability of the Capital programme, including the impact on revenue budgets and reserves:
- Minimum revenue provision;
  - Interest payable;
  - Interest receivable;
  - Revenue contribution to capital;
  - The Authority's affordability indicator, that debt charges must be <5% of net revenue budget in each financial year.
- 18.2. The cheapest and most sustainable method to fund a Capital Programme is to set aside an amount from revenue each year to purchase assets, with any variations to the programme being smoothed out using an Earmarked Reserve for Capital.
- 18.3. Historically, the Authority received a Capital Grant of up to £2m per year and funded its capital programme using borrowing. It became apparent that the 5% indicator of affordability would soon be breached and therefore restrictions were placed on the asset replacement schedule, with the life of assets being extended.
- The Authority's strategy is to reduce borrowing***
- 18.4. As at 31 March 2020 external debt will be £25.4m.

- 18.5. Due to the introduction of a baselined revenue contribution to capital, budget and in year savings a healthy capital reserve has been built up, meaning that the Authority could spend c£40m over the next five years replacing and improving its assets without needing to borrow any more.
- 18.6. As a result of restrictions on the Capital programme over the past decade, there are now a considerable number of assets needing replacement or enhancement and the proposed programme totals £50.0m over the next five years. As only £39.8m of funding is available, officers will need to develop further plans to prioritise expenditure and avoid borrowing in the future.
- 18.7. The Safer Together programme has reviewed the Service Delivery Operating Model with focus on the way Vehicles and Equipment are managed. Both of these programmes have presented opportunities to rationalise the asset base which have fed into this iteration of the Capital Programme and Medium Term Financial Plan.

**AMY WEBB**

**Director of Finance & Resourcing (Treasurer)**

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/20/4</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>18 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>2020-21 REVENUE BUDGET AND COUNCIL TAX LEVELS</b>
<b>LEAD OFFICER</b>	<b>Director of Finance &amp; Resourcing (Treasurer) and Chief Fire Officer</b>
<b>RECOMMENDATIONS</b>	<p><b>(a). that the Authority considers the contents of this report alongside any recommendations from the Resources Committee (Budget) meeting on 13 February 2020 to determine either that:</b></p> <ul style="list-style-type: none"> <li><b>(i) the level of council tax in 2020-21 for a Band D property be set at £86.52, as outlined in Option A in this report, representing no increase over 2019-20, and that accordingly a Net Revenue Budget Requirement for 2020-21 of £76,219,700 be approved; OR</b></li> <li><b>(ii) the level of council tax in 2020-21 for a Band D property be set at £88.24, as outlined in Option B in this report, representing a 1.99% increase over 2019-20, and that accordingly a Net Revenue Budget Requirement for 2020-21 of £77,276,000 be approved;</b></li> </ul> <p><b>(b). that, as a consequence of the decisions at (a) above:</b></p> <ul style="list-style-type: none"> <li><b>(i) the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £53,156,102 (Option A) OR £54,212,834 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;</b></li> <li><b>(ii) the council tax for each property bands A to H associated with the total precept as detailed in the respective budget booklet, be approved; and</b></li> <li><b>(iii) that the Treasurer’s ‘Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances’, as set out at Appendix B to this report, be endorsed.</b></li> </ul>
<b>EXECUTIVE SUMMARY</b>	<p>It is a legislative requirement that the Authority sets a level of revenue budget and Council Tax for the forthcoming financial year by the 1 March each year. The Secretary of State has announced that the Council Tax threshold to be applied in 2020-21 that would trigger a requirement to hold a Council Tax referendum is to be 2.0%. This report considers potential options A and B below for Council Tax in 2020-21:</p> <p style="text-align: center;"><b>OPTION A – Freeze Council Tax at 2019-20 level (£86.52 for a Band D Property).</b></p>

	<p><b>OPTION B – Increase Council Tax by 1.99% above 2019-20 (increase of £1.72 pa to £88.24 for Band D Property).</b></p> <p>A budget book for each of these options is enclosed separately with the agenda for this meeting.</p> <p>The Authority is asked to consider the implications associated with each option as set out in this report, alongside any recommendations from the Resources Committee (Budget meeting) on 13 February 2020, in determining the revenue budget and associated council tax levels for 2020-21.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report.
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	Not applicable.
<b>APPENDICES</b>	<ul style="list-style-type: none"> <li>A. Core Net Revenue Budget Requirement 2020-21.</li> <li>B. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.</li> <li>C. DSFRA response to the Department of Communities and Local Government consultation document “Local Government Finance Settlement – Technical Consultation Paper”.</li> <li>D. BMG Report on Precept Consultation for 2020-21 Revenue Budget</li> <li>E. Report on Precept Consultation via Social Media</li> </ul>
<b>LIST OF BACKGROUND PAPERS</b>	Nil.



## **1. FOREWORD AND INTRODUCTION**

- 1.1. The draft budget for 2020-21 provides an opportunity to support reform of Devon and Somerset Fire and Rescue Service (the Service) now and in the future. In January 2020 a number of significant changes to the Service Delivery Operating Model were approved by the Authority which will better align resources to risk. Underpinning the Safer Together programme is the new On Call payment system (Pay for Availability) which is expected to improve recruitment, retention and ultimately the safety of our communities by improving availability of fire engines. The system will be more expensive and therefore this budget includes an investment in the On Call duty system.
- 1.2. Whilst the number of fire engines across the Service will reduce and some savings will be made as a result of the change programme, the investment of £0.850m made in to Prevention and Protection last year will continue, enabling more community and business safety activity.
- 1.3. The way we work is changing as is the way we deliver services to the public. We increasingly use a diverse group of staff to carry out tasks and no longer follow the traditional approach of using uniformed staff on inflexible contracts. We have therefore moved away from defining our staff by the type of contract they hold and have presented this budget according to the type of work done. This change should support the reduction of barriers between staff groups and will also make our purpose clearer by emphasising the importance of prevention and protection work.
- 1.4. It is a legislative requirement that the Devon & Somerset Fire & Rescue Authority (the Authority) sets a level of revenue budget and Council Tax for the forthcoming financial year, before 1 March, in order that it can inform each of the fifteen Council Tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2020-21. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels of precept for the Authority.
- 1.5. The Localism Act 2011 includes provisions which require a local authority to hold a Council Tax referendum where an authority's Council Tax increase exceeds the Council Tax "excessiveness principles" applied for that year.
- 1.6. On 19 December 2019, the Ministry of Housing, Communities and Local Government (MHCLG) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2020-21. This is to be 2.0% which, if exceeded, would trigger the need to hold a referendum. Given that the administration costs associated with holding a local referendum for the Service for one year are estimated to be in excess of £2.3m, this report does not include any proposals to go beyond the referendum limit.
- 1.7. An earlier version of this report was considered by the Resources Committee (Budget meeting) on 13 February 2020. Any recommendations from that meeting will be reported at this meeting for consideration alongside the contents of this report.

## 2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2020-21

- 2.1. The provisional Local Government Finance Settlement for 2020-21 was announced on 19 December 2019, which provided local authorities with individual settlement funding assessment figures for one year only.
- 2.2. Table 1 below provides details of the Settlement Funding Assessment (SFA) for this Authority which results in an increase in 2020-21 of 1.61% over 2019-20 and an overall reduction of 24.12% since 2015-16:

	<b>SFA</b>	<b>SFA Reduction</b>	
	<b>£m</b>	<b>£m</b>	<b>%</b>
2015-16	29.413		
2016-17	26.873	-2.540	-8.64%
2017-18	23.883	-2.990	-11.13%
2018-19	22.618	-1.265	-5.30%
2019-20	21.961	-0.657	-2.91%
2020-21	22.319	0.358	1.63%
<b>Reduction over 2015-16</b>		<b>-7.094</b>	<b>-24.12%</b>

- 2.3. In addition to the settlement figures reported in Table 1 above, the Authority has been awarded a share of a £81m Rural Services Delivery Grant which is only available to the most sparsely populated rural areas. The award is £424k for 2020-21. This grant will be paid as a Section 31 grant (which means it is not in base funding) and is therefore included as income within the draft budget proposed in this report.

## 3. REQUIREMENT TO HOLD A LOCAL REFERENDUM FOR EXCESSIVE COUNCIL TAX INCREASES

- 3.1. Since 2013-14 there has been a requirement for an authority to hold a local referendum should it propose to increase Council Tax beyond a government set limit (principles), which for this Authority results in estimated referendum costs of £2.3m. The Service has asked MHCLG to consider an alternative set of principles for fire and rescue authorities (most recent letter to MHCLG in October 2019 – copy included at Appendix C to this report) that would apply a cash amount, e.g. £5, rather than applying a percentage increase.
- 3.2. On 19 December 2019, MHCLG announced the referendum threshold to be applied in 2020-21 would reduce to 2.0% from 3.0% in 2019-20. Whilst this is disappointing given that Police and Crime Commissioner areas have been given the flexibility to adopt a £24 threshold in 2020-21 and that the Fire Sector bid for a £5 flexibility, the current referendum limit at least recognises that Fire and Rescue Authorities are facing increasing inflationary pressures.
- 3.3. Due to the high proportion of people costs, pay awards have a significantly higher impact on the Authority's revenue budget than the effect of price rises on goods and services. Each 1% pay award for staff costs the Authority £0.589m and this budget proposal contains provision for a 2% pay award for all staff.

#### 4. COUNCIL TAX AND BUDGET REQUIREMENT 2020-21

##### **Council Tax**

- 4.1. There is no offer of a Council Tax Freeze Reward Grant to those authorities that freeze or reduce Council Tax in 2020-21. It is, of course, an Authority decision to set a level of Council Tax that is appropriate to its funding position. For 2020-21, this report considers two options A and B as below:
- **OPTION A** – Freeze Council Tax at 2019-20 level (£86.52 for a Band D Property);
  - **OPTION B** – Increase Council Tax by 1.99% above 2019-20 - an increase of £1.72 pa (14p a month) to £88.24 for Band D Property.
- 4.2. The implications of each of these options for funding available in 2020-21 are shown in Table 2 below. The Authority could decide to set any alternative level below 2%. Each 1% increase in Council Tax represents an 86p a year increase for a Band D property, and is equivalent to a £0.532m variation on the revenue budget. In relation to the referendum option, it is the Treasurer's view that given the costs of holding a referendum (circa £2.3m), it is not a viable option for the Authority to consider a Council Tax increase in excess of the 2% threshold.
- 4.3. Due to an inflationary increase on government grant funding and increased Council Tax base, both council tax options would represent an increase to the overall budget.

**TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – FUNDING 2020-21**

	<b>OPTION A</b>	<b>OPTION B</b>
	<b>Council Tax Freeze at £86.52</b>	<b>Council Tax Increase of 1.99% to £88.24</b>
	<b>£m</b>	<b>£m</b>
<b>TOTAL FUNDING 2019-20</b>	<b>75.142</b>	<b>75.142</b>
Increase in Formula Funding	0.272	0.272
Decrease in Retained Business Rates from Business Rate Retention System.	0.378	0.378
<u>Changes in Council Tax Precept</u>		
- increase in Council Tax Base	0.602	0.602
- resulting from an increase in Council Tax	-	1.057
- decrease in Share of Billing Authorities Council Tax Collection Funds	(0.174)	(0.174)
<b>Net Change in precept income</b>	<b>0.428</b>	<b>1.485</b>
<b>TOTAL FUNDING AVAILABLE 2020-21</b>	<b>76.220</b>	<b>77.277</b>
<b>NET CHANGE IN FUNDING</b>	<b>1.078</b>	<b>2.135</b>

### **Council Tax Base**

- 4.4. The total increase in government funding of £0.272m is in line with inflation of 1.7% and comes after significant reductions amounting to 24.1% since 2015-16. The Service had anticipated an increase in Council Tax receipts of 1.50% arising from house building in the area, although the actual increase has been lower than forecast at 1.15%. The Authority's share of Council Tax collection fund surplus has decreased by £0.174m which reflects a slight decline in the rate of Council Tax collection by districts.

### **Net Budget Requirement**

- 4.5. Table 3 below provides a summary of the Core Budget Requirement for 2020-21. A breakdown of the more detailed items included in this draft budget is included in Appendix A of this report.

**TABLE 3 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2020-21**

	£m	%
<b>Approved Net Revenue Budget Requirement 2019-20</b>	<b>75.142</b>	
PLUS Provision for pay and price increases (Pay award assumed 2%)	1.442	1.92%
PLUS Inescapable Commitments	0.696	0.93%
PLUS New Investment	3.510	4.67%
MINUS Changes to income	(0.447)	-0.59%
<b>CORE SPENDING REQUIREMENT 2020-21</b>	<b>80.343</b>	
<b>INCREASE IN BUDGET OVER 2019-20 (£m)</b>	<b>5.201</b>	<b>6.92%</b>
Funding adjustments for 2020-21	(1.744)	-2.32%
MINUS Savings	(1.323)	-1.76%

- 4.6. As outlined in the foreword to this paper, this is an investment budget designed to support reform of the Service. £3.510m of new investment opportunities have been identified which will be offset by ongoing savings, reduced capital allocation and a one-off use of reserves:
- £1.144m for Pay for Availability, the new On Call duty system; assuming that the system will be in place mid-way through the year, ongoing investment will be double the amount;
  - £0.872m for additional staff working on prevention and protection, particularly building safety following the report by Her Majesty's Inspectorate (HMICFRS) and the Hackitt review (post Grenfell);
  - £0.322m for operational staff to support prevention capability and the matrix model introduced in 2019-20;
  - £0.930m for professional and technical staff which includes investment in Health and Safety, Organisational Development and Fitness to support improvement against HMICFRS findings; and
  - £0.242m for revenue equipment needed to fit out the new Medium Rescue Pumps per the capital programme.

### **Budget Savings**

- 4.7. As is indicated in Table 3, the Core Budget Requirement for 2020-21 (which includes provision for pay and inflation, inescapable commitments and new investment) has been assessed as £80.343m. This is more than the amount of funding available under Options A or B and therefore budget savings need to be identified in order that a balanced budget can be set. Table 4 below provides an analysis of on-going savings identified to be delivered in 2020-21.

**TABLE 4 – BUDGET SAVINGS 2020-21**

<b>REVENUE BUDGET SAVINGS</b>	<b>£m</b>
<b>Budget Management Savings</b> – As in previous years the budget setting process has included the requirement for budget managers to scrutinise non-operational budget heads with a view to the identification of recurring savings. This process and challenge by managers has identified £0.118m of recurring savings relating to training following implementation of T4C and other minor variances	(0.106)
<b>Authority Pensions</b> – This budget line is subject to fluctuation in the number of Injury and Ill Health retirees anticipated during the year	(0.217)
<b>Vacancy Margins</b> – As a result of the current strategy to hold vacancies during phased implementation of the Safer Together plan	(1.000)
<b>BUDGET SAVINGS (£m)</b>	<b>(1.323)</b>

- 4.8. Whilst the Service is confident that savings of £1.323m can be delivered, under both Council Tax scenarios there will be a budget shortfall in the coming year. The recommendation is to utilise reserves to fund the gap in the short term until the Safer Together programme benefits are better understood. If Council Tax is frozen, the funding shortfall will increase from £1.743 to £2.800m. The shortfall is outlined in Table 5.

**TABLE 5 – BUDGET SHORTFALL 2020-21**

<b>SUMMARY OF ADDITIONAL SAVINGS REQUIREMENT</b>	<b>OPTION A</b>	<b>OPTION B</b>
Net change in funding over 2019-20	1.078	2.135
Increase in spending requirement since 2019-20	5.201	5.201
Savings requirement 2020-21	(4.123)	(3.066)
Less Budget savings already achieved	(1.323)	(1.323)
<b>FUNDS REQUIRED TO BALANCE BUDGET</b>	<b>(2.800)</b>	<b>(1.743)</b>

- 4.9. It is proposed that the Revenue Contribution to Capital is reduced if Council Tax is frozen, which will enable the Authority to set a balanced budget whilst the Safer Together programme is further refined to deliver additional savings over the medium term. However, there are implications for the long term affordability of the Capital Programme.
- 4.10. Elsewhere on this agenda is the Capital Programme for 2020-21 which also gives an indication of the proposed programme and sources of funding over the next five years. The Authority has a long term strategy to reduce reliance on borrowing and therefore it is essential that a healthy level of Revenue Contribution to Capital is maintained to fund investment in asset infrastructure.
- 4.11. In the event of a 1.99% increase to Council Tax (Option B), the revenue contribution to capital expenditure will need to be reduced by £0.0577m in order to balance the budget, reducing the funding available to £2.037m.

- 4.12. Table 6 below outlines the requirement under each scenario to reduce the revenue contribution to capital and draw on the Budget Smoothing reserve in order to fund the Pay for Availability model – it must be noted that reserves can only be used once and so this is not a sustainable funding option.

**TABLE 6**

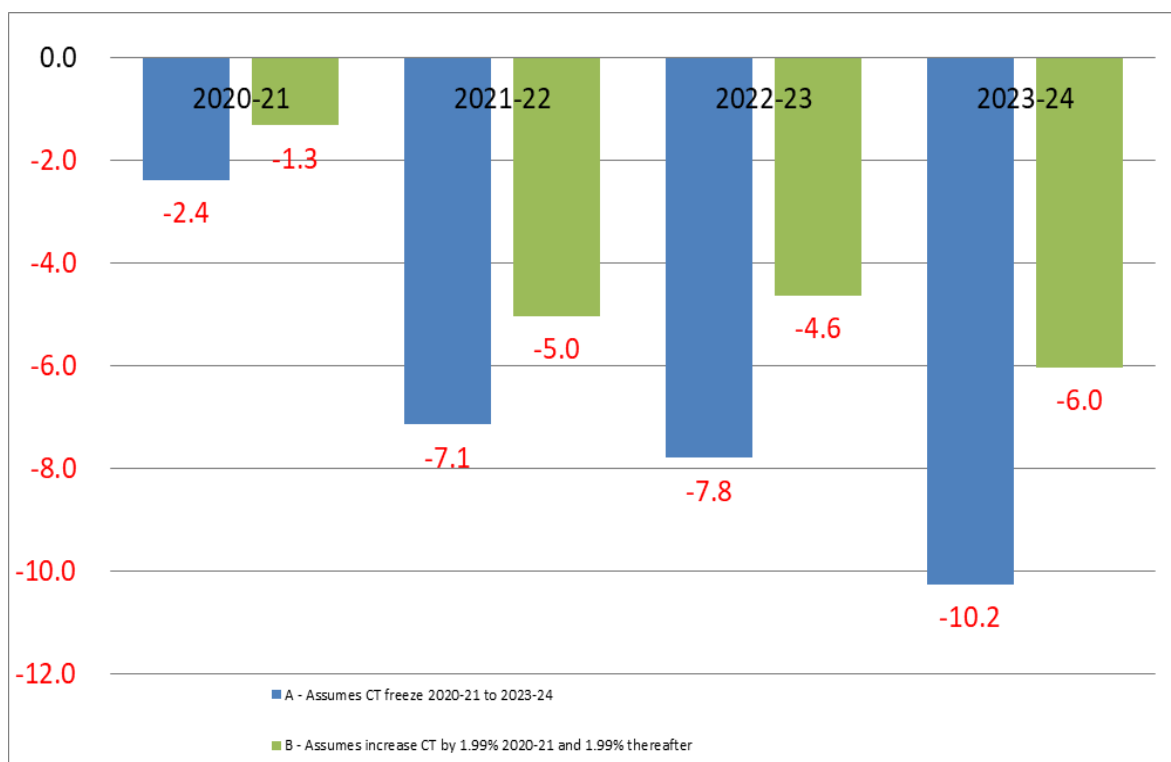
<b>PROPOSALS TO BALANCE THE REVENUE BUDGET</b>	<b>OPTION A</b>	<b>OPTION B</b>
<b>Revenue Contribution to Capital</b> – Reducing the budget for Revenue contribution to capital is considered within the context of the MTFP and Capital Affordability	(1.634)	(0.577)
<b>Transfer from Reserves</b> – in order to fund the Payment for Availability system for On Call Staff, the Budget Smoothing Reserve is utilised	(1.167)	(1.167)
<b>TOTAL BUDGET SAVINGS (£m)</b>	<b>(4.124)</b>	<b>(3.067)</b>

**5. MEDIUM TERM FINANCIAL PLAN**

- 5.1. Given that the 2020/21 provisional Local Government Settlement is a one year settlement, the future funding position is less certain. Additionally, a new pensions burden has arisen from the Government Actuarial Department (GAD) valuation of the Firefighter Pension Schemes, which may result in a £4.1m cost for this Authority. The Government is indicating it will meet the pensions cost beyond 2020-21 and so the Medium Term Financial Plan (MTFP) assumes this will be funded. The approach taken to developing the plans and underlying assumptions are outlined in the MTFP document, which is elsewhere on the agenda.

- 5.2. The MTFP financial modelling tool has assessed a likely ‘base case’ scenario in terms of savings required over the period 2020-21 to 2023-24. Chart 1 provides an analysis of those forecast savings required in each year.

**CHART 1 – FORECAST BUDGET SAVINGS REQUIREMENT (CUMULATIVE) 2020 TO 2024 (BASE CASE) - £MILLIONS**



- 5.3. Chart 1 on the previous page illustrates that further savings will be required beyond 2020-21 to plan for a balanced budget over the next three years to 2023-24. Should the Authority decide to freeze Council Tax in 2020-21 (Option A) and the following three years then the MTFP forecasts that further savings of up to £7.8m need to be planned for.

***Authority Plan 2020 onwards***

- 5.4. This budget report proposes a balanced budget for the next financial year 2020-21 including proposals as to how budget savings can be achieved.
- 5.5. Looking beyond 2020-21 it is clear that the Authority needs to plan for the delivery of further recurring savings to ensure that balanced budgets can be set in each year of the Spending Review period. The strategic approach to deliver the required savings is being developed following approval of the Service Delivery Operating model by the Authority.

**6. PRECEPT CONSULTATION 2020-21**

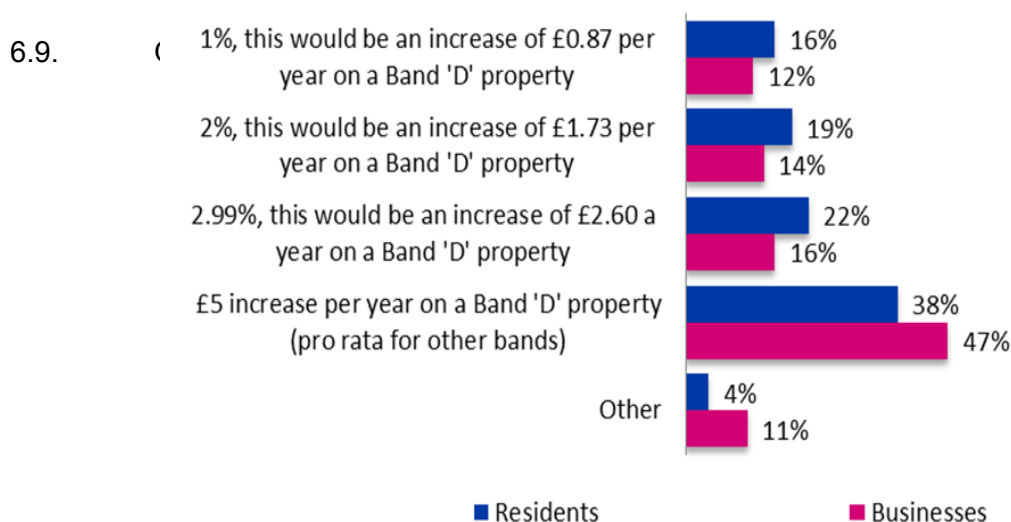
- 6.1. Section 65 of the Local Government Finance Act 1992 requires precepting authorities to consult non-domestic ratepayers on proposals for expenditure.
- 6.2. In addition to the statutory requirement, members of the public have in previous years also been consulted as it was deemed appropriate to include the public's views on the option of increasing Council Tax at a time of economic difficulty.
- 6.3. The consultation process ran throughout November and December 2019 and involved:
- 6.3.1 A telephone survey of 400 business and 400 residents;
  - 6.3.2 Use of an online survey promoted via social media and other DSFRS communication channels

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

***Results from the Telephone Survey***

- 6.5. Over three in five (62%) businesses agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2020/21, while a fifth (19%) disagreed that it is reasonable for them to do so, resulting in a net agreement of +43%.
- 6.6. Agreement was consistent by Local Authority District (LAD), industry sector and gender. However, by LAD, agreement was significantly higher than average amongst businesses in Devon (68%) and significantly lower amongst businesses in Somerset (54%).
- 6.7. Over three in five (68%) residents agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2020/21, while 16% disagreed, giving a net agreement of +52%.
- 6.8. Agreement was consistent by LAD, gender and age. Those respondents who had used a service in the last 12 months were more likely to agree than those who had not (80% cf. 64% who have not used a service).

Chart 1: Level of increase that would be reasonable (Those respondents agreeing that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2020/21)



f those respondents who agreed that a Council Tax increase would be reasonable 63% of businesses and 60% residents would support an increase of 2.99% or above.

6.10. 78% of businesses and 84% residents felt that the Service provides value for money.

6.11. Additional questions were included to determine satisfaction levels; overall 70% of businesses and 66% of residents said they were satisfied with the Service. Levels of satisfaction significantly increased amongst those who had used a service from 70% amongst those who have not used a service to 95%.

**Results from the Online Survey**

6.12. The online survey was available from 31 October -21 December 2019. The consultation was promoted through our website, press releases and adverts on Facebook and Twitter.

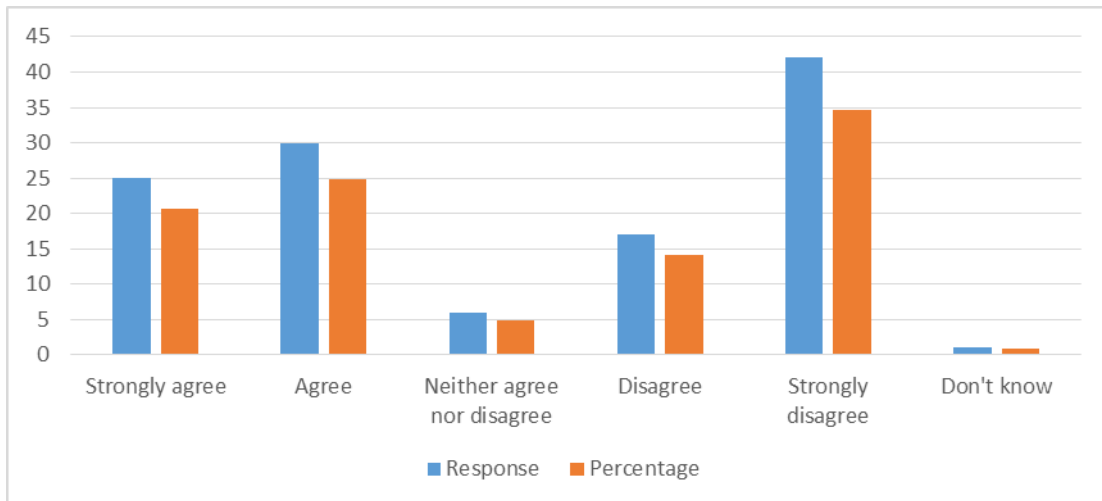
6.13. In that period, a total of 155 responses were received. 121 fully completed the questionnaire and 34 partially completed it. As only five of these responses represented the business sector, the results have not been separated.

6.14. This year's consultation exercise follows an earlier 3 month large scale public consultation process, which the Service undertook in the summer to gauge views on the proposed new Service Delivery Operating Model. It is important to note that the range of responses received through this earlier consultation, have influenced a number of respondents' viewpoints when compared to last year's responses.

6.15. The results outlined in Chart 2 overleaf indicate that almost 35% of respondents strongly disagree that the Authority should consider increasing its charges, as opposed to approximately 21% who strongly agree. This is a significant change to last year's response where 70% of respondents agreed the Authority should consider increasing its charges.

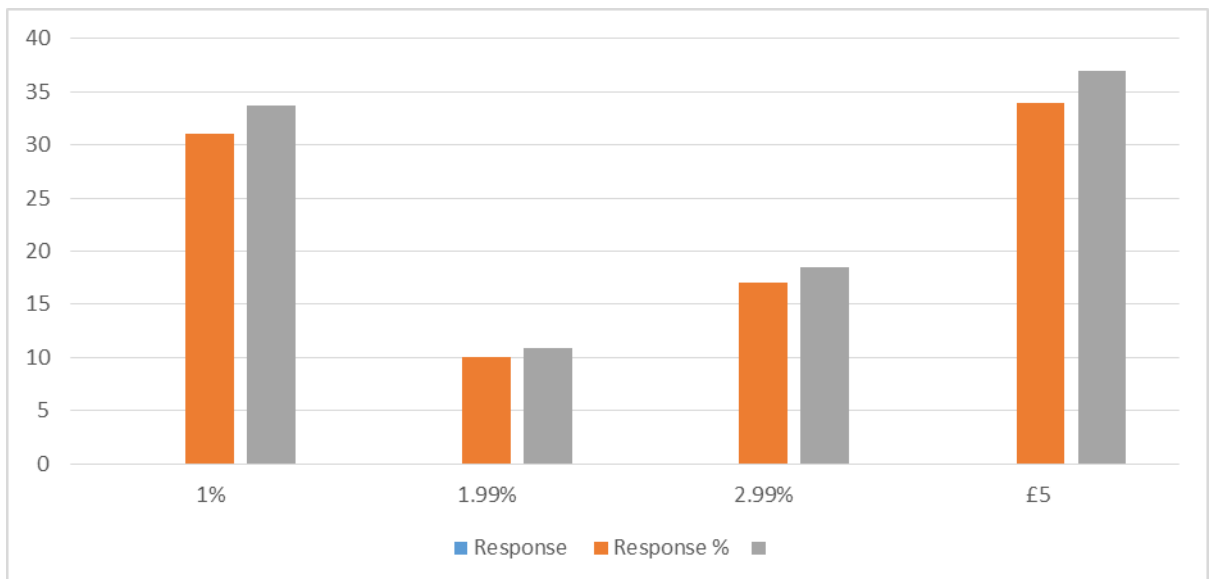


**Chart 2: Question 1 Results of agreement to consider increasing the precept**



6.16. The results, outlined in Chart 3 below, indicate that 37% of respondents are in support of a £5 increase and that in total, 55% of respondents support an increase of 2.99% or above.

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



6.17.

he results indicate that over half of respondents (56%) agree that the Service provides value for money.

6.18. Additional questions were asked to ascertain whether respondents had interacted with the Service. The results indicate that 56% of respondents had not interacted with the Service in the last 12 months, however, (22%) had attended community events and almost a third of respondents (27%) had attended a public consultation event for the Safer Together programme.

6.19. In contrast with the phone survey, only 47% of respondents said they were satisfied or very satisfied with the service provided.

### ***Survey Conclusion***

- 6.20. The results of the consultation indicate that the majority of respondents feel it would be reasonable for the Authority to consider increasing its precept for 2020-21. Those who agreed that it would be reasonable to consider an increase in the Council Tax precept were predominantly in favour of an increase of 2.99% or above.
- 6.21. Both businesses and residents agree that the Service provides value for money and were satisfied with the service provided.

### **7. STATEMENT ON ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE LEVELS OF RESERVES AND BALANCES**

- 7.1. It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the 'Chief Finance Officer' to the Authority reports on the robustness of the budget estimates and the adequacy of the level of reserves. The Act requires the Authority to have regard to the report in making its decisions. This statement is included as Appendix B to this report.

### **8. SUMMARY**

- 8.1. The Authority is required to set its level of revenue budget and Council Tax for 2020-21 by 1 March so that it can meet its statutory obligation to advise each of the fifteen billing authorities in Devon and Somerset of the required level of precept. The Authority is asked to consider this report and determine the budget and associated Council Tax levels for 2020-21.

**AMY WEBB**  
**Director of Finance & Resourcing (Treasurer)**

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

**APPENDIX A TO REPORT DSFRA/20/4**

	2020/2021		
	£'000	£000	%
<b>Approved Budget 2019-20</b>		<b>75,142</b>	
<b><u>Provision for pay and prices increase</u></b>			
Grey Book Pay Award (assume 2.0% from July 2020)	940		
Green Book Pay Award (assume 2% from April 2020)	237		
Prices increases (assumed 1.7% CPI from April 2020)	220		
Pensions inflationary increase (tracks CPI - 1.7%)	45		
		1,442	1.9%
<b><u>Funding Adjustments</u></b>			
Revenue Contribution to Capital	-577		
Reserve transfers	-1,167		
		-1,744	
<b><u>Inescapable Commitments</u></b>			
Support Staff Increments	148		
Light vehicles - lease change over costs & vehicle usage costs	119		
Increase in minimum revenue provision emanating from capital	34		
ICT Service Delivery	395		
Unforeseen budget requirements		696	
<b><u>New Investment</u></b>			
On Call Pay for availability	1,144		
Prevention and Protection Staff	872		
Operational staff including control	322		
Professional and Technical Staff	930		
Vehicle equipment linked to capital programme	242		
		3,510	
<b><u>Income</u></b>			
Decrease Red One Contribution target	5		
Decrease Co-responder Activity	-1		
Claim back Apprenticeship Levy - Apprentice firefighter scheme	-167		
Section 31 grants	-284		
		-447	
<b><u>Anticipated savings</u></b>			
Vacancy margin	-1,000		
Vacancy margin - whole-time staff			
Pensions - anticipate reduced Ill Health/ Injury leavers	-217		
Fire Safety School training & seminars	-64		
Cumulative minor budget variances	-42		
		-1,323	
<b>CORE BUDGET REQUIREMENT</b>		<b>77,277</b>	

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**STATEMENT OF THE ROBUSTNESS OF THE BUDGET ESTIMATES AND THE ADEQUACY OF THE DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY LEVELS OF RESERVES**

It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the 'Chief Finance Officer' to the Authority reports on the robustness of the budget estimates and the adequacy of the level of reserves. The Act requires the Authority to have regard to the report in making its decisions.

**THE ROBUSTNESS OF THE 2020-21 BUDGET**

The net revenue budget requirement for 2020-21 has been assessed as £77.277m (Option B in report). In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Integrated Risk Management Plan and the Fire and Rescue Plan. It should be emphasised that these assessments are being made for a period up to the 31<sup>st</sup> March 2021, in which time external factors, which are outside of the control of the authority, may arise which will cause additional expenditure to be incurred. The most significant example of this is the increase in employers pension costs following the GAD Valuation and the unknown funding shortfall as a result, plus employer cost pressures arising from the unlawful application of transitional pensions protections. For example, the majority of On Call pay costs are dependent on the number of call outs during the year, which can be subject to volatility dependent on spate weather conditions. Other budgets, such as fuel are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 overleaf, along with details of the action taken to mitigate each of these identified risks.

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

Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium Term Financial Plan (MTFP) provides forecasts to be made of indicative budget requirements over a five year period covering the years 2020-21 to 2024-25. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.

**TABLE 1 – BUDGET SETTING 2020-21 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO CHANGE**

Budget Head	Budget Provision 2020-21 £m	RISK AND IMPACT	MITIGATION
<b>Wholetime Pay Costs</b>	31.4	Wholetime Pay represents nearly a third of Service costs. There is a high level of uncertainty around future pay increases, particularly whether pay awards will be linked to a change to the Firefighter role map to include emergency medical response. Each 1% pay award is equivalent to £0.470m of additional pressure on the revenue budget. It is not anticipated that any additional funding will be allocated for pay and therefore large increases could mean the Authority needs to utilise reserves in order to balance its budget.	An unfunded pay award of 2% has been factored in to the budget which represents a prudent approach.
<b>On Call Pay Costs</b>	15.8	A significant proportion of costs associated with on call pay is directly as a result of the number of calls responded to during the year. The level of calls from year to year can be volatile and difficult to predict e.g. spate weather conditions. Abnormally high or low levels of calls could result in significant variations against budget provision.	Using the budget smoothing reserve to offset pay for availability costs in year one, use of reserve can be extended if necessary
<b>Fire-fighter's Pensions</b>	2.5	Whilst net pension costs funded by the government through a top-up grant arrangement, the Authority is still required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme.	In establishing a General Reserve an allowance has been made for a potential overspend on this budget
<b>Insurance Costs</b>	0.9	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority.	General Reserve
<b>Fuel Costs</b>	0.7	As fuel prices are slowly starting to increase it is highly possible that inflationary increases could be in excess of the budget provided.	General Reserve
<b>Treasury Management Income</b>	(0.2)	As a result of the economic downturn in recent years, and the resultant low investment returns, the ability to achieve the same levels of income returns as in previous years is diminishing. The uncertainty over future market conditions means that target investment returns included in the base budget could be at risk.	The target income has been set at a prudent level of achieving only a 0.7% return on investments. Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
<b>Income</b>	(0.8)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.6m of external income whilst setting the reliance on the Service budget for Red One Income at £0.3m. Due to economic uncertainty this budget line may be at risk and is dependent on the ability of Red One Ltd to generate income.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible. A provision for doubtful debts is available to protect the Authority from potential losses.
<b>Capital Programme</b>	10.7	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.
<b>Revenue Contribution to Capital</b>	2.0	£0.3m of the Contribution is dependent on maintaining trading income levels, if these are not achieved the capital budget will need to be reduced by this amount	Capital programme and strategy, £21.7m Capital Reserve
<b>Business Rates</b>	(1.4)	There is a high degree of uncertainty over levels of Retained Business rates income and the method of allocation between funding and revenue grants in future years.	There is a specific reserve of £1.8m for budget smoothing which could be utilised to smooth in year changes.

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

Total Reserve balances for the Authority as at April 2019 is £38.8m made up of Earmarked Reserves (committed) of £33.4m, and General Reserve (uncommitted) of £5.3m. This will decrease by the end of the financial year as a result of planned expenditure against those reserves during the year. A General Reserve balance of £5.3m is equivalent to 6.9% of the total revenue budget, or 25 days of Authority spending, the figure is subject to a risk assessment annually.

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

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

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

## **CONCLUSION**

It is considered that the budget proposed for 2020-21 represents a sound and achievable financial plan, and will not increase the Authority’s risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

**AMY WEBB**  
**Director of Finance and Resourcing (Treasurer)**

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## **Local Government Finance Settlement 2020-21: Technical Consultation**

If you are responding to this consultation by email or in writing, please reply using this questionnaire pro-forma, which should be read alongside the consultation document.

You should save the pro-forma on your own device, from which you can complete the survey at your own pace, and submit when you are ready.

There are 9 questions in this survey. You do not have to answer every question should you not wish to. The comments box will expand as you type into it should you need more space.

Should you wish to attach further evidence or supporting information, you may attach and send this with the pro-forma.

Please **email responses to:**

[LGFsettlement@communities.gov.uk](mailto:LGFsettlement@communities.gov.uk)

Alternatively, **written responses should be sent to:**

Local Government Finance Settlement Team  
Ministry of Housing, Communities and Local Government  
2nd floor, Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Your opinions are valuable to us. Thank you for taking the time to read the consultation document and respond.

### **Your Details (Required details are marked with an asterisk (\*))**

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**Are the views Expressed on this form an official response from a:**

London Borough

Metropolitan District

Unitary Authority

Shire County

Shire District

Fire and Rescue Authority

Greater London Authority

Combined Authority

Parish or Town Council

Local Authority Association or Special Interest Group

Other Local Authority Grouping

**Local Authority Officer**

Local Authority Councillor

Member of Parliament

Other Representative Group

Business

Business Organisation

Valuation Organisation

Voluntary Organisation

Member of the Public

### Question 1

**Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2020-21?**

Yes

No

No comment

#### **Additional comments**

With the 2020 comprehensive spending review, the fair funding review and the reform of business rates retention ahead against the ever-uncertain backdrop of Brexit and a potential general election; as much stability and certainty as is possible is needed. Given this the government's proposed methodology for the distribution of RSG in 2020-21 seems sensible.

### Question 2

***Should central government eliminate negative RSG in full through forgone business rates receipts?***

Yes

No

No comment

#### **Additional comments**

the government's proposed approach regarding negative RSG seems consistent with the push for greater stability and certainty as stated above.

### Question 3

***Do you think that there should be a separate council tax referendum principle of 2% or £5, whichever is greater, for shire district councils in 2020-21?***

Yes

No

No comment

#### **Additional comments**

Whilst the issue of shire districts' referendum principles has no direct effect on FRAs, the approach proposed seems sensible. Devon and Somerset FRA advocates for the government taking a similar approach for FRAs, allowing for a fixed increase to Council Tax precept. Similar referendum principles are required for FRAs to prevent the continued divergence of council tax, provide consistent funding protection for FRAs in all parts of England and importantly to invest in improving the service with a focus on fire protection.

Given the financial pressures faced by County Fire Services, the Authority would welcome an approach to precept flexibility which would allow all Fire and Rescue Services £5 flexibility on their element of overall precept.

### Question 4

***Do you have views on the proposed package of council tax referendum principles for 2020-21?***

Yes

No

No comment

#### **Additional comments**

The government should set referendum principles which allow for consistent investment in reform arising from HMICFRS recommendations and fire protection activity.

Devon and Somerset FRA supports the National Fire Chief's Council (NFCC) proposal to allow an increase of £5 as this would level out council tax fire precepts, making council tax fairer; would increase local powers and devolution *and* improve fire safety and save lives.

## **Investment in Fire Protection**

The Hackitt enquiry and HMICFRS have highlighted the significant reduction in the number of fire safety audits in recent years. Across England in 2010-11 there were 84,575 fire safety audits, which by 2018-19 had decreased to 49,327. Whilst the proportion of audits resulting in a satisfactory rating has improved from 56% to 67% it is unknown whether this is the result of improving fire safety or just fewer audits. Clearly there is a need to invest in fire protection activity to increase activity in this area and outcomes for businesses and high risk properties.

Due to local Integrated Risk Management Planning the way in which Fire and Rescue Services deliver their fire protection activity can vary, with a mixture of delivery by firefighter crews and specialised business safety officers. Cost per audit will also vary as a result, with estimations being between £580 and £1150 per completed audit. As an illustration, just returning to 2010-11 activity levels requires an additional 35,248 audits, which would equate to an additional investment in excess of £30m. According to Home Office statistics, between 2010 and 2018 there was a reduction in FTE firefighters of 22%; in 2010 there were approximately 42,000 firefighters whilst in 2018 there were 32,000. As a result the ability for Fire and Rescue Services to deliver business safety activity using firefighter crews has diminished.

In terms of business safety officers, at a salary including on costs of circa £45,000, an additional £47.8m of funding for the sector (£5 increase) could pay for the recruitment of a further 1,062 staff to deliver this vital improvement.

## **Sector Pressures**

As above, firefighter numbers have decreased by 22%. Over this same period (2010 to 2018) average response times to primary fires have increased by 31 seconds to 8 minutes and 45 seconds (a 6% increase).

If a fire of the scale of Grenfell Tower occurred anywhere other than London, it would be a significant challenge for any FRA to resource – even with mutual assistance. The reductions in firefighter numbers also directly impact the availability of personnel to support national resilience capabilities. Regarding fire and rescue operations post-Grenfell, FRAs faced additional requirements for inspections in high rise properties, even before the full impact of legislative change is known.

The sector needs to respond to the HMICFRS inspection process, with Tranche 2 findings that whilst responding to emergencies is a strength, Fire Protection is a concern and often under resourced whilst the inconsistent capability to respond to national incidents is highlighted. Investment will be required to work together across the sector to deliver improved outcomes.

In addition to those pressures that are specific to the FRS (outlined above) the fire service is also facing pressures like those in the wider public sector. Namely; wage inflation and the demands caused by an aging population; 42% of fire-related deaths occur in a home where the residents are aged over 65, despite making up just 19% of the population.

Any consideration of Fire Authority funding should also consider the need for the continuation of the Home Office's 'Fire Pensions Grant' received in 2019-20 as this will have a significant impact on the financial sustainability of the Sector; for Devon & Somerset FRA it creates a £4.1m funding gap.

Although the MHCLG has clearly looked to maximise certainty for 2020-21, it is unfortunate that there is no such certainty from 2021-22 onwards. Whilst recognising that this is an issue for the Treasury and is subject to the 2020 comprehensive spending review (which in turn is subject to many economic factors), the Authority asks that as much certainty as possible be provided to FRAs as early as possible regarding 2021-22 onwards.

#### **Question 5**

***Do you agree with the Government's proposals for social care funding in 2020-21?***

Yes

No

No comment

**Additional comments**

#### **Question 6**

**Do you agree with the Government's proposals for iBCF in 2020-21?**

Yes

No

No comment

**Additional comments**

### Question 7

***Do you agree that there should be a new round of 2020-21 New Homes Bonus allocations for 2020-21, or would you prefer to see this funding allocated for a different purpose, and if so how should the funding be allocated?***

Yes

No

No comment

### Additional comments

### Question 8

***Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2020-21 to the upper quartile of local authorities, based on the super-sparsity indicator?***

Yes

No

No comment

### Additional comments

Devon & Somerset FRA covers a significant rural area and as such faces unique service pressures, such as the availability of On Call firefighters and extended travel distances/times. The Authority welcomes the additional funding from the Rural Services Delivery Grant.

### Question 9

***Do you have any comments on the impact of the proposals for the 2020-21 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.***

Yes

No

No comment

#### **Additional comments**

Fire and Rescue Services target their activity at the most vulnerable in society and therefore reducing resources is likely to have an impact on those needing additional support, such as elderly and disabled people.



# Research Report



## Council Tax Precept Survey 2020/21

Prepared for: Devon and Somerset Fire and Rescue Service

Prepared by: Sharon Gowland, Research Manager

# Council Tax Precept Survey 2020/21

Prepared for: Devon and Somerset Fire and Rescue Service

Prepared by: Sharon Gowland, Research Manager

Date: December 2019



Produced by BMG Research

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## Table of Contents

1	Introduction .....	1
1.1	Background and method.....	1
2	Survey Findings .....	2
2.1	Whether it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2020/21 .....	2
2.2	Level of increase that would be reasonable .....	4
2.3	Reasons for disagreeing that it is reasonable for DSFRS to increase its element of the Council Tax charge for 2020/21 .....	5
2.3.1	Businesses .....	5
2.3.2	Residents.....	5
2.4	Agreement or disagreement that DSFRS provides value for money .....	6
2.5	Reasons for disagreeing that DSFRS provides value for money .....	7
2.5.1	Businesses .....	7
2.5.2	Residents.....	8
2.6	Services used.....	9
2.7	Satisfaction with the service provided by DSFRS.....	10
3	Appendix 1: Profile Information.....	12
3.1	Businesses .....	12
3.2	Residents.....	14
4	Appendix 2: Call outcomes.....	15
4.1	Businesses .....	15
4.2	Residents.....	15
	Appendix: Statement of Terms.....	16

## 1 Introduction

### 1.1 Background and method

In October 2019, Devon and Somerset Fire and Rescue Service (DSFRS) commissioned BMG Research to undertake a survey amongst 400 businesses and 400 residents. The purpose of the surveys was to assess the opinions of business decision makers and residents on how DSFRS should approach setting its budget for 2020/21 and on whether the Service is currently deemed to be providing value for money.

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

In total, 395 interviews with businesses and 392 interviews with residents were completed during November and December 2019. Details of the profile of the sample can be found in Appendix 1.

On a sample of c.400 the confidence interval at the 95% level is +/- 4.9%. This means that if a statistic of 50% was observed, we can be 95% confident that the true response among the total population lies between 45.1% and 54.9%.

This report summarises the main findings from both surveys.

## 2 Survey Findings

### 2.1 Whether it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2020/21

Respondents were provided with the following contextual information regarding DSFRS:

*“Devon and Somerset Fire and Rescue Authority is committed to its ambitious plans to end preventable fire and rescue emergencies across the two counties while addressing the funding cuts passed down by the Government. The service provides 85 local fire stations across Devon and Somerset and employs about 2,000 staff, helping to keep safe a population of 1.7 million. On average, we attend about 16,400 incidents each year, which includes fires, road traffic collisions, flooding and other emergencies. The Authority is seeking feedback about the level of council tax precept for the coming year and how satisfied you are with the service it provides.”*

They were then informed of the following:

*“Devon & Somerset Fire & Rescue Authority is considering its Council Tax charges for 2020/21. The current charge is £86.52 a year for a Band ‘D’ property. Over the last few years the Government has reduced the funding provided for the fire and rescue service and this will continue. By 2023, Devon and Somerset Fire and Rescue Service need to reduce costs by £8.4 million. The service will need to plan a balanced budget that accommodates this while continuing to support communities.”*

Respondents were asked how strongly they agree or disagree that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2020/21.

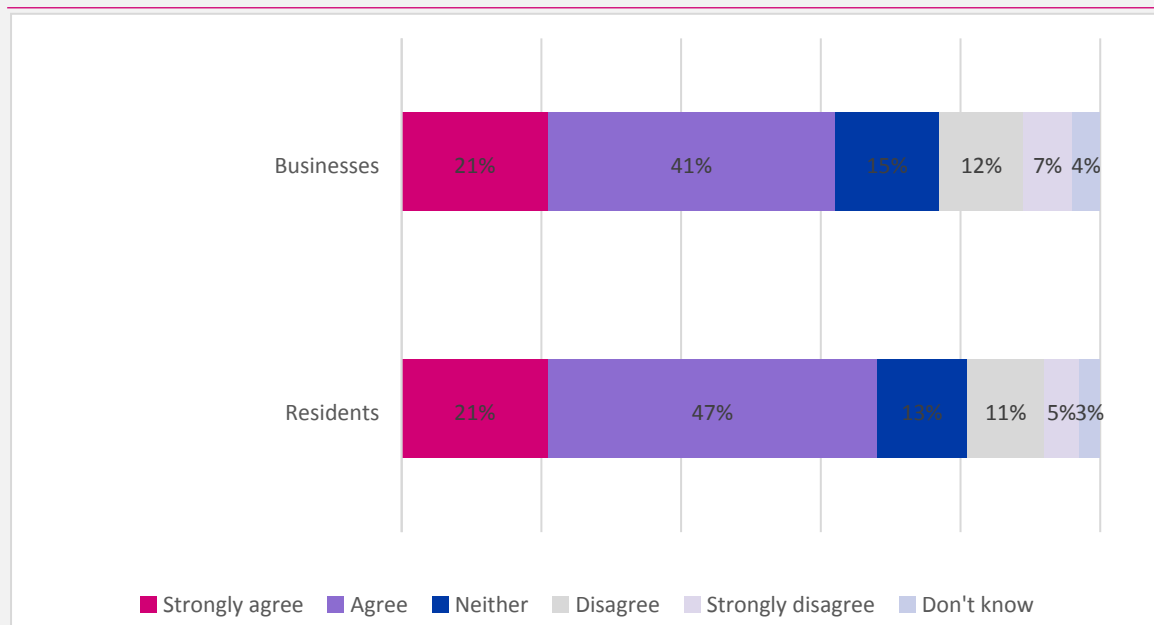
Over three in five (62%) businesses agreed that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2020/21, while a fifth (19%) disagreed that it is reasonable for them to do so, resulting in a net agreement<sup>1</sup> of +43%.

Agreement was consistent by industry sector, gender and age. However, by LAD, agreement was significantly higher than average amongst businesses in Devon (68%) and significantly lower amongst businesses in Somerset (54%).

Over three in five (68%) residents agreed that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2020/21, while 16% disagreed, giving a net agreement of +52%.

Agreement was consistent by LAD, gender and age. Those respondents who had used a DSFRS service in the last 12 months were more likely to agree than those who had not (80% cf. 64% who have not used a DSFRS service).

**Figure 1: Agreement or disagreement that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2020/21 (All respondents)**



Unweighted sample base: 395 businesses, 392 residents

<sup>1</sup> Net agreement = the proportion who strongly agree/agree minus the proportion who disagree/strongly disagree.

## 2.2 Level of increase that would be reasonable

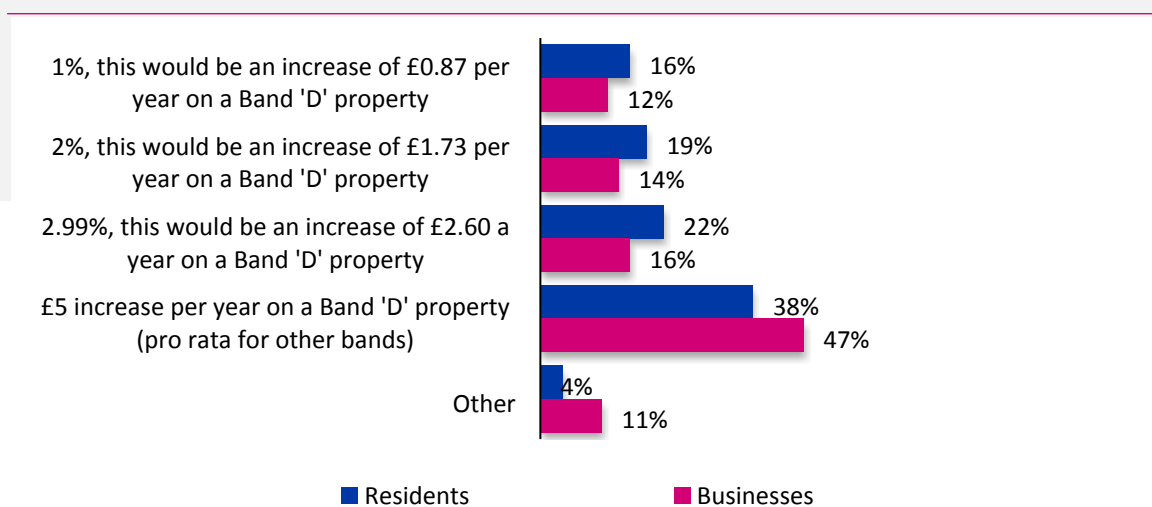
Those respondents who agreed that it is reasonable for DSFRS to consider increasing its Council Tax Charge for 2020/21 were asked at what level the increase should be;

- 1%, this would be an increase of £0.87 per year on a Band 'D' property – increasing the total charge to £87.39
- 1.99%, this would be an increase of £1.73 per year on a Band 'D' property – increasing the total charge to £88.25
- 2.99%, this would be an increase of £2.51 a year on a Band 'D' property – increasing the total charge to £89.12
- £5 increase per year on a Band 'D' property (pro rata for other bands) – increasing the total charge to £91.52
- Some other level of increase

The largest proportion of businesses opted for a £5 increase (47%) followed by either a 2.99% increase or a 2% increase (16% and 14% respectively) which was consistent by LAD, industry sector, gender and age.

Consistent with businesses the largest proportion of residents opted for a £5 increase (38%) followed by a 2.99% increase (22%) and a 2% increase (19%). However, there was some variation by LAD. Those in Plymouth were less likely than average to state a £5 increase (23%) but more likely to state a 2.99% increase (34%). Those in Devon were more likely than average to state a 1% increase (23%) and those in Somerset were less likely to mention this (7%).

**Figure 2: Level of increase that would be reasonable (Those respondents agreeing that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2020/21)**



Unweighted sample base: 243 businesses, 269 residents

## 2.3 Reasons for disagreeing that it is reasonable for DSFRS to increase its element of the Council Tax charge for 2020/21

Those respondents who disagreed that it is reasonable for DSFRS to consider increasing its element of the Council Tax charge for 2020/21 (19% of businesses and 16% of residents) were asked why they disagreed. Typical comments made by respondents are highlighted below.

### 2.3.1 Businesses

*“Doesn't make sense to cut funding and then increase taxes. I don't have a problem in the increase if it is passed to DSFRS and not used elsewhere, on silly things like parking, etc.”*

*“I think we are paying huge amounts on rates already for commercial property.”*

*“There's other ways to raise money.”*

*“Expect more stations and fire fighters if council tax increases.”*

*“Happy for fire and rescue authority to have more money, but not sure where the money goes. It's too much for small businesses already to manage the costs.”*

*“Council should provide funding, and stop wasting money on irrelevant things like Palm trees from abroad. We have them in this country. They should provide funding for more worthwhile and relevant services.”*

*“Mis-management of funds, not necessarily the fire and rescue service, unnecessary spending of money when they could be put to better use on the fire and safety instead.”*

*“They need to be efficient at the job instead of more funding.”*

### 2.3.2 Residents

*“Why would they want to charge us more when in return they are giving less service.”*

*“I think that central government that have made this cut needs to reverse them.”*

*“I think the government should pay for it.”*

*“I think the fire and rescue service have received a large spending budget and they tend to waste it on bureaucracy.”*

*“I can't afford it as a pensioner.”*

*“My council tax is very expensive now, can't afford to pay anymore.”*

*“We pay a lot of money at the moment and it's not always efficiently used.”*

*“They do a very a good job but its everything is just going up.”*



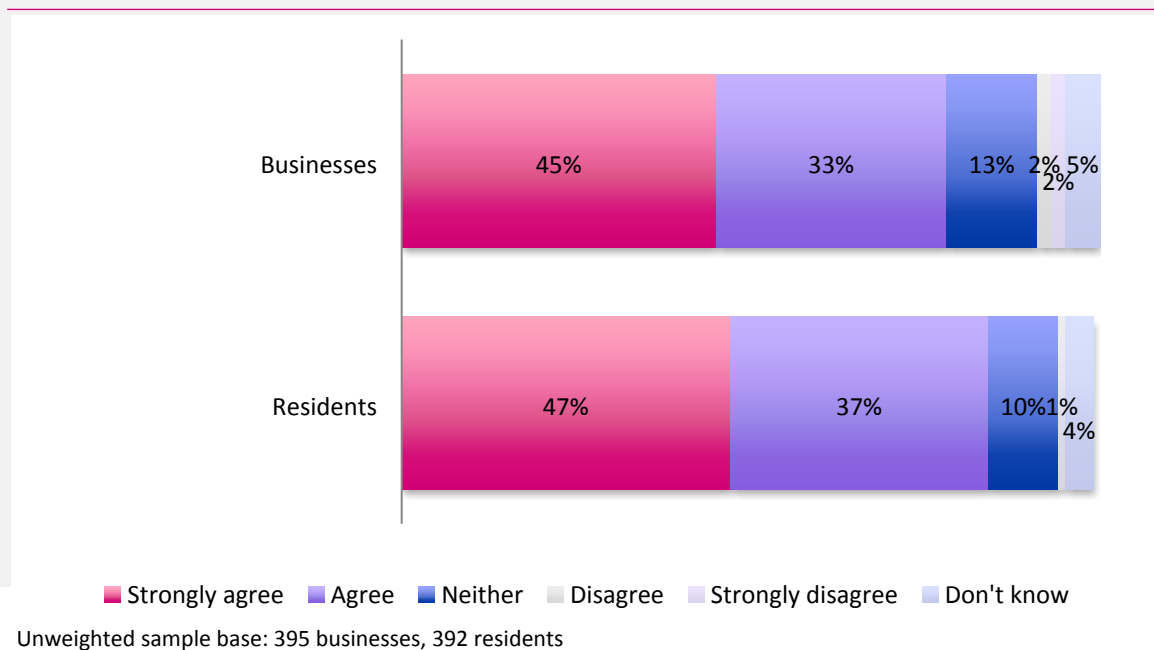
## 2.4 Agreement or disagreement that DSFRS provides value for money

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

Close to four in five (78%) businesses agreed that DSFRS does provide value for money, with only 3% disagreeing, resulting in a net agreement of +75%. Although we have seen a significant decrease in agreement this year from 84%, this is due to an increase in businesses saying neither agree nor disagree rather than an increase in those disagreeing. Those who had not used any DSFRS services in the last 12 months were more likely to say this (15% neither/nor cf. 5% of those who had used DSFRS services). Views were consistent by industry sector, gender and age. Businesses in Somerset were less likely to agree than the average overall (72% cf. 78%).

Views were even more positive among residents, with 84% agreeing that DSFRS does provide value for money and only 2% disagreeing, resulting in a net agreement of +82%. Views were consistent by LAD, gender and age. Residents who had used a DSFRS service in the last 12 months were noticeably more positive about value for money (92% agreed cf. 82% who had not used a DSFRS service).

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



## 2.5 Reasons for disagreeing that DSFRS provides value for money

The 12 businesses and 5 residents who disagreed that DSFRS provides value for money were asked why they disagreed, and, where provided, their reasons for this are listed below.

### 2.5.1 Businesses

*"We haven't really used them anyway, if they cut in certain area's they could use that money anyway."*

*"Can't really say because I've never had much experience with them."*

*"They are too short handed, can't get the service, it's too far spread."*

*"Spent money on buildings that they don't use."*

*"Every encounter has been negative and they are encouraged to take sick days, not managed correctly."*

*"Funding should not come from local government. Should be funded by central government. Emergency services shouldn't be controlled by local government. It should be controlled independently."*

*"Disagree with the service, as I was already doing things correctly, didn't need someone else to come and tell me I'm doing it correctly. On empty buildings you have to pay more council tax on, so an increase would affect my business."*

*"Individuals are paying for others, business are not paying taxes as they operate as domestic, not assessed and paying, no fire extinguishers."*

*"There's too many people employed that aren't doing their jobs as efficiently as the could be doing."*

*"Spend too much on sickness, pensions, and low retirement age. Other people have to work until older, whilst they can retire at a younger age."*

*"Price is high dangerous job they do but doesn't warrant increase."*

## 2.5.2 Residents

*"They sit down and do nothing, but do provide value for money when they are working."*

*"I think there are too many fire stations and too many employees."*

*"I never see any services provided by them."*

*"They have too much equipment and have bigger wages. They get too much money and they aren't very good at putting out fires."*

## 2.6 Services used

To contextualise the findings reported above, all respondents were asked if they had used any of ten specific services provided across Devon and Somerset in the last 12 months. Respondents had previously been asked whether they had ever used any of the services.

Overall, one in five (20%) businesses reported using at least one of the services in the last 12 months, most commonly a fire safety audit/check (13%) at a business with businesses in Plymouth significantly more likely than average to mention this (27%).

Similarly, for residents over one in five (22%) reported using at least one of the services in the last 12 months, with a community event being the most common (10%) followed by home fire safety visit (8%).

Residents in Torbay were more likely than average to say they had used a service in the last 12 months (33%).

**Table 1 Services used**

	Businesses	Residents
Fire safety audit / check in a business	13%	5%
Home fire safety visit / smoke alarm fitting	2%	8%
Community event	3%	10%
Emergency response - house fire	2%	4%
Community use of fire stations	1%	4%
Youth education	1%	5%
Emergency response - road traffic collision	1%	3%
Emergency response - rescue	1%	2%
Emergency response - flooding	1%	2%
Public consultation event for the Safer Together Programme	1%	5%
Other service	1%	2%
I have not used a Devon and Somerset Fire and Rescue service	80%	78%
Unweighted sample base: 395 businesses, 392 residents		

## 2.7 Satisfaction with the service provided by DSFRS

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

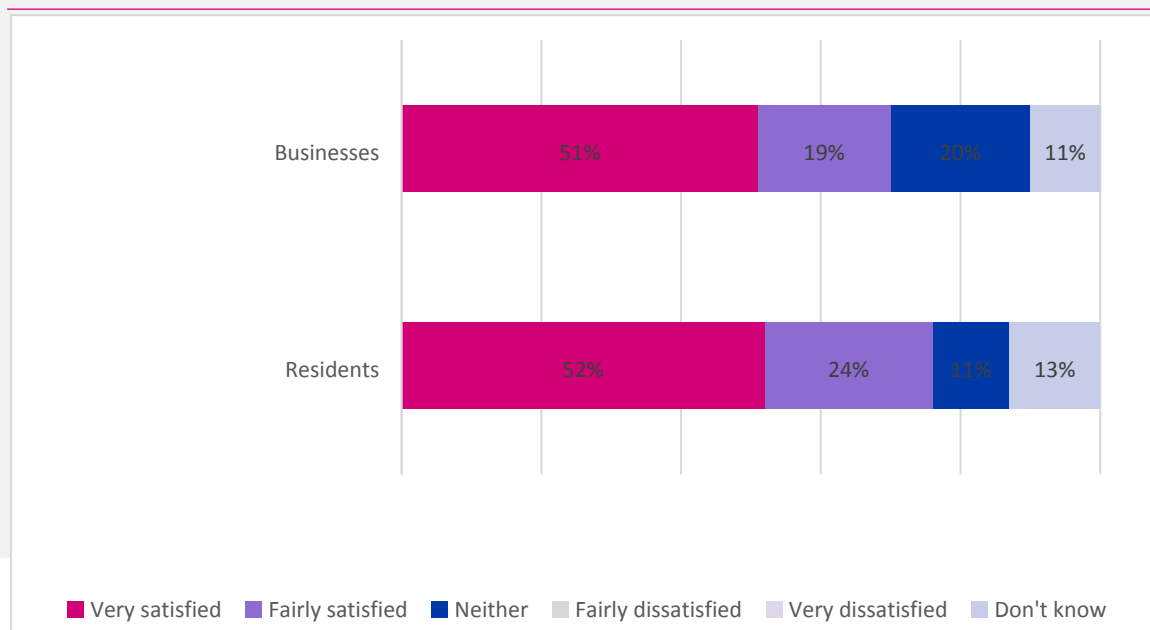
Close to seven in ten (69%) businesses were satisfied with the service provided, and only 1% expressed dissatisfaction, yielding a net level of satisfaction of +68%. Although again this is a significant decrease from the 80% agreement seen previously, this is due to an increase in businesses saying neither satisfied nor dissatisfied (20%).

Levels of satisfaction significantly increased amongst those who had used a DSFRS service in the last 12 months from 65% amongst those who have not used a service to 86%.

Three quarters of residents (75%) were satisfied with the service provided, and less than 0.5% expressed dissatisfaction, yielding a net level of satisfaction of +75%. Although satisfaction has decreased significantly from 83% last year, this is due to an increase of residents stating neither/nor rather than being dissatisfied.

Levels of satisfaction significantly increased amongst those who had used a DSFRS service in the last 12 months from 70% amongst those who have not used a service to 95%.

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



Unweighted sample base: 395 businesses, 392 residents

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

*"We're local and they struggle with getting out to us."*

*"You don't need the checks, waste of time."*

*"Bad review when reviewed hotel."*

Only 3 residents expressed dissatisfaction, and their reason for doing so were as follows:

*“They have reduced our volunteers and work hours, the nearest fire station is 6 miles away by the time they get to us we will be burnt and crispy.”*

*“They waste money and use too much bureaucracy. They waste money on too many new buildings.”*

*“Keep the smaller stations open, the bigger stations have to go through narrow ways just to get to their destination.”*

### 3 Appendix 1: Profile Information

#### 3.1 Businesses

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

**Table 2 – Local authority district**

Local authority district	Unweighted		Weighted	
	%	Number	%	Number
Torbay	11	45	6	22
Plymouth	13	52	8	31
Devon	46	180	53	208
Somerset	30	118	34	134

**Table 3 – Industry sector**

Industry Sector	Unweighted		Weighted	
	%	Number	%	Number
A to F	25	97	23	93
G to N, R + S	75	298	77	302

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

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

**Table 4 – Job title**

Industry Sector	Unweighted		Weighted	
	%	Number	%	Number
Owner/proprietor/managing director	31	124	30	119
Director	31	122	33	131
Manager/assistant manager	20	80	20	77
Other	17	67	17	64
Prefer not to say	1	2	<0.5%	1

**Table 5 – Gender**

Gender	Unweighted		Weighted	
	%	Number	%	Number
Male	66	262	67	266
Female	34	133	33	129

**Table 6 – Age**

Age	Unweighted		Weighted	
	%	Number	%	Number
16 – 24 years	2	5	2	9
25 – 34 years	11	43	11	44
35 – 44 years	19	77	18	72
45 – 54 years	25	100	25	99
55– 64 years	30	117	30	118
65+	11	44	12	47
Prefer not to say	2	6	1	6

**Table 7 – Ethnic Origin**

Ethnic Origin	Unweighted		Weighted	
	%	Number	%	Number
White	97	382	97	384
Asian/Asian British	1	3	<0.5	1
Mixed/Other	1	4	1	4
Prefer not to say	2	6	1	6



### 3.2 Residents

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

**Table 8 – Local authority district**

Local authority district	Unweighted		Weighted	
	%	Number	%	Number
Torbay	23	92	8	30
Plymouth	26	100	15	58
Devon	26	100	46	179
Somerset	26	100	32	124

**Table 9 – Age**

Age	Unweighted		Weighted	
	%	Number	%	Number
16 – 24 years	1	4	3	10
25 – 34 years	7	26	11	44
35 – 44 years	11	45	22	85
45 – 54 years	12	47	12	46
55– 64 years	22	86	20	79
65+	44	173	29	112
Prefer not to say	3	11	4	15

**Table 10 – Gender**

Gender	Unweighted		Weighted	
	%	Number	%	Number
Male	51	200	48	190
Female	49	191	52	202

**Table 11 – Ethnic Origin**

Ethnic Origin	Unweighted		Weighted	
	%	Number	%	Number
White	93	366	94	368
Asian/Asian British	1	2	<0.5	2
Mixed	<0.5	1	<0.5	2
Prefer not to say	6	23	5	20

## 4 Appendix 2: Call outcomes

The following tables show a breakdown of call outcomes.

### 4.1 Businesses

	Outcome	Contacts	% of total	% of sub total
<b>In scope</b>	<b>Complete</b>	<b>395</b>	<b>3%</b>	<b>6%</b>
	Refusal	415	4%	6%
	Respondent busy	5878	52%	88%
	<b>Sub-total</b>	<b>6688</b>	<b>59%</b>	<b>100%</b>
	Outcome			% of out of scope
<b>Out of scope</b>	Unobtainable (modem, fax etc)	628	6%	13%
	Ineligible	185	2%	4%
	No contact made	3864	34%	83%
	<b>Sub-total</b>	<b>4677</b>	<b>41%</b>	<b>100%</b>
	<b>Total</b>	<b>11,365</b>		

### 4.2 Residents

	Outcome	Contacts	% of total	% of sub total
<b>In scope</b>	<b>Complete</b>	<b>392</b>	<b>1%</b>	<b>7%</b>
	Refusal	160	1%	3%
	Respondent busy	5278	17%	91%
	<b>Sub-total</b>	<b>5830</b>	<b>19%</b>	<b>100%</b>
	Outcome			% of out of scope
<b>Out of scope</b>	Unobtainable (modem, fax etc)	2931	10%	12%
	Ineligible	395	1%	2%
	No contact made	21402	70%	87%
	<b>Sub-total</b>	<b>24728</b>	<b>81%</b>	<b>100%</b>
	<b>Total</b>	<b>30,558</b>		

## Appendix: Statement of Terms

### Compliance with International Standards

BMG complies with the International Standard for Quality Management Systems requirements (ISO 9001:2015) and the International Standard for Market, opinion and social research service requirements (ISO 20252:2012) and The International Standard for Information Security Management (ISO 27001:2013).

### Interpretation and publication of results

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

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

### Ethical practice

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

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

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

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

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

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

**2020/21 Precept consultation online surveys**

**1. Online survey**

- 1.1 The online survey was available from 31 October – 21 December 2019. The consultation period was promoted through our website, adverts on Facebook and Twitter. Examples of the Facebook adverts and the banner on our website can be found in Section 4 of this report. The extent of promoting the consultation was impacted by the Purdah pre-election period imposed prior to the General Election on 12 December 2019.
- 1.2 In that period a total of **155** responses were received. Of those 155 responses, 121 fully completed the questionnaire and 34 partially completed it. As only five of these responses represented the business sector, the results have not been separated. Total number of responses differ for each question as some people chose not to respond to every question.
- 1.3 This year’s consultation exercise follows a three-month large scale public consultation process, which the Service undertook in the summer to gauge views on the proposed new Service Delivery Operating Model. It is important to note that, from the range of responses received, this earlier consultation has influenced a number of respondents’ viewpoints when compared to last year’s responses. This report summarises the main findings from the survey.

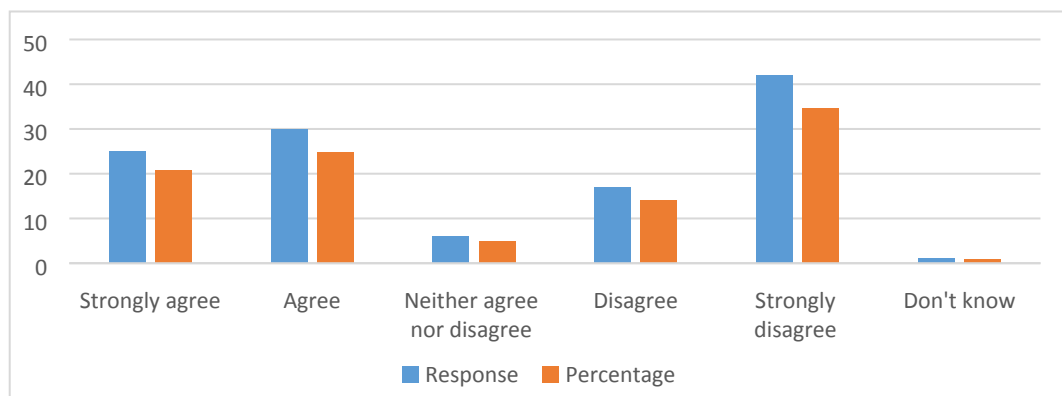
**2. Results**

***Q1. How much do you agree or disagree that it is reasonable for the Authority to consider increasing its council tax charge for 2020/21?***

Table 1: Responses to Question 1

Answer Option	Response	Response %
Strongly agree	25	20.66
Agree	30	24.79
Neither agree nor disagree	6	4.96
Disagree	17	14.05
Strongly disagree	42	34.71
Don't know	1	0.83
Total	121	

Chart 1: Results of agreement to consider increasing the precept



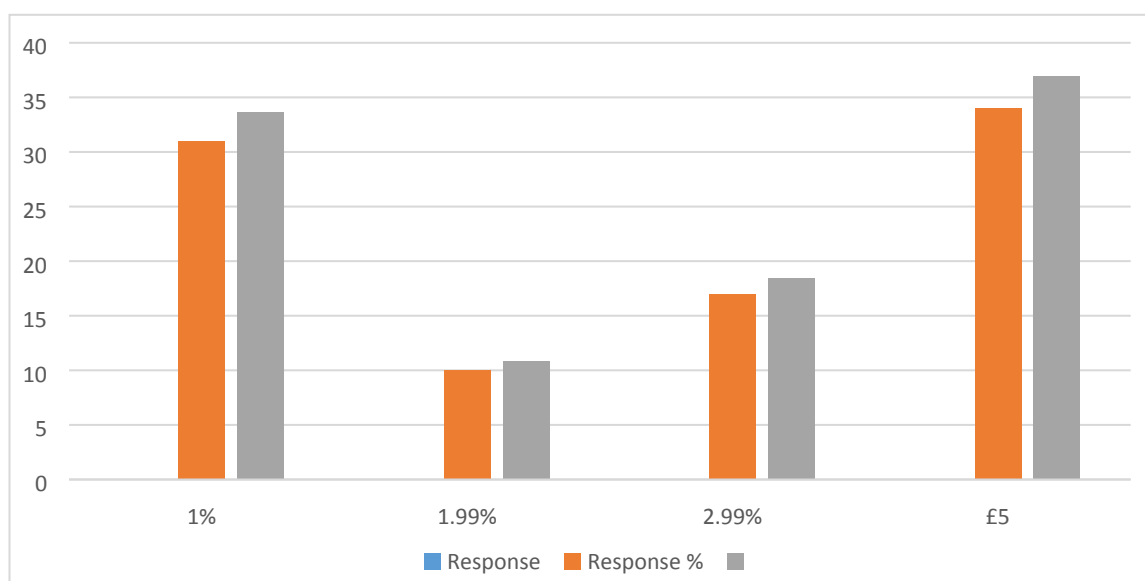
- 2.1 The results indicate that almost 35% of respondents strongly disagree that the Authority should consider increasing its charges, as opposed to approximately 21% who strongly agree. This is a significant change to last year's response where 70% of respondents agreed the Authority should consider increasing its charges.

**Q2. What level of increase would you consider is reasonable for the Authority to increase its element of the council tax charge by?**

Table 2: Responses to Question 2

Answer Option	Response	Response %
1% (An increase of 87p a year for a Band D property, increasing the total charge to £87.39)	31	33.70
1.99% (An increase of £1.73 a year for a Band D property, increasing the total charge to £88.25)	10	10.87
2.99% (An increase of £2.60 a year for a Band D property, increasing the total charge to £89.12)	17	18.48
£5 (An increase of £5 a year for a Band D property (pro rata for other bands), increasing the total charge to £91.52)	34	36.96
Total	92	

Chart 2: Results of levels of increase to the precept



- 2.2 The results indicate that almost 37% of respondents are in support of an £5 increase, whereas almost 34% support an increase of 1%.

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

- 2.3 Those respondents who disagreed that it is reasonable for DSFRS to consider increasing its element of the council tax charge for 2020/21 were asked why they disagreed.

- 2.4 The common emerging themes highlighted by respondents indicated:
- Impact of potential service cuts offering a reduced service
  - Review existing internal spending
  - Review of senior management structure before asking public to pay more
  - Fire cover not available or to standard expected
  - Willing to pay increase if it resulted in fire stations being kept open
  - Seek increase in funds from Central Government

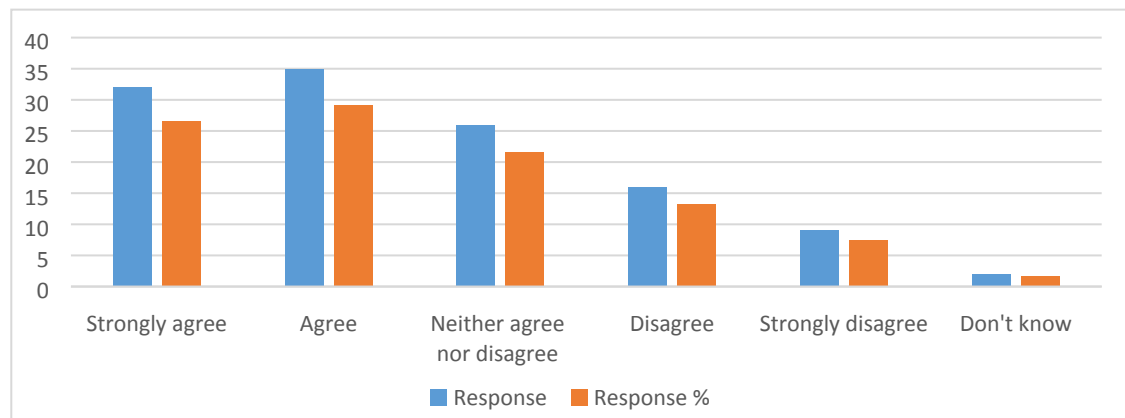
- 2.5 A sample range of comments made by respondents are listed below:
- *‘Due to potential cuts in the service, I don’t see how you can ask for more money for a reduced service.’*
  - *‘The Authority needs to ensure that the money already provided is spent efficiently. The Fire Service is very top heavy in management terms and this could/should be reduced to save money before asking the public to pay more.’*
  - *‘Fire cover that my council tax pays for is often not available or to the standard expected.’*
  - *‘I would pay more if my local fire station stays open.’*
  - *‘I believe the increase in funds required should come from central government not the tax payer. They should respect what a great job emergency services do and fund them accordingly.’*

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

Table 3: Responses to Question 4

Answer Option	Response	Response %
Strongly agree	32	26.67
Agree	35	29.17
Neither agree nor disagree	26	21.67
Disagree	16	13.33
Strongly disagree	9	7.50
Don't know	2	1.67
Total	120	

Chart 3: Results of value for money question



2.6 The results indicate that over half of respondents (56%) agree or strongly agree that the Service provides value for money.

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

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

2.8 The common emerging themes from respondents highlighted:

- Concerns over future of service, if proposed changes are implemented
- Public perception that money is not being used efficiently
- Service should introduce charging for attendance at incidents
- Duplication of work that could be done regionally/nationally
- Firefighters already provide value for money

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

- *'At the moment it does, in the future it might not, if these changes go ahead.'*
- *'Not efficient, too many managers, staff paid to sleep.'*
- *'From press reports money seems to be wasted elsewhere and is not being used to support my local community.'*
- *'The service could charge for attendances that are not part of the normal service provided. More change is needed around processes to provide value for money.'*
- *'Again the amount of duplication of work that could be done regionally/nationally. The constant waste in house of re-inventing the wheel; promotion changes, training recording systems, re arranging the 'top table'.....'*
- *'It's the Firefighters that give good value for money. Not the chief or his minions. It's the Firefighters on the ground risking their own lives and safety to make sure that we, the general public are safe.'*



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

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

Table 4: Response to Question 6

Answer Option	Response	Response %
Yes, house fire	1	0.92
Yes, road traffic collision	2	1.83
Yes, flooding	0	0.00
Yes, rescue	3	2.75
Yes, home fire safety check/visit	5	4.59
Yes, business safety check/audit	3	2.75
Yes, community use of fire station	4	3.67
Yes, youth education	5	4.59
Yes, community event	24	22.02
Yes, at a public consultation event for our Safer Together Programme	29	26.61
No, I have not used a Devon and Somerset Fire and Rescue service	61	55.96
Other	3	1.83
Total	140	

2.11 Other responses received included the following:

- Assessment Team – 1 response
- Employment of retained staff – 2 responses

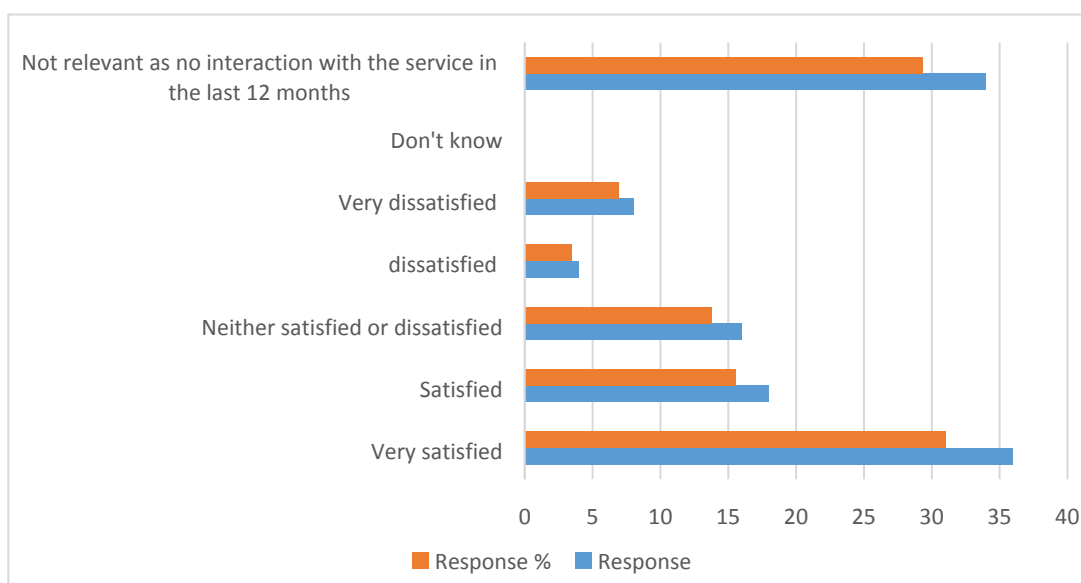
2.12 The results indicate that almost (56%) of respondents have not interacted with the Service in the last 12 months, however, (22%) had attended community events and over a quarter of respondents (27%) had attended a public consultation event for the Safer Together programme.

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

Table 5: Response to question 7

Answer Option	Response	Response %
Very satisfied	36	31.03
Satisfied	18	15.52
Neither satisfied or dissatisfied	16	13.79
dissatisfied	4	3.45
Very dissatisfied	8	6.90
Don't know	0	0.00
Not relevant as no interaction with the service in the last 12 months	34	29.31
Total	116	

Chart 4: Results of levels of satisfaction with the service provided by DSFRS



2.13 The results indicate that almost (47%) of respondents were satisfied or very satisfied with the level of service received by DSFRS.

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

2.14 Respondents were asked to provide comments on what influenced their level of satisfaction/dissatisfaction with the service provided by DSFRS. It was evident as mentioned earlier that the earlier summer public consultation had influenced a number of responses to this question.

2.15 The common emerging themes from respondents highlighted:

- Recognition of dedicated front line staff but concerns over support from management
- Acknowledgement of good response times to incidents
- Willingness to increase precept charge
- Awareness of fire appliances not being available

- Effects of recent consultation process and proposed changes to the Service
- Seeking public reassurance around emergency response when contacting 999

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

- *'The frontline staff clearly are dedicated and response seems good on most occasions. Not sure they are supported enough by the management within the Authority and standards may be reducing as a result.'*
- *'Fire appliances not available.'*
- *'As a DSFRS employee (support) I have an understanding of the huge effort it takes to operate an effective front line emergency service and the resources required to support the communities of Devon and Somerset. The transformation required by the Government comes at a financial price but this should not be allowed to adversely affect the incredible work the Service provides keeping our region safe - if we as a community want the Fire and Rescue Service we deserve then an small increase in the precept will help.'*
- *'Media, contact with local firefighters and other employees, review of committee papers and other publicly available documents.'*
- *'I want to pay for the stations, fire engines & firefighters that exist now. No closures or reductions.'*
- *'It is immaterial until it goes wrong. When it goes wrong I want to be able to call 999 safe in the knowledge the right resources are available to attend in the shortest time. Services are NOT businesses and they need proper funding.'*
- *'Staff spoken with are so dedicated and passionate about their job. They care so much for the communities they serve.'*

### 3. Profile of Respondents

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

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

Answer Option	Response	Response %
A member of the public	78	67.24
A member of DSFRS staff	21	18.10
Representing a business	5	4.31
Prefer not to say	9	7.76
Other	3	2.59
Total	116	

3.2 Other responses received included the following:

- How is this relevant?
- DSFRS firefighter
- Welfare Volunteer

Table 7: Responses to Question 10 – regarding age

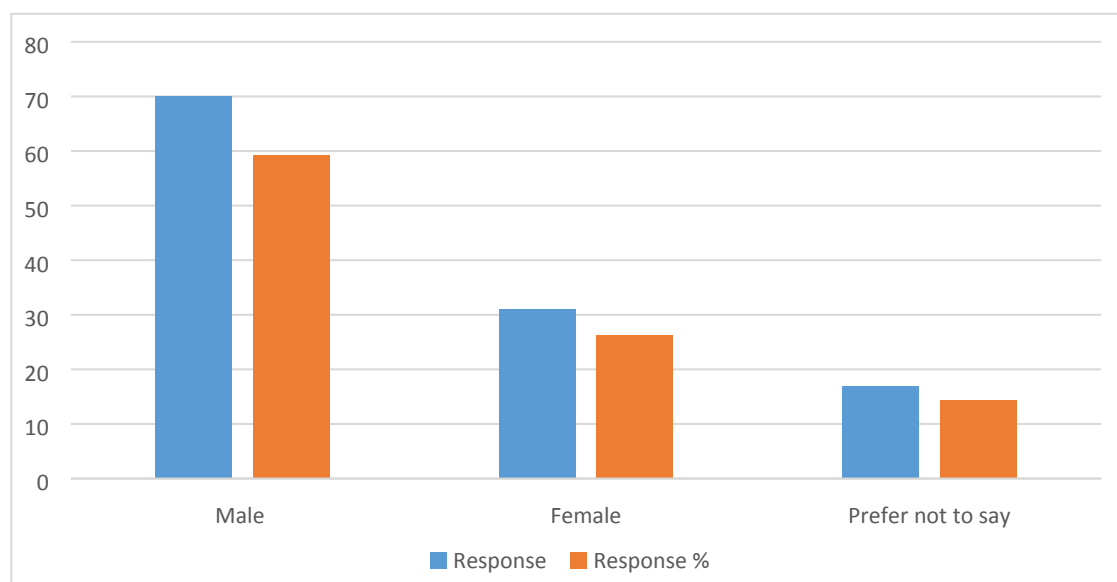
Answer Option	Response	Response %
16-24	11	9.24
25-34	23	19.33
35-44	24	20.17
45-54	21	17.65
55-64	13	10.92
65-74	15	12.61
75-84	2	1.68
84+	0	0.00
Prefer not to say	10	8.40
Total	119	

3.3 The results indicate that the majority of respondents were aged between the categories of 25-34 (19%), 35-44 (20%) and 45-54 (18%). There was a very low response rate from those aged between 75-84 (2%) and no response from anyone aged over 84 years.

3.4 Table 8: Responses to Question 11 – regarding gender

Answer Option	Response	Response %
Male	70	59.32
Female	31	26.27
Prefer not to say	17	14.41
Total	118	

Chart 5: Results of question relating to gender



3.5 The results indicate that the majority of respondents were male (59%).

Table 9: Responses to Question 12 – regarding gender identity

Answer Option	Response	Response %
Yes	92	78.63
No	0	0.00
Prefer not to say	25	21.37
Total	117	

- 3.6 This question asked respondents to confirm their gender identity matched their sex as registered at birth. The results indicate that the majority of respondents (78%) confirmed that their gender identity did match their sex as registered at birth.

Table 9: Responses to Question 13 regarding sexual orientation

Answer Option	Response	Response %
Hetrosexual or straight	81	72.32
Gay man	2	1.79
Gay Woman	0	0.00
Bi-Sexual	3	2.68
Asexual	0	0.00
Prefer not to say	23	20.54
Other	3	2.68
Total	112	

- 3.7 The three ‘Other’ responses received were comments which questioned the relevance of asking for this information.

Table 10: Responses to Question 14 – regarding relationship status

Answer Option	Response	Response %
Single (never married or in a civil partnership)	15	13.16
Cohabiting	16	14.04
Married	53	46.49
In a civil partnership	1	0.88
Seperated (but still legally married or in a civil partnership)	0	0.00
Divorced or civil partnership dissolved	2	1.75
Widowed or a surviving partner from a civil partnership	3	2.63
Prefer not to say	22	19.30
Other	2	1.75
Total	114	

- 3.8 The two ‘Other’ responses received were comments which questioned the relevance of asking for this information.

Table 11: Responses to Question 15 – regarding disability, long term illness or health condition.

Answer Option	Response	Response %
Yes	7	5.98
No	87	74.36
Prefer not to say	23	19.66
Total	117	

- 3.9 The results indicate that the majority of respondents (74%) stated that they did not have a disability, long term illness or health condition.

Table 12: Responses to Question 16 – regarding caring responsibilities.

<b>Answer Option</b>	<b>Response</b>	<b>Response %</b>
None	63	54.31
Primary carer of a child or children (under 2 years)	9	7.76
Primary carer of a child or children (between 2 and 18 years)	18	15.52
Primary carer of a disabled child or children	1	0.86
Primary carer or assistant for a disabled adult (18 years and over)	1	0.86
Primary carer or assistant for an older person or people (65 years and over)	3	2.59
Secondary carer (another person carries out main caring role)	6	5.17
Prefer not to say	23	19.83
Total	124	

- 3.10 The results indicate that (54%) of respondents do not currently have any caring responsibilities.

Table 13: Responses to Question 17 – regarding religion

<b>Answer Option</b>	<b>Response</b>	<b>Response %</b>
No Religion	59	51.75
Christian all denominations	25	21.93
Buddhist	0	0.00
Hindu	0	0.00
Jewish	0	0.00
Muslim	0	0.00
Sikh	0	0.00
Prefer not to say	27	23.68
Other	3	2.63
Total	114	

- 3.11 The results indicate that almost (52%) of respondents have no religion and almost (22%) state their religion as Christian all denominations.

- 3.12 The three 'Other' responses received were:

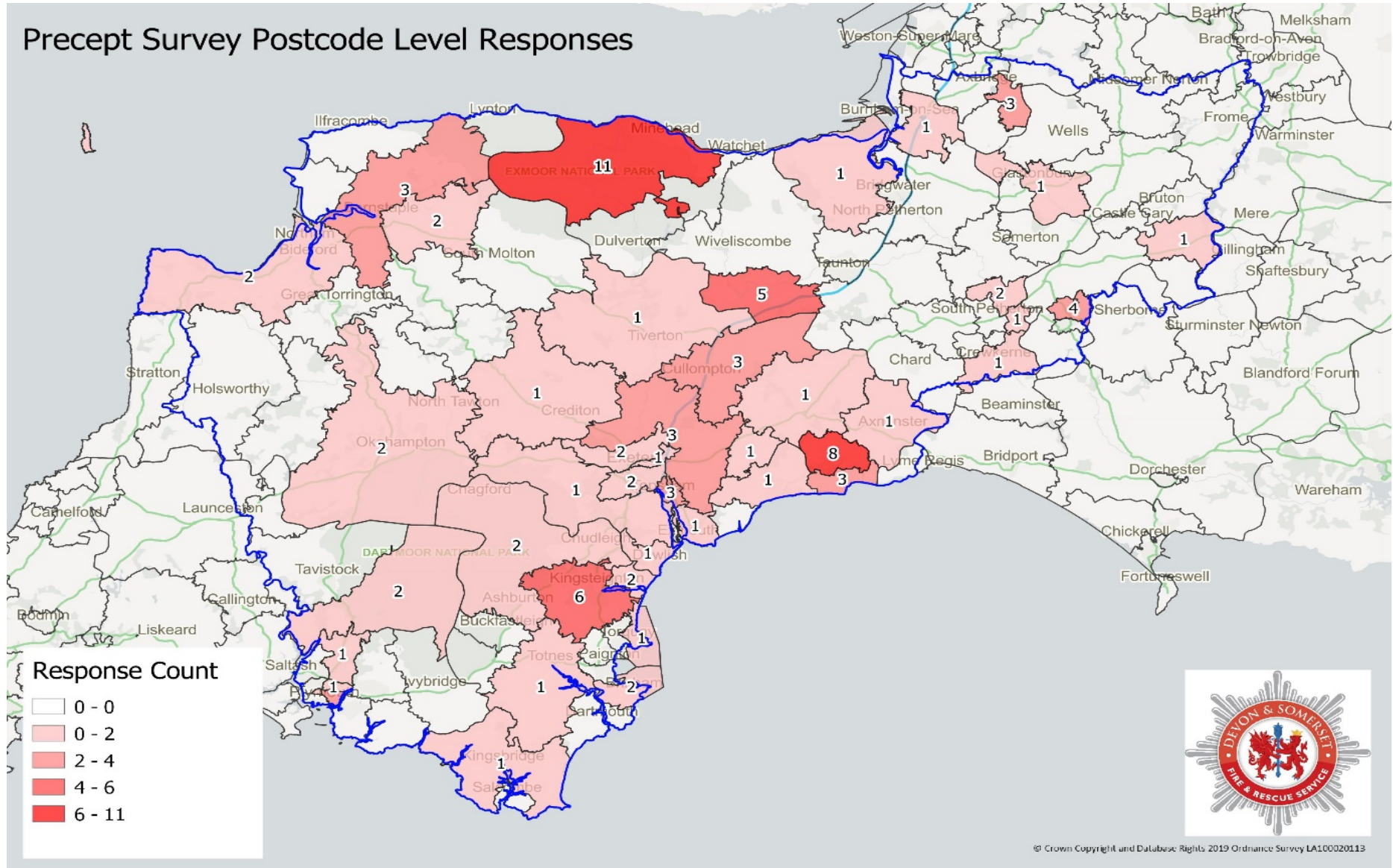
- Raelian
- Agnostic
- How is this relevant?

Table 14: Responses to Question 18 – regarding ethnic origin.

<b>Answer Option</b>	<b>Response</b>	<b>Response %</b>
White - English / Welsh / Scottish / Northern Irish / British	91	78.45
White - Irish	1	0.86
White - Gypsy or Irish Traveller	0	0.00
Any other white background	1	0.86
White and black Caribbean	0	0.00
White and black African	0	0.00
White and Asian	0	0.00
Any other mixed multiple ethnic background	0	0.00
Asian / Asian British - Indian	0	0.00
Asian / Asian British - Pakistani	0	0.00
Asian / Asian British - Bangladeshi	0	0.00
Asian / Asian British - Chinese	0	0.00
Any other Asian background	0	0.00
Black / black British - African	0	0.00
Black / black British - Caribbean	0	0.00
Any other black background	0	0.00
Other ethnic groups - Arab	0	0.00
Prefer not to say	23	19.83
Total	116	

- 3.13 The results indicate that the majority of respondents (78%) stated they were White – English / Welsh / Scottish / Northern Irish / British.
- 3.14 Respondents were asked to provide their postcode, this helps us to understand whether we received a cross section of responses from across Devon and Somerset. Of the 155 total respondents, 106 provided a postcode and these have been displayed on the map overleaf.

# Precept Survey Postcode Level Responses

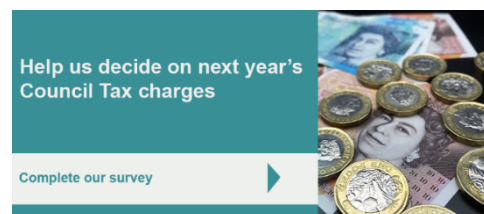


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#### 4. Promoting the consultation

- 4.1 The consultation was promoted using Facebook and Twitter and the website homepage. (See posts on Facebook and website banner on page 13). The advertising of the consultation was cut short due to the Purdah pre-election period which was announced shortly after we commenced with initial posts on social media.
- 4.2 The Facebook post reached 7,373 people and 197 people clicked through from Facebook to the survey page. There was quite an active discussion on Facebook with 79 comments – these were mostly negative and in relation to the consultation and the timing of the precept survey.
- 4.3 The tweet had 3.6K impressions, 72 click throughs and 2 comments. The comments were similar to those on Facebook.
- 4.4 A banner was featured on the website homepage from the date when the survey opened but this was taken down once the Purdah period began.



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<b>REPORT REFERENCE NO.</b>	<b>DSFRA/20/5</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>18 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>CAPITAL PROGRAMME 2020-21 TO 2022-23</b>
<b>LEAD OFFICER</b>	<b>Director of Finance &amp; Resourcing (Treasurer)</b>
<b>RECOMMENDATIONS</b>	<p><i>That the Authority considers the contents of this report together with any relevant recommendations from the Resources Committee (Budget) meeting held on 13 February 2020 with a view to:</i></p> <ul style="list-style-type: none"> <li><i>(a) approving the draft Capital Programme 2020-21 to 2022-23 and associated Prudential Indicators, as detailed in this report and summarised at Appendices A and B respectively; and</i></li> <li><i>(b) noting, subject to (a) above, the forecast impact of the proposed Capital Programme (from 2023-24 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.</i></li> </ul>
<b>EXECUTIVE SUMMARY</b>	<p>This report sets out the proposals for a three year Capital Programme covering the years 2020-21 to 2022-23 and also outlines the difficulties in meeting the full capital expenditure requirement for the Authority, given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced.</p> <p>The Authority has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator against a reducing revenue budget and has supported the Treasurer's recommendation alternative sources of funding other than external borrowing should be sought to support future capital investment.</p> <p>To inform longer term planning, the Prudential Indicator has been profiled for a further two years beyond 2022-23 based upon indicative capital programme levels for the years 2023-24 to 2024-25.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated within the report.
<b>EQUALITY IMPACT ASSESSMENT</b>	An initial assessment has not identified any equality issues emanating from this report.

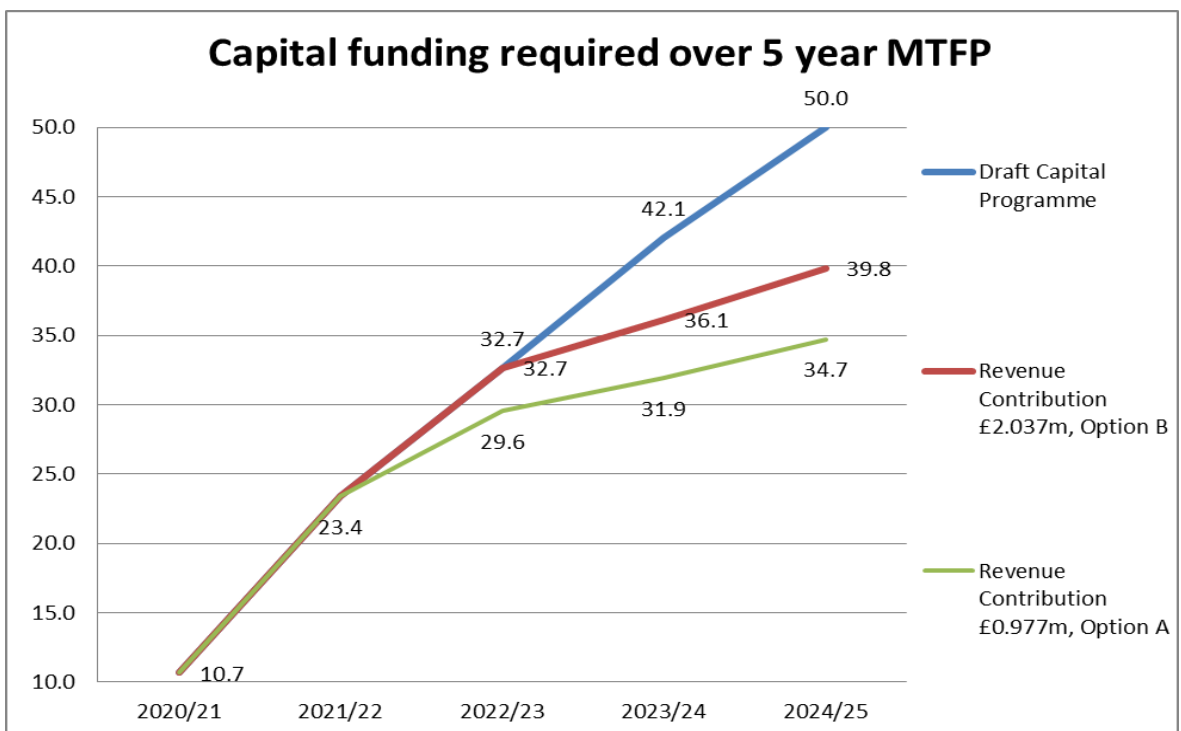
<b>APPENDICES</b>	<p>A. Summary of Proposed Capital Programme 2020-21 to 2022-23 (and indicative Capital Programme 2023-24 to 2024-25).</p> <p>B. Prudential Indicators 2020-21 to 2022-23 (and indicative Prudential Indicators 2023-24 to 2024-25).</p>
<b>LIST OF BACKGROUND PAPERS</b>	None

## 1. INTRODUCTION

- 1.1. Each year, the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme. In constructing the programme, considerable effort is made to ensure that the impact of borrowing is maintained below the 5% ratio of financing costs to net revenue stream – one of several Prudential Indicators previously agreed by the Devon and Somerset Fire and Rescue Authority (hereinafter referred to as “the Authority”).
- 1.2. Up until 2015-16, the Authority was in receipt of some direct grant funding towards capital spending as a share of a government allocation of £70m per annum towards Fire Sector capital investment. In 2014-15, this allocation was £1.4m and in previous years, as much as £2m. However, as part of government austerity measures, this funding has now been withdrawn meaning that from 2015-16 onwards the Authority no longer receives any direct grant funding towards its capital investment plans.
- 1.3. To mitigate the impact of this withdrawal of funding to the 5% debt ratio, the Authority agreed as part of the previous year budget setting to replace this funding with a significant revenue base contribution to funding the capital programme and building a capital reserve for the medium term. Due to cost pressures and grant funding cuts, it is becoming increasingly difficult to sustain the revenue contribution to capital available in previous years.
- 1.4. On 10 January 2020 the Authority approved changes to the Service Delivery Operating Model, which have been incorporated into the proposed capital programme. The changes will reduce pressures on the capital requirement by removing two fire stations from the estate and reducing by eight fire appliances. This paper outlines an ambitious capital programme, including plans to introduce 25 new Medium Rescue Pumps (MRP, our largest fire appliances) into the fleet over the next three years at a cost of £6.6m. At time of writing, the chassis for 15 MRPs have been ordered with a total price of £1.5m. This fleet replacement programme, when combined with multiple station rebuilds, will see a significant draw on the capital reserve which is now expected to be used up by 2023/24.
- 1.5. The Authority has set a strategy to reduce reliance on external borrowing. The proposed Capital Programme 2020-21 to 2022-23 and indicative Capital Programme 2023-24 to 2024-25 show that, despite the reduced number of assets, the Authority will need to borrow up to £10m. Alternatively, there may be a need to restrict the amount of funding available to the Capital Programme and task the Service with further rationalising its assets.
- 1.6. An earlier version of this report was considered by the Resources Committee (Budget meeting) on 13 February 2020. Any recommendations from that meeting will be reported at this meeting for consideration alongside the contents of this report.

## 2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

- 2.1. The tests of affordability of future capital spending are measured by compliance with the Chartered Institute of Public Financial Accountants (CIPFA) Prudential Code for Capital Financing for Local Authorities. Under this code, the Authority is required to set a suite of indicators to provide assurance that capital spending is prudent, affordable and sustainable. The indicators are reviewed annually, although set for the three year period. They also include setting maximum borrowing limits to provide assurance around prudence and the setting of maximum debt ratios to provide assurances in relation to affordability and sustainability.
- 2.2. The proposed programme and funding, as contained in this report, decreases the external borrowing requirement to £24.3m by 2022-23 (£27.4m if Council Tax is not increased each year), and the debt ratio is pushed towards the 5% maximum limit by 2024/25 (forecast to be 4.09% or 4.47% if council tax is not increased). This compares to current external borrowing of £25.4m as at 31 March 2020 and a debt ratio of 3.9%.
- 2.3. The focus of this Authority over many years has been to control spending within the 5% limit. To achieve this, the Service has utilised revenue funding wherever possible through allocation of budget or revenue underspends. This approach has been successful because neither the 5% prudential indicator has been breached nor has external borrowing increased.
- 2.4. With increasing pressure on revenue budgets, the revised programme has been prepared on the basis that increasing the Revenue Contribution to Capital will not be possible over the MTFP period and therefore, new borrowing will be undertaken. However, as the Authority has a long term strategy to reduce borrowing, the capital programme has been redesigned for 2020-21 as a result of the project to align our Service Delivery resources to risk. However, significant pressures still remain and the chart below shows the gap between the costs of maintaining the new asset base and an affordable capital programme based on utilisation of revenue contribution, existing borrowing and the capital reserve.



- 2.5. The funding gap demonstrates a clear requirement to consider further consider asset rationalisation in alignment with the Authority’s future Integrated Risk Management Planning and review the requirement for specialist vehicles.
- 2.6. Due to current interest rates and the potential need to borrow in the future, it is not currently recommended that the Authority repay loans early. This means that existing loans will be applied to the current capital programme until repayment is made in order to avoid an over-borrowed situation. The debt portfolio and interest rates will be regularly reviewed to maximise economy of funding sources.
- 2.7. Elsewhere on the agenda for this meeting is a separate report “2020-21 Revenue Budget and Council Tax Levels”. The draft 2020-21 revenue budget included in that report makes provision for a revenue contribution towards capital of £2.037m if Council Tax is increased by 1.99% or £0.977m if Council Tax is not increased. For a sustainable capital programme be prepared, a revenue contribution to Capital will be required. This needs to be built into revenue base budget to replace the direct grant funding previously received from the government but withdrawn from 2015-16. This figure will need to be reviewed annually as part of the annual budget setting process.

**3. REVISED CAPITAL PROGRAMME FOR 2020-21 to 2022-23**

- 3.1. Appendix A to this report provides an analysis of the proposed programme for the three years 2020-21 to 2022-23 as contained in this report. This programme represents a net decrease in overall spending of £15.6m over the previously agreed indicative programme as illustrated in Figure 1 below:

**Figure 1**

	Estates £m	Fleet & Equipment £m	Total £m
<b>Existing Programme</b>			
2019-20	5.0	3.8	8.8
2020-21	10.2	6.3	16.5
2021-22 (provisional)	7.9	4.9	12.8
2022-23 (provisional)	9.3	3.8	13.1
<b>Total 2019-20 to 2022-23</b>	<b>32.4</b>	<b>18.8</b>	<b>51.2</b>
<b>Proposed Programme</b>			
2019-20 (forecast spending)	1.3	1.6	2.9
2020-21	6.2	4.5	10.7
2021-22 (provisional)	5.9	6.8	12.7
2022-23 (provisional)	5.7	3.6	9.3
<b>Total 2019-20 to 2022-23</b>	<b>19.1</b>	<b>16.5</b>	<b>35.6</b>
<b>Proposed change</b>	<b>-13.3</b>	<b>-2.3</b>	<b>-15.6</b>

### ***Estates***

- 3.2. After a period of significant investment, the Estates programme was reduced from 2013/14 to accommodate other capital programmes. As a result, there was a reduced investment in some key stations over a number of years whilst a revised Integrated Risk Management Plan (IRMP) was developed and an Estate Development Review undertaken to review potential options.
- 3.3. As a result of decisions to change the Service Delivery Operating Model, a programme of improvement has commenced to improve or replace stations whose future strategic importance is now confirmed and where investment into the facilities and site is appropriate and viable. The current programme anticipates that this investment will increase over the next 5 years to meet our future operational needs. However, the affordability considerations detailed in this paper will mean that those plans may have to be revisited.
- 3.4. Public Consultation over proposed station closures clearly indicated a preference to merge fire stations; this would mean sourcing new sites and building new stations at a significant cost and the Service will commence feasibility studies for potential mergers in the near future. Any such mergers would be subject to public consultation and decision by the Authority.
- 3.5. Collaboration activities with our Bluelight partners continue to seek to identify further opportunities to co-locate or other development opportunities, as each partner's operational strategy develops. To date this has been successfully achieved for little investment by any party. Consequently, no specific capital budget has been allocated for collaboration projects. Should such a requirement for capital investment emerge, it would be subject to submission of a detailed business case.

### ***Operational Assets***

- 3.6. The Service has developed a Fleet, Equipment and Water Supply Strategy which recognises that our service delivery model is changing. A whole life costing review of the Rapid Intervention Vehicles (RIV) appliance and complete fleet of 121 pumping appliances was undertaken and will be reviewed in light of the decision to reduce the fleet by 8 fire engines.
- 3.7. A review of the fleet profile of RIV, Light Rescue Pump and Medium Rescue Pumps (MRP) will be undertaken to confirm operational requirements of the new Service Delivery Operating Model. It is anticipated that further RIVs will be introduced to the fleet.
- 3.8. The project to replace MRPs is well underway, with a contract awarded in January 2020 to renew a considerable number of vehicles over the next three year period. The first 15 vehicles are expected to be delivered in the 2020-21 financial year, which will see a significant draw on the capital reserve. The Service has also instigated a project to review and replace Aerial Ladder platforms and review other specialist appliances. Wildfire 4x4 vehicles have now been delivered and appropriate locations are being determined; this capability will be fully rolled out in 2020-21 subject to training of our staff.
- 3.9. A 10 year vehicle replacement programme has been developed along with an equipment replacement programme (which is funded from revenue due to the low value of each individual asset). The Asset Management Project will enable the Service to assess the whole life costs of our assets in the future. However, as indicated in this paper, the programme will be subject to review due to affordability of the whole capital programme.



#### **4. FORECAST DEBT CHARGES**

- 4.1. Appendix A also provides indicative capital requirements beyond 2022-23 to 2024-25. The estimated debt charge emanating from this revised spending profile is illustrated in Figure 2.

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

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Forecast Debt outstanding at year end	24.851	24.757	24.264	29.723	33.456
Base budget for capital financing costs and debt charges	3.885	3.812	3.312	3.236	3.656
Change over previous year		(0.073)	(0.500)	(0.076)	0.420
Debt ratio	4.61%	4.46%	3.77%	3.62%	4.09%

- 4.2. The forecast figures for external debt and debt charges beyond 2022-23 are based upon the indicative programmes as included in Appendix A for the years 2023-24 to 2024-25. The affordability of these programmes will need to be subject to annual review based upon the financial position of the Authority.

#### **5. PRUDENTIAL INDICATORS**

- 5.1. Appendix B provides a summary of the Prudential Indicators associated with this level of spending over this period. It is forecast that Capital Financing Requirement (the need to borrow to fund capital spending) will have increased from current levels of £27.3m to £34.4m (including impact of proposed revenue contributions) by 2024-25.
- 5.2. The reducing revenue budget impacts significantly upon the borrowing capacity of this Authority and the ability to baseline revenue contribution. Whilst the programme now presented maintains borrowing within 5% to 2024-25, this will only be possible with appropriate annual revenue contributions to the capital programme to maintain an affordable and sustainable Capital Programme.

#### **6. CONCLUSION**

- 6.1. This report emphasises the difficulties in meeting the full capital expenditure requirement for the Service, given the geographical size, number of fire stations and fire appliances required to be maintained and eventually replaced, and also keeping debt charges within the 5% limit.
- 6.2. The capital programme has been constructed on the basis that the revenue budget contribution to capital will be maintained in future years and highlights that unless capital assets are further rationalised, there will be a need to borrow in 2023-24. The programme proposed in this report does not commit any spending beyond 2022-23. Decisions on further spending will be subject to annual review based upon the financial position of the Authority. The programme is therefore recommended for approval and a future affordability review will be undertaken.

**AMY WEBB**  
**Director of Finance & Resourcing (Treasurer)**

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**APPENDIX A TO REPORT DSFRA/20/5**

Capital Programme 2020/21 to 2024/25									
2019/20 £000 Budget	2019/20 £000 Forecast Outturn	Item	PROJECT	2020/21 £000 Budget	2021/22 £000 Budget	2022/23 £000 Budget	2023/24 £000 Indicative Budget	2024/25 £000 Indicative Budget	
			<b>Estate Development</b>						
1,117	352	1	Site re/new build (subject to formal authority approval)	3,495	500	0	0	0	
3,902	937	2	Improvements & structural maintenance	5,423	4,100	6,100	3,800	3,700	
		3	Optimism bias	(2,700)	1,300	(400)	1,800		
<b>5,019</b>	<b>1,289</b>		<b>Estates Sub Total</b>	<b>6,218</b>	<b>5,900</b>	<b>5,700</b>	<b>5,600</b>	<b>3,700</b>	
			<b>Fleet &amp; Equipment</b>						
1,793	0	4	Appliance replacement	5,034	3,200	1,600	2,200	3,300	
1,134	1,089	5	Specialist Operational Vehicles	300	3,600	1,100	1,100	900	
553	380	6	Equipment	0	0	0	0	0	
268	92	7	ICT Department	176	300	0	0	0	
46	0	8	Water Rescue Boats	46					
		9	Optimism bias	(1,100)	(300)	900	500		
<b>3,794</b>	<b>1,561</b>		<b>Fleet &amp; Equipment Sub Total</b>	<b>4,456</b>	<b>6,800</b>	<b>3,600</b>	<b>3,800</b>	<b>4,200</b>	
<b>8,813</b>	<b>2,850</b>		<b>Overall Capital Totals</b>	<b>10,674</b>	<b>12,700</b>	<b>9,300</b>	<b>9,400</b>	<b>7,900</b>	
			<b>Programme funding - revenue funding at £2.037m</b>						
4,195	0	10	Earmarked Reserves:	7,055	8,646	5,904	135	0	
2,614	846	11	Revenue funds:	2,037	2,037	2,037	2,037	2,037	
0	0	12	Capital receipts:	60	0	0	0	0	
2,004	2,004	13	Borrowing - internal	1,522	2,017	1,359	1,276	1,672	
		14	Borrowing - external				5,952	4,191	
<b>8,813</b>	<b>2,850</b>		<b>Total Funding</b>	<b>10,674</b>	<b>12,700</b>	<b>9,300</b>	<b>9,400</b>	<b>7,900</b>	
			<b>Programme funding - revenue funding at £0.977m</b>						
4,195	0	15	Earmarked Reserves:	8,175	9,706	3,859	0	0	
2,614	846	16	Revenue funds:	977	977	977	977	977	
0	0	17	Capital receipts	60	0	0	0	0	
2,004	2,004	18	Borrowing - internal	1,522	2,017	1,359	1,347	1,841	
0	0	19	Borrowing - external	0	0	3,105	7,076	5,082	
<b>8,813</b>	<b>2,850</b>		<b>Total Funding</b>	<b>10,674</b>	<b>12,700</b>	<b>9,300</b>	<b>9,400</b>	<b>7,900</b>	

The "Optimism Bias" incorporates learning that these figures will change throughout the year, the reasons for any such changes will be outlined in subsequent papers

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## APPENDIX B TO REPORT DSFRA/20/5

<b>PRUDENTIAL INDICATORS</b>	<b>INDICATIVE INDICATORS 2022/23 to 2023/24</b>				
	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
<b>Capital Expenditure</b>					
Non - HRA	10.674	12.700	9.300	9.400	7.900
HRA (applies only to housing authorities)					
<b>Total</b>	<b>10.674</b>	<b>12.700</b>	<b>9.300</b>	<b>9.400</b>	<b>7.900</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	4.61%	4.46%	3.77%	3.62%	4.09%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>	£000	£000	£000	£000	£000
Non - HRA	24,851	24,757	24,264	29,723	33,456
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	2,481	1,834	1,425	1,148	900
<b>Total</b>	<b>27,332</b>	<b>26,592</b>	<b>25,690</b>	<b>30,870</b>	<b>34,356</b>
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000
Non - HRA	776	(741)	(902)	5,181	3,486
HRA (applies only to housing authorities)	0	0	0	0	0
<b>Total</b>	<b>776</b>	<b>(741)</b>	<b>(902)</b>	<b>5,181</b>	<b>3,486</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000
Borrowing	26,787	26,189	26,071	31,802	35,687
Other long term liabilities	3,298	2,573	1,906	1,482	1,193
<b>Total</b>	<b>30,085</b>	<b>28,762</b>	<b>27,976</b>	<b>33,285</b>	<b>36,880</b>
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000
Borrowing	25,544	24,951	24,857	30,316	34,014
Other long term liabilities	3,174	2,481	1,834	1,425	1,148
<b>Total</b>	<b>28,718</b>	<b>27,432</b>	<b>26,692</b>	<b>31,741</b>	<b>35,162</b>
<b>Maximum Principal Sums Invested over 364 Days</b>					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

<b>TREASURY MANAGEMENT INDICATOR</b>	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2020/21		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

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<b>REPORT REFERENCE NO.</b>	DSFRA/20/6
<b>MEETING</b>	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)
<b>DATE OF MEETING</b>	18 FEBRUARY 2020
<b>SUBJECT OF REPORT</b>	TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS 2020-21 TO 2022-23)
<b>LEAD OFFICER</b>	Director of Finance & Resourcing (Treasurer)
<b>RECOMMENDATIONS</b>	<p><i>That the Authority considers the contents of this report together with any relevant recommendations from the Resources Committee (Budget) meeting held on 13 February 2020 with a view to approving:</i></p> <p><i>(a) the Treasury Management Strategy and the Annual Investment Strategy; and</i></p> <p><i>(b) the Minimum Revenue Provision Statement for 2020-21, as contained at Appendix B;</i></p>
<b>EXECUTIVE SUMMARY</b>	<p>This report sets out a treasury management strategy and investment strategy for 2020-21, including the Prudential Indicators associated with the capital programme for 2020-21 to 2022-23 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2020-21 is also included for approval.</p> <p>An earlier version of this report was considered by the Resources Committee (Budget meeting) on 13 February 2020. Any recommendations from that meeting will be reported at this meeting for consideration alongside the contents of this report.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in this report
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	The contents of this report are considered compatible with existing human rights and equality legislation.
<b>APPENDICES</b>	<p>A. Prudential and Treasury Management Indicators 2020-21 to 2022-23.</p> <p>B. Minimum Revenue Provision Statement 2020-21.</p>
<b>LIST OF BACKGROUND PAPERS</b>	<p>Local Government Act 2003.</p> <p>Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code and CIPFA Treasury Management Code of Practice</p>

## 1. **INTRODUCTION**

### ***Background***

- 1.1. The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2. The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning, to ensure that the Authority can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.
- 1.3. The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4. Treasury management is defined as:

*“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 1.5. The Authority has not engaged in any commercial investments and has no non-treasury investments.

### ***Statutory requirements***

- 1.6. The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to “have regard to” the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.
- 1.7. The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 8 of this report); this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.8. The Minister for Housing and Local Government (MHCLG) issued revised investment guidance which came into force from 1 April 2018. This guidance was captured within the revised CIPFA Treasury Management Code 2017.



### ***CIPFA requirements***

- 1.9. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. The primary requirements of the Code are as follows:
- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
  - Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
  - Receipt by the Authority of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a mid-year review report and an annual report (stewardship report) covering activities during the previous year.
  - Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices - for the Authority the delegated body is Resources Committee - and for the execution and administration of treasury management decisions - for the Authority the responsible officer is the Treasurer.
  - Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a named body - for the Authority the delegated body is Resources Committee.

## **2. TREASURY MANAGEMENT STRATEGY FOR 2020-21**

2.1. The suggested strategy for 2020-21 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury advisor, Link Asset Services (Link).

2.2. The strategy for 2020-21 covers two main areas:

### **Capital Issues**

- capital plans and prudential indicators;
- the Minimum Revenue Provision statement;

### **Treasury Management Issues**

- treasury limits in force which will limit the treasury risk and activities of the Authority;
- treasury Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;

- creditworthiness policy;
- policy on use of external service providers.

### **Training**

- 2.3. The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. A proportionate training plan will be developed for members of the Resources Committee.
- 2.4. The training needs of treasury management officers are periodically reviewed.

### **Treasury Management Advisors**

- 2.5. The Authority uses Link Asset Services, Treasury solutions as its external treasury management advisors.
- 2.6. The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon the services of its external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, its treasury advisers.
- 2.7. The Authority also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review.

## **3. CAPITAL PRUDENTIAL INDICATORS FOR 2020-21 TO 2022-23**

- 3.1. The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.
- 3.2. This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Authority is asked to approve the capital expenditure forecasts as proposed in the Capital Programme report considered elsewhere on the agenda. Other long term liabilities such as PFI (Private Finance Initiative) and leasing arrangements which already include borrowing instruments are excluded.

<b>Proposed Capital Expenditure</b>	<b>2019-20 (forecast spending)</b>	<b>2020-21</b>	<b>2021-22 (provisional)</b>	<b>2022-23 (provisional)</b>
	£m	£m	£m	£m
Estates	1.289	6.218	5.900	5.700
Fleet & Equipment	1.561	4.456	6.800	3.600
<b>Total</b>	<b>2.850</b>	<b>10.674</b>	<b>12.700</b>	<b>9.300</b>

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

**The Revenue Funding outlined below is conditional upon the Authority decision over levels of Council Tax for 2020-21 – figures below are based on a Council Tax increase of 1.99%.**

Capital Financing	2019-20 (forecast spending)	2020-21	2021-22 (provisional)	2022-23 (provisional)
	£m	£m	£m	£m
Capital receipts/ contributions	0.000	0.060	0.000	0.000
Capital grants	0.000	0.000	0.000	0.000
Capital reserves	0.000	7.055	8.646	5.904
Revenue	0.846	2.037	2.037	2.037
Existing and New borrowing	2.004	1.522	2.017	1.359
<b>Total</b>	<b>2.850</b>	<b>10.674</b>	<b>12.700</b>	<b>9.300</b>

**The Authority's Borrowing Need (Capital Financing Requirement)**

- 3.4. The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 3.5. The CFR does not increase indefinitely, as the Minimum Revenue Provision is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.
- 3.6. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility by the PFI via a public-private partnership lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £1.113m of such schemes within the CFR.
- 3.7. The Authority is asked to approve the CFR projections below as included in Appendix A:

Capital Financing Requirement (CFR)	2019-20 (forecast spending)	2020-21	2021-22 (provisional)	2022-23 (provisional)
	£m	£m	£m	£m
Non-HRA expenditure	25.444	24.851	24.757	24.264
Other Long Term Liabilities	1.112	2.481	1.834	1.425
<b>Total CFR</b>	<b>26.556</b>	<b>27.332</b>	<b>26.592</b>	<b>25.690</b>
Movement in CFR	(2.386)	(2.032)	(3.498)	(3.163)
Less MRP	(2.195)	(2.808)	(2.758)	(2.261)
<b>Net movement in CFR</b>	<b>(0.191)</b>	<b>0.776</b>	<b>(0.741)</b>	<b>(0.902)</b>

### **Core funds and expected investment balances**

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

<b>Estimated Year end Resources</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	£m	£m	£m	£m
Reserve Balances	35.225	28.170	19.524	13.620
Capital receipts/ contributions	0.000	0.060	0.000	0.000
Provisions	1.304	0.804	0.304	0.000
Other	10.903	12.426	14.443	15.802
<b>Total core funds</b>	<b>47.433</b>	<b>41.460</b>	<b>34.271</b>	<b>29.422</b>
Working capital*	1.000	1.000	1.000	1.000
Under/over borrowing	0.000	0.000	0.000	0.000
Expected investments	48.433	42.460	35.271	30.422

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

## **4. MINIMUM REVENUE PROVISION STRATEGY**

- 4.1. The Authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision).
- 4.2. MHCLG regulations have been issued which require the Authority to approve a **Minimum Revenue Provision Statement** in advance of each year. A variety of options are provided under which Minimum Revenue Provision could be made, with an overriding recommendation that the Authority should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.
- 4.3. The Authority does not plan to make any Voluntary Revenue Provisions within the next three years.
- 4.4. Although four main options are provided under the guidance, the Authority has adopted:  
**The Asset Life Method**
- 4.5. Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, Minimum Revenue Provision is to be made in equal annual instalments over the life of the asset. In this circumstance the asset life is to be determined when Minimum Revenue Provision commences and not changed after that.
- 4.6. Minimum Revenue Provision should normally commence in the financial year following the one in which the expenditure is incurred. However, when borrowing to construct an asset, the Authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone beginning to make Minimum Revenue Provision until that year. Investment properties should be regarded as becoming operational when they begin to generate revenues.

- 4.7. As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- 4.8. A draft Minimum Revenue Provision statement for 2020-21 is attached as Appendix B for Authority approval.
- 4.9. The financing of the approved 2020-21 capital programme, and the resultant prudential indicators have been set on the basis of the content of this statement.

***Prudential Indicators for Affordability***

- 4.10. The previous sections of the report cover the overall limits for capital expenditure and borrowing, but within the overall framework indicators are also included to demonstrate the affordability of capital investment plans.
- 4.11. A key indicator of the affordability of capital investment plans is the ratio of financing costs to the net revenue stream; this indicator identifies the trend in the cost of capital financing (borrowing costs net of investment income) against the Authority's net budget requirement. Annual capital financing costs are a product of total debt outstanding, the annual repayment regime and interest rates. The forecast ratios for 2020-21 to 2022-23 based on current commitments and the proposed Capital Programme are shown below.

Financing costs as a % of net revenue	2019-20 (forecast spending)	2020-21	2021-22 (provisional)	2022-23 (provisional)
Annual cost	3.90%	4.58%	4.39%	3.68%

**5. BORROWING**

- 5.1. The capital expenditure plans set out in Section 3 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

***Current borrowing position***

- 5.2. The Authority's treasury portfolio position as at 31 March 2019 and currently are summarised in the table overleaf.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.19	31.3.19	31.12.19	31.12.19
Treasury investments	£000	%	£000	%
banks	30,901	80%	25,001	65%
building societies - unrated	0	0%		0%
building societies - rated	0	0%	4,000	10%
local authorities	6,500	17%	8,000	21%
DMADF (H.M.Treasury)	0	0%		0%
money market funds	1,075	3%	1,180	3%
certificates of deposit	0	0%		0%
<b>Total managed in house</b>	<b>38,476</b>	<b>100%</b>	<b>38,181</b>	<b>100%</b>
bond funds		0%		0%
property funds		0%		0%
<b>Total managed externally</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total treasury investments</b>	<b>38,476</b>	<b>100%</b>	<b>38,181</b>	<b>100%</b>
<b>Treasury external borrowing</b>				
local authorities	0	0%		0%
PWLB	25,537	100%	25,491	100%
LOBOs		0%		0%
<b>Total external borrowing</b>	<b>25,537</b>	<b>100%</b>	<b>25,491</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>12,939</b>	<b>0</b>	<b>12,690</b>	<b>0</b>

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

External Debt	2019-20 (forecast spending)	2020-21	2021-22	2022-23
	£m	£m	£m	£m
Debt at 1 April	25.537	25.444	24.851	24.757
Expected change in Debt	(0.093)	(0.593)	(0.093)	(0.493)
Other long-term liabilities (OLTL)	1.209	1.112	2.481	1.834
Expected change in OLTL	(0.098)	1.370	(0.647)	(0.409)
Actual gross debt at 31 March	26.556	27.332	26.592	25.689
CFR	26.556	27.332	26.592	25.690
Under/ Over borrowing	0.000	0.000	0.000	0.000

- 5.4. Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020-21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 5.5. The Director of Finance and Resourcing reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

**Limits to Borrowing Activity**

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

Estimated Operational Boundary	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m
Non-HRA expenditure	25,637	25,544	24,951	24,857
Other Long Term Liabilities	1,209	3,174	2,481	1,834
Total	26,847	28,718	27,432	26,692

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

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

The Authority is asked to approve the following authorised limit:

Estimated Authorised Limit	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m
Non-HRA expenditure	26,910	26,787	26,189	26,071
Other Long Term Liabilities	1,265	3,298	2,573	1,906
Total	28,174	30,085	28,762	27,976

**Prospects for interest rates**

5.7. The Authority has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The following table and narrative in paragraphs 3.32 to 3.34 gives their view.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

**Economic Background**

**Global Outlook**

- 5.8. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy.
- 5.9. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at a disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage.
- 5.10. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.
- 5.11. This weak global growth outlook for 2020 and beyond therefore means that central banks are likely to come under more pressure to support growth by looser monetary policy measures; this will militate against central banks increasing interest rates and reversing the distortions in financial markets caused by a decade of ultra-low interest rates.



- 5.12. The trade war between the US and China has been a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, (though such fears have largely dissipated towards the end of 2019). These concerns resulted in government bond yields falling sharply in 2019 in the developed world. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US).
- 5.13. There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.
- UK**
- 5.14. General election December 2019 returned a large Conservative majority on a platform of getting Brexit done. UK to leave the EU by 31 January 2020. There is still considerable uncertainty about whether the UK and EU will be able to agree the details of a trade deal by the deadline set by the prime minister of December 2020. This leaves open the potential risks of a no deal or a hard Brexit.
- 5.15. **GDP growth** has been weak in 2019 and is likely to be around only 1% in 2020. November and December Monetary Policy Committee (MPC) meetings were concerned about weak UK growth caused by the dampening effect of Brexit uncertainties and by weak global economic growth. There has been no change in Bank Rate in 2019.
- 5.16. **Inflation.** CPI inflation has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to, or under 2% over the next two years and so it does not pose any immediate concern to the MPC.
- 5.17. **Labour market.** Employment growth has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8%.
- 5.18. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

## **USA**

- 5.19. Growth in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3; fears of a recession in 2020 have largely dissipated but growth is likely to be relatively weak. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening.
- 5.20. **Interest Rates.** The Federal Bank finished its series of increases in rates to 2.25 – 2.50% in December 2018. It has cut rates by 0.25% in July, September and October to end at 1.50 – 1.75%. In August it also ended its programme of quantitative tightening, (selling its holdings of treasuries etc. at \$50bn per month during 2019). At its September meeting the Federal Bank said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. In the first month, it will buy \$60bn.
- 5.21. **Trade war with China.** The trade war is depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. However, progress has been made in December on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

## **Eurozone**

- 5.22. Growth has been slowing from +1.8 % in 2018 to around half of that at the end of 2019; there appears to be little upside potential in the near future.
- 5.23. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt.
- 5.24. However, the downturn in EZ growth in the second half of 2018 and during 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take various new measures to stimulate growth starting in March. Since then, the downturn in Eurozone and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt for an unlimited period. These purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme.
- 5.25. **Growth.** It is doubtful whether the various monetary policy easing measures in 2019 will have much impact on growth and, unsurprisingly, the ECB has stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.
- 5.26. **Governments.** Several EU countries have coalition governments. More recently, Austria, Spain and Italy have been in the throes of trying to form coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU.

### **China**

- 5.27. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

### **Japan**

- 5.28. It has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

### **Interest Rate Forecasts**

- 5.29. The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- 5.30. It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”.
- 5.31. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.
- 5.32. **Bond yields / Public Works Loan Board (PWLB) rates.** There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years.

- 5.33. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.
- 5.34. During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. (See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.
- 5.35. One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.
- 5.36. **Monetary Policy.** Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.
- 5.37. The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.
- 5.38. **PWLB rates** have been subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

5.39. Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

***Investment and borrowing rates***

5.40. Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

5.41. Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5%, it is likely that this Authority will seek to use internal borrowing for the next three years, or until such time as the extra 100 bps margin is removed (amend as appropriate).

5.42. While this authority will not be able to avoid borrowing to finance new capital expenditure in the medium term following the rundown of reserves there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

***Borrowing strategy***

5.43. As reported in the separate report on this agenda "Capital Programme 2020-21 to 2022-23", it is the strategic intent of the Authority not to increase its exposure to external borrowing during the next three years. To achieve this a recommendation the Authority has supported the inclusion in the base revenue budget a revenue contribution to capital investment (£2.0m in 2020-21).

5.44. This being the case there is no intention to take out any new borrowing during 2020-21 as the Authority can rely on its prudent Capital Reserve. Should this position change then the Treasury Management Strategy will need to be reviewed to reflect any change to the borrowing strategy and would be subject to a further report to the Authority.

***Policy on borrowing in advance of need***

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

### ***Debt rescheduling***

- 5.46. As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the authority's maturity profile as in recent years there has been a skew towards longer dated PWLB.
- 5.47. Consideration will also be given to identify if there is any potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 5.48. The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings,
  - helping to fulfil the adopted borrowing strategy, and
  - enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 5.49. All rescheduling will be reported to the Resources Committee, at the earliest meeting following its action.

## **6. ANNUAL INVESTMENT STRATEGY**

### ***Investment Policy***

- 6.1. The Authority's investment policy has regard to the MHCLG's Guidance on Local Government Investments ("the Guidance"), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code") and the CIPFA Treasury Management Guidance Notes 2018. The Authority's investment priorities will be security first, portfolio liquidity second, then yield.
- 6.2. In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Authority applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 6.3. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- 6.4. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

### ***Creditworthiness Policy***

- 6.5. The Authority applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's.
- 6.6. The credit ratings of counterparties are supplemented with the following overlays:
- credit watches and credit outlooks from credit rating agencies;
  - Credit Default Swap spreads to give early warning of likely changes in credit ratings;
  - sovereign ratings to select counterparties from only the most creditworthy countries.
- 6.7. This modelling approach combines credit ratings, credit watches, credit outlooks and Credit Default Swap spreads in a weighted scoring system which is then combined with an overlay of Credit Default Swap spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Authority to determine the duration for investments and are therefore referred to as durational bands. The Authority is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Authority would not be able to replicate using in house resources.
- 6.8. The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.
- 6.9. Typically the minimum credit ratings criteria the Authority use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 6.10. All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.
- 6.11. Sole reliance will not be placed on the use of this external service. In addition the Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

### **Approved Instruments for Investments**

- 6.12. Investments will only be made with those bodies identified by the authority for its use through the Annual Investment Strategy.
- 6.13. **Country Limits.** The Authority will apply a sovereign rating at least equal to that of the United Kingdom for any UK based counterparty. At the time of writing this was AA long term and F1+ short term. It is possible that the credit rating agencies could downgrade the sovereign rating for the UK but as we have no minimum sovereign rating applying to the UK this approach will not limit the number of UK counterparties available to the Council. Therefore, to ensure our credit risk is not increased outside the UK, the sovereign rating requirement for investments was amended to “Non UK countries with a minimum sovereign rating of AA-“.
- 6.14. **IFRS9 Lease Accounting.** As a result of the change in accounting standards for 2019/20 under IFRS 9, the Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.). The Authority does not currently hold any finance leases to which this accounting standard would apply.

### **Non-specified Investments**

- 6.15. Non specified investments are those which do not meet the Specified Investment Criteria and covers those counterparties where there is either no recognised credit rating and/or an anticipation that an investment will be for greater than one year in duration.
- 6.16. The Authority had not previously placed non-specified investments as a result of its prudent approach to place security and liquidity over yield. However, from April 2015 it was agreed that the strategy be amended to include investments with maturity of longer than 364 days. The maximum duration limit on any non-specified deposit will be determined by the colour assigned to the Counterparty on the Link Asset Services credit list on the date the investment is placed, but typically will be for no longer than 24 months. Where such investments are placed via the Secondary Market i.e. buying the remaining term of an existing instrument, then the term will be for 24 months.
- 6.17. A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories outlined in the Table overleaf.
- 6.18. The maturity limits recommended will not be exceeded. Under the delegated powers the Section 112 Officer (Treasurer) can set limits that are based on the latest economic conditions and credit ratings.



6.19. The table below shows those bodies with which the Authority will invest:

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

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

***Investment Strategy***

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

6.22. Investment returns: On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

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

2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

6.24. The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

6.25. The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

6.26. In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

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

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£m</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Principal sums invested > 364 days	£5m	£5m	£5m

**End of year investment report**

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

**Treasury Management Scheme of Delegation**

**The Authority;**

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy
- Approval of/amendments to the Authority's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities

- Approving the selection of external service providers and agreeing terms of appointment.
- Reviewing the treasury management policy and procedures and making recommendations to the Authority.

***Resources Committee;***

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

***Role of the Section 112 officer (Director of Finance & Resourcing/ Treasurer)***

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

**7. SUMMARY AND RECOMMENDATIONS**

- 7.1. The Authority is required to consider and approve the treasury management strategy to be adopted prior to the start of the financial year. This strategy must also include proposed prudential indicators and a Minimum Revenue Provision statement. Approval of the strategy for 2020-21 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice.
- 7.2. An earlier version of this report was considered by the Resources Committee (Budget meeting) on 13 February 2020. Any recommendations from that meeting will be reported at this meeting for consideration alongside the contents of this report.

**AMY WEBB**  
**Director of Finance & Resourcing (Treasurer)**

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## APPENDIX A TO REPORT DSFRA/20/6

<b>PRUDENTIAL INDICATORS</b>	<b>INDICATIVE INDICATORS 2022/23 to 2023/24</b>				
	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
<b>Capital Expenditure</b>					
Non - HRA	10.674	12.700	9.300	9.400	7.900
HRA (applies only to housing authorities)					
<b>Total</b>	<b>10.674</b>	<b>12.700</b>	<b>9.300</b>	<b>9.400</b>	<b>7.900</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	4.61%	4.46%	3.77%	3.62%	4.09%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>	£000	£000	£000	£000	£000
Non - HRA	24,851	24,757	24,264	29,723	33,456
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	2,481	1,834	1,425	1,148	900
<b>Total</b>	<b>27,332</b>	<b>26,592</b>	<b>25,690</b>	<b>30,870</b>	<b>34,356</b>
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000
Non - HRA	776	(741)	(902)	5,181	3,486
HRA (applies only to housing authorities)	0	0	0	0	0
<b>Total</b>	<b>776</b>	<b>(741)</b>	<b>(902)</b>	<b>5,181</b>	<b>3,486</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000
Borrowing	26,787	26,189	26,071	31,802	35,687
Other long term liabilities	3,298	2,573	1,906	1,482	1,193
<b>Total</b>	<b>30,085</b>	<b>28,762</b>	<b>27,976</b>	<b>33,285</b>	<b>36,880</b>
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000
Borrowing	25,544	24,951	24,857	30,316	34,014
Other long term liabilities	3,174	2,481	1,834	1,425	1,148
<b>Total</b>	<b>28,718</b>	<b>27,432</b>	<b>26,692</b>	<b>31,741</b>	<b>35,162</b>
<b>Maximum Principal Sums Invested over 364 Days</b>					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

<b>TREASURY MANAGEMENT INDICATOR</b>	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2020/21		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

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**MINIMUM REVENUE PROVISION STATEMENT 2020-21*****Supported Borrowing***

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

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

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

***Finance Lease and PFI***

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

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

***Minimum Revenue Provision Overpayments***

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

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<b>REPORT REFERENCE NO.</b>	DSFRA/20/7
<b>MEETING</b>	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)
<b>DATE OF MEETING</b>	18 FEBRUARY 2020
<b>SUBJECT OF REPORT</b>	PRINCIPAL OFFICER CONSIDERATIONS
<b>LEAD OFFICER</b>	Chief Fire Officer
<b>RECOMMENDATIONS</b>	<p>(a). <i>that, on retirement of the current post-holder, a national, open competitive process be undertaken for the post of Deputy Chief Fire Officer;</i></p> <p>(b). <i>that, in accordance with its existing terms of reference, the appointments process be undertaken by the Appraisals and Disciplinary Committee (acting as the Appointments Panel);</i></p> <p>(c). <i>that the Authority delegates authority to the Appraisals and Disciplinary Committee to confirm an appointment following the appointments process;</i></p> <p>(d). <i>that, on retirement of the current Assistant Chief Fire Officer (Service Delivery):</i></p> <p style="padding-left: 40px;">(i) <i>the substantive Assistant Chief Fire Officer (Service Delivery) post be held vacant with the resultant budget used to temporarily promote existing staff to Assistant Chief Fire Officer on a developmental basis; and</i></p> <p style="padding-left: 40px;">(ii) <i>that the Chief Fire Officer be delegated authority to effect any such temporary promotion;</i></p> <p>(e). <i>that the Authority places on record its appreciation for the contributions made by the Deputy Chief Fire Officer and Assistant Chief Fire Officer (Service Delivery) to the effective and efficient operation of the Devon &amp; Somerset Fire &amp; Rescue Service.</i></p>
<b>EXECUTIVE SUMMARY</b>	<p>The current Deputy Chief Fire Officer has submitted formal written notice of his intention to retire on 30 April 2020. The current Assistant Chief Fire Officer (Service Delivery) has submitted formal written notice of his intention to retire on 21 April 2020.</p> <p>This paper now sets out proposals to address the resultant vacancies from these retirements.</p>
<b>RESOURCE IMPLICATIONS</b>	These will be contained from within existing resources.
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	The contents of this report are considered compatible with existing equalities and human rights legislation.

<b>APPENDICES</b>	Nil.
<b>LIST OF BACKGROUND PAPERS</b>	The Fire & Rescue Services Act 2004 The Fire & Rescue Service National Framework for England (current version – May 2018)

## **1. INTRODUCTION**

- 1.1. The current Deputy Chief Fire Officer has submitted formal written notice of his intention to retire on 30 April 2020. Additionally, the current Assistant Chief Fire Officer (Service Delivery) has submitted formal written notice of his intention to retire on 21 April 2020. Both individuals are members of the Firefighters Pension Scheme 1992 (“the Scheme”) and would suffer considerable financial detriment were they not to retire at this time due to the operation of the Scheme and pension taxation penalties.
- 1.2. This report sets out relevant considerations and proposals for filling the resulting two vacancies.

## **2. FIRE & RESCUE NATIONAL FRAMEWORK FOR ENGLAND**

- 2.1. Section 21 of the Fire & Rescue Services Act 2004 (“the Act”) requires the Secretary of State to prepare a Fire & Rescue National Framework (“the Framework”) setting out priorities and objectives for fire and rescue authorities in discharging their functions. Section 21(7) of the Act requires fire and rescue authorities to “have regard to” the Framework when carrying out their functions. Section 22 empowers the Secretary of State to intervene (requiring an authority either to do something, stop doing something, or not to do something) if it is considered that the authority is failing, or is likely to fail to act in accordance with the Framework.
- 2.2. Paragraph 6.10 of the Framework sets out the following in relation to the substantive appointment to principal fire officer posts (i.e. those of Area Manager or above):

“To ensure greater fairness and the exchange of talent and ideas, all principal fire officer posts must be open to competition nationally and fire and rescue authorities must take account of this in their workforce planning”.
- 2.3. Also of relevance are the following paragraphs of the Framework on retirement and re-appointment to principal fire officer posts:
  - 6.8. Fire and rescue authorities must not re-appoint principal fire officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety. Any such appointment must be transparent, justifiable and time limited.
  - 6.9. In the exceptional circumstance that a re-appointment is necessary in the interests of public safety, this decision should be subject to agreement by a public vote of the elected members of the fire and rescue authority.... The reason why the re-appointment was necessary in the interests of public safety, and alternative approaches were deemed not appropriate, must be published and the principal fire officer’s pension must be abated until they cease to be employed by a fire and rescue authority.
- 2.4. However, a national, open competitive process should not preclude a retired principal fire officer from applying for any position being advertised because doing so could expose the Authority to a potential claim for age discrimination. In essence, therefore, the appointment of a retired principal fire officer on the basis of being the best candidate for the post advertised and following a fair and open competition process, would be entirely consistent with paragraph 6.10 of the Framework and it is understood that the principles of paragraphs 6.8 and 6.9 would not apply.

- 2.5. Should a retired principal fire officer be re-employed, however, then – in accordance with the Authority’s approved Pay Policy Statement - the individual’s pension would be abated such that the income from the gross annual rate of pay in the new employment together with the gross annual pension (after commutation) would not exceed the gross annual rate of pay immediately prior to the individual’s retirement.

### **3. DEPUTY CHIEF FIRE OFFICER**

- 3.1. In light of the provisions of the Framework, which the Authority is required to “have regard to” by virtue of Section 21(7) of the Act, it is proposed that – on the retirement of the current post-holder – the post of Deputy Chief Fire Officer should be subject to open, national competition. The current Deputy Chief Fire Officer has indicated that he would be interested in applying for the position if so advertised.

- 3.2. The existing Terms of Reference for the Appraisals and Disciplinary Committee contain the following:

6. To provide in the first instance for membership of Appointments Panels for the posts of Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer, Treasurer and Monitoring Officer.

- 3.3. Given this, it is proposed that the Appraisals & Disciplinary Committee should, acting as the Appointments Panel, undertake the appointments process and should be delegated authority to confirm an appointment to the post.

### **4. ASSISTANT CHIEF FIRE OFFICER (SERVICE DELIVERY)**

- 4.1. The Service has embarked on a major transformative initiative, the Safer Together Programme, designed amongst other things to deliver a blended approach to its prevention, protection and response activities to better align its existing resources to the community risks identified in the Integrated Risk Management Plan.

- 4.2. A number of officers at Area Manager level have been and will continue to be influential in the development and delivery of the Programme. It is considered that the retirement of the Assistant Chief Fire Officer (Service Delivery) presents an opportunity to develop these individuals further. The temporary promotion of one such individual to cover the period of absence of the Temporary Assistant Chief Fire Officer (Service Improvement), as referenced elsewhere on this agenda, bears evidence to the success of such an approach.

- 4.3. Consequently it is proposed that, on retirement of the current Assistant Chief Fire Officer (Service Delivery), the substantive post should be held vacant with the associated budget being used to temporarily promote existing staff to Assistant Chief Fire Officer as a developmental opportunity. It is also proposed that the Chief Fire Officer be given delegated authority effect any such temporary promotion. In addition to providing the opportunity for individual development, this approach would also secure a degree of stability at senior management level which will aid in securing success in delivering the Safer Together Programme.

- 4.4. As this is not a substantive principal fire officer appointment it is considered that this approach would be compatible with existing Framework provisions. Arrangements for a substantive appointment will be made at a future time.

**5. CONCLUSION**

- 5.1. The Authority is invited to consider this report and to approve the proposals as set out in relation to the forthcoming retirements of the Deputy Chief Fire Officer and Assistant Chief Fire Officer (Service Delivery).

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

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<b>REPORT REFERENCE NO.</b>	DSFRA/20/8
<b>MEETING</b>	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget Meeting)
<b>DATE OF MEETING</b>	18 FEBRUARY 2020
<b>SUBJECT OF REPORT</b>	DEVON & SOMERSET FIRE & RESCUE AUTHORITY APPROVED SCHEME OF MEMBERS ALLOWANCES 2020-21
<b>LEAD OFFICER</b>	Director of Governance & Digital Services
<b>RECOMMENDATIONS</b>	<p>(a) <i>That the contents of this report be considered alongside the report and recommendations of the independent Advisor (as appended) and with a view to determining the Allowances Scheme to operate from 1 April 2020 for the 2020-21 financial year;</i></p> <p>(b) <i>that, following from (a) above and in accordance with the requirements of the relevant Regulations, the Clerk to the Authority be authorised:</i></p> <p style="padding-left: 40px;">(i) <i>to arrange for publication as soon as possible of those rates agreed in relation to Basic and Special Responsibility Allowances;</i></p> <p style="padding-left: 40px;">(ii) <i>to amend the Authority Approved Scheme of Members Allowances to reflect, where required, decisions taken at (a) above.</i></p>
<b>EXECUTIVE SUMMARY</b>	<p>Regulations require the Authority to determine, prior to the start each financial year, basic and special responsibility allowances, together with levels for reimbursement of travel and subsistence expenses to Members. The Regulations also provide that, where an automatic uprating methodology is used, this should only apply for a maximum period of four years pending a more substantive review.</p> <p>The Authority's Allowances Scheme was last subject to a substantive, independent review to inform allowances to operate from the 2016-17 financial year. Consequently, when setting the Scheme to operate for the current (2019-20) financial year, the Authority authorised the Clerk to commission an independent review to inform setting the scheme for the forthcoming (2020-21) and subsequent financial years.</p> <p>A copy of the Independent Advisor's report is now duly appended to this paper for consideration.</p>

<b>RESOURCE IMPLICATIONS</b>	As indicated in the appended report of the Independent Advisor. The Authority's approved revenue budget for 2020-21 will contain provision for the payment of Members' allowances.
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	The contents of this report are considered compatible with existing equalities and human rights legislation.
<b>APPENDICES</b>	A. Report and recommendations of Independent Advisor.
<b>LIST OF BACKGROUND PAPERS</b>	The Local Authorities (Members Allowances) (England) Regulations 2003.



## **1. BACKGROUND - LEGISLATIVE FRAMEWORK AND REVIEW PROCESS**

- 1.1. Regulations require the Authority to determine, prior to the start each financial year, Basic (payable at the same rate to all Members) and Special Responsibility Allowances, together with levels for reimbursement of travel and subsistence expenses to Members. The Regulations also provide that, where an automatic uprating methodology is used, this should only apply for a maximum period of four years pending a more substantive review.
- 1.2. While this Authority is not required to have its own Independent Remunerations Panel, it is required to “have regard to” recommendations made by the Independent Remuneration Panels of constituent authorities in relation to the level of allowances payable by those authorities.
- 1.3. This Authority’s Approved Scheme of Members Allowances was last reviewed substantially by an Independent Advisor in 2015 (to inform allowances for a four year period from 2016-17 to 2019-20). At that time it was considered appropriate to continue to use the services of an Independent Advisor given the sensitivity of this issue and in-keeping with a desire to reflect the impartiality, objectivity and transparency of the arrangements applying to other public authorities.
- 1.4. Applying this rationale again and in line with the decision of the Authority at its meeting on 14 December 2018 (Minute DSFRA/32(b) refers), Ms. Bryony Houlden was appointed, following a quotation exercise, to review the allowances scheme in sufficient time to inform its setting for the 2020-21 and subsequent financial years. Ms. Houlden is Chief Executive of South West Councils and has considerable experience of Independent Remuneration Panels, serving on the Devon, Exeter, Plymouth and Somerset Panels and chairing the Torbay, Torridge and North Devon Panels. Ms. Houlden also undertook the last two substantive reviews for the Authority in 2012 and 2015.
- 1.5. A copy of Ms. Houlden’s review, including proposals as to allowances to be paid, is appended to this report.
- 1.6. Financial provision to meet any proposals on Members’ Allowances agreed by the Authority for the forthcoming financial year have been included in the draft 2020-21 revenue budget.

**MIKE PEARSON**

**Director of Governance & Digital Services**

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## **INDEPENDENT REVIEW**

# **DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY MEMBERS' ALLOWANCES SCHEME**

**January 2020**

## **EXECUTIVE SUMMARY**

Devon and Somerset Fire and Rescue Authority (“the Authority”) commissioned an Independent Review of their Allowances Scheme following the last review in 2015.

The financial pressures on fire authorities have continued through the period since the last review and look set to continue further. Members will wish to take this into account in considering the recommendations in this report. It is not the role of the Independent Advisor to consider these budgetary pressures.

The recommendations are outlined below. No major changes are suggested recognising that the changes following previous reviews brought the Authority into better alignment with other fire authorities across the country. However some changes are recommended and on two of the allowances Members are being offered a choice as to whether to freeze or reduce allowances.

### **Recommendations:**

- (i) The Basic Allowance be set at £2,786;**
  - (ii) The multiplier for the Chair’s Allowance remains at 5x the Basic Allowance at £13,930;**
  - (iii) The Authority Vice Chair’s Allowance be reduced to 2.15x the Basic Allowance at £5,990 and either:
    - a) implemented from 01 April 2020; or**
    - b) frozen at the current amount (£6,915) until the earliest of either:
      - I. 31 March 2023; or**
      - II. the effect of the new multiplier (2.15 x Basic) resulting in the current amount (£6,915) being exceeded; or**
      - III. a new appointment is made.******
- (iv) The Committee Chair’s Allowance be reduced to 1.0x the Basic Allowance at £2,786 and either:
  - a) implemented from 01 April 2020; or**
  - b) frozen at the current amount (£4,100) until the earliest of either:
    - I. 31 March 2023; or**
    - II. the effect of the new multiplier (1.00 x Basic) resulting in the current amount (£4,100) being exceeded.******
- (v) Non-Executive Directors placed on the Board of Red One Ltd from the Authority, should continue to receive an SRA of £6,305 for 2020/21 and the Authority to review this for 2021/22 for the reasons as set out in the report;**
- (vi) The Authority should continue its policy of allowing individual Members to receive only one Special Responsibility Allowance (at the highest rate payable) in addition to the Basic Allowance;**

- (vii) Previously Members of Red One Ltd had been allowed to claim a second allowance. The recommendation is that this should be discontinued and (vi) should apply to all allowances. It is worth noting that the Authority's Standing Orders [6] already excludes both the Chair and Vice Chair from taking on this role so they would in any case not be eligible for a second allowance;**
- (viii) Uprating of Allowances should continue to be linked to any annual increase agreed by the NJC for Local Government Services, but that this uprating only be applied from 1 April 2021 onwards;**
- (ix) Travel rates should be linked to the rates published by HMRC and amended accordingly;**
- (x) Subsistence be linked to the employee scheme and updated accordingly;**
- (xi) The Authority should continue to provide development support to Members;**
- (xii) That an SRA be introduced for the Authority Member appointed to the Local Pensions Board for Firefighters' Pensions Schemes of 0.15 x the Basic Allowance at £418;**
- (xiii) The next independent review should take place to inform allowances to be paid from the 2025-26 financial year.**

## **1. Introduction**

- 1.1. The Devon and Somerset Fire and Rescue Authority (the Authority) is a body corporate and as such is required to have a scheme of allowances. These Allowances are set under *The Local Authorities (Members' Allowances) (England) Regulations 2003*. In setting the level of Allowances the Authority has to have regard to the recommendations made by any Independent Remuneration Panel in relation to any local authority that nominates Members to the Authority. Fire and rescue authorities are not required to set up their own Independent Remuneration Panel but may conclude that some external, independent advice is appropriate. This Authority decided to appoint an Advisor to undertake a review. The Advisor and author of this report, Bryony Houlden, is Chief Executive of South West Councils. The author is also currently Chair of the Torbay Council, North Devon Council and Torridge Council Independent Remuneration Panels, is a member of the Devon County Council, Somerset County Council and Exeter City Council Panels. She is an advisor to the Bristol City Council and West of England Combined Authority Panels. She also undertook the previous reviews for this Authority in 2012 and 2015. SW Councils also provides training to Independent Panels and regularly collects and produces comparator information on allowances across the South West for the use of Panels and authorities.
- 1.2. The Authority merged in April 2007 and the first review of allowances following the merger took place in 2008. Members did not take an increase in allowances between that period and the 2012 review. The 2012 and 2015 reviews recommended a new level in the allowances scheme and that increases between reviews be linked to the NJC for Local Government Services, a recommendation which was accepted. As a result, the Basic Allowance has risen to its current level of £2,733 for 2019.
- 1.3. The Authority has now requested a further review of the allowances scheme recognising that the Regulations specify that adjustments of allowances must not rely on an index for longer than four years before seeking future recommendations.
- 1.4. In developing the recommendations, I was helped by input from Members. Six Members submitted responses to the contact time questionnaires. I also spoke to the Chair and Vice Chair and the independent Chair of Red One.
- 1.5. In preparing this report I was supported by Mike Pearson and Steve Yates from the officer team who provided factual advice and information. I was very grateful for this excellent and helpful support which I found extremely useful and saved considerable time in undertaking the review.

## **2. Background**

- 2.1. The Authority is the largest non-metropolitan fire and rescue service in the UK covering two County areas:

- The annual budget has been reducing and is now £74m [drawn from Government Grant, income from fees and charges and Council Tax].
- Operates 85 fire stations
- Employs 2,000 staff. Since 2013, it has reduced the number of wholetime firefighters from 670 to 556 and is the largest employer of on-call firefighters
- Covers a population of 1.7m with 400,000 visitors a year to the area
- Is increasingly working collaboratively – the Policing and Crime Act 2017 introduced a new statutory duty of collaboration for all emergency services.

2.2. The Authority is led by 26 elected Members drawn from the four constituent local authorities – Devon County Council, Somerset County Council, Plymouth City Council and Torbay Council. Members set the strategic direction, set and oversee the budget and ensure the delivery of the overall objectives.

2.3. The structure supporting the Authority's work is broadly unchanged although meeting frequency has reduced in some areas:

- Full Authority meetings – now reduced to 4 rather than 6/7 times a year
- A supporting committee structure comprising:
  - the Appraisals & Disciplinary Committee (meeting as and when required)
  - the Audit & Performance Review Committee (meeting 3 times rather than 4)
  - the Human Resources Management & Development Committee (meeting 3 times rather than 4)
  - the Resources Committee (meeting 4 times per year)
  - the Community Safety & Corporate Planning Committee (meeting 3 times rather than 4)
  - the Standards Committee (meeting as a minimum once a year and then as and when required).

The Appraisals & Disciplinary Committee and Audit & Performance Review Committee have full delegated powers. The other committees discharge a mixture of delegated and advisory responsibilities.

- 2.4. Since the last full review there has been continued change across the public sector and within fire and rescue authorities. Budgets have continued to be under severe pressure and the Service has recently agreed significant operational changes. The Authority has also been subject to a new inspection regime. In summer 2017, HMIC (now HMICFRS) took on inspections of England's fire & rescue services, assessing and reporting on their efficiency, effectiveness and leadership. The Inspection of the Service was reported in December 2019 with some positive messages alongside areas for improvement.

### **3. Purpose**

- 3.1. The purpose of this review is to provide recommendations (together with the rationale for those recommendations) covering the following issues:
- The level of the Basic Allowance for 2020/21;
  - The level and number of Special Responsibility Allowances (SRAs) for 2020/21;
  - An appropriate mechanism for annual uprating of the Basic and Special Responsibility Allowances from 2020 onwards; and
  - The level of travel and subsistence reimbursement from April 2020 together with an appropriate mechanism for uprating.

### **4. Methodology**

- 4.1. In producing the Report I have considered:
- i. The Local Authorities (Members' Allowances) Regulations 2003 and the Guidance issued by the Department for Communities and Local Government;
  - ii. The LGA Scheme of Members' Allowances;
  - iii. The current allowances scheme and the previous independent reports particularly the one produced in 2015;
  - iv. Data on meeting attendance and travel time for the last twelve months together with evidence obtained directly from Members all of whom were invited to complete a contact time questionnaire and which 6 members completed (an increase from 4 in the 2015 review). Members were also given the opportunity to contact the Independent Advisor. I spoke to the Chair and Vice Chair and the Independent Chair of Red One Ltd
  - v. DSFRS: Our Fire and Rescue Plan 2018-2022;
  - vi. Terms of Reference of Committee, Working Parties etc;
  - vii. The allowances schemes for the constituent authorities: Devon County Council, Somerset County Council, Plymouth City Council and Torbay Council;
  - viii. Benchmark data on current Fire and Rescue Authority allowances schemes across England;
  - ix. Leading the Fire Sector: oversight of fire and rescue service performance report by the LGA;



- x. Effectiveness, efficiency and people 2018/19 – Devon and Somerset FRS Report by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS); and
- xi. The Local Authorities (Companies) Order 1995.

## 5. Basic Allowance

- 5.1. The current Basic Allowance from 1 April 2019 is set at: £2,733.
- 5.2. As set out in the Guidance (referred to at 4.1 (i) above) the Basic Allowance is intended to: “*recognise the time commitment of all councillors, including such inevitable call on their time as meetings with officers and constituents and attendance at political group meetings. It is also intended to cover incidental costs such as the use of their homes*”. The Basic Allowance paid “*must be the same for each councillor*” and it cannot be based on measures such as attendance at meetings.
- 5.3. In setting the level of allowances the Guidance suggests considering the rate at which, and the number of hours for which, councillors ought to be remunerated – with an important emphasis on some element of the work continuing to be voluntary – the “public sector ethos”. This “*public sector ethos*” has to be balanced against encouraging participation and ensuring that financial loss is not suffered. There is no set amount recommended for the “public sector” element – in the previous Report setting the current level of allowances a 30% figure was used.
- 5.4. As part of the review Members were invited to record contact time. Six Members completed this log and the information was used alongside information provided by officers on meeting attendance and average travel time to produce a figure for the annual average amount of days involvement by Members in basic duties. The average number of days spent was recorded via this method as 31.65 days per annum (234.24 hours pa), this includes committee meetings which attract a SRA for some members. The previous figure was 14.36 days a year (all based on a 7.4 hour day).
- 5.5. In the previous reviews a number of options were considered in reaching a conclusion about the methodology for setting the Basic Allowance. These included using the current daily rate as advised by the Local Government Association, this remains at £300, as it was at the time of the 2015 review and then applying this to the average number of days as set out above after deducting a public service element of 30%. This would give a figure of £6,646. Other authorities have looked at different approaches. For example, Devon County reflected methodology used by Surrey County Council taking the median salary level for a full-time white-collar worker in the area. In Devon the ONS figure for median gross weekly earnings for in 2018 was £27,144. Under this approach a 33% discount for public service is applied. Applying this and assuming a 37 hour working week and taking the survey data suggesting on average members contact time is 4.5 hours pw gives a figure of £2,212.

- 5.6. Another approach is to consider benchmark data. This can be done in two ways. First the benchmark information from constituent authorities. The Basic Allowance in the four constituent authorities range from £8,668 to £12,859 with an average £10,886. The Guidance does not specifically suggest that this is an appropriate benchmark group given the different nature of the activities and business but it is a useful background figure – and as all the Members of the Authority will be in receipt of one of these Allowances it sets further context.
- 5.7. The other benchmark data is from other combined fire and rescue authorities. Data obtained is the most up to date available on websites but some date back to 2017/18. This reveals a range of Basic Allowances from £1,158 - £6,243, with the average Basic Allowance being £2,786 and the median £2,752.
- 5.8. If different benchmark groups are taken from within the whole fire and rescue authority data set there are other permutations. First, a geographic benchmarking group from the “South West”: Dorset & Wiltshire and Avon and second a benchmark group of authorities with broadly similar sized budget and population type of area: Dorset & Wiltshire, Hampshire, Kent and Lancashire have budgets of between £55m - £74m and populations between 1.4m and 1.9m (website data).

**Table 1:**

<b>Combined Fire Authorities</b> (Includes Devon & Somerset) Average/median	<b>SW Authorities</b> (Avon, Dorset/Wiltshire)	<b>“similar sized” FRSA</b> (Dorset/Wiltshire, Hants, Kent, Lancashire)
<b>£2,786/£2,752</b>	<b>£2,357</b>	<b>£3,438/£3020</b>

- 5.9. This shows that the current Basic Allowance for the Authority is reasonably aligned with the totality of combined fire and rescue authorities. It is higher than the South West group but it should be noted there are only two in the group and a variation between £1,512 and £3,200.
- 5.10. The average of the “similar size group” is higher but there is a wide variation of levels of Basic Allowance: from £1,471 in Kent to £6,243 in Hampshire. It is worth noting that the highest level paid in Hampshire may be a reflection of the fact the Authority is made up of only 10 Members. The other three Authorities in this benchmark group have 25 Members (Kent and Lancashire) and 18 in Dorset and Wiltshire.
- 5.11. No Members contacted me to express the view that the allowance was out of line with their expectations.

- 5.12. Following the last review allowances have been rising in line with officer pay settlements, I am recommending below that this continues but for the coming year the pay settlement has not been decided. So, in order to give certainty for the Members Allowances budget the recommendation is that the Allowance for 2020/21 be set without the pay settlement data but taking account of information gathered as set out above. **I am recommending the Basic Allowance be set at £2,786 from 1st April 2020. This figure is the average for Combined Fire Authorities and represents an increase of 1.94%.**
- 5.13. Whatever the level of the Basic Allowance, its payment clearly brings with it the expectation that Members will continue to put in the commitment, attending meetings, contribute to the debate and take a lead role in constructive challenge to the Service. The LGA Report "Leading the fire sector" highlights the key governance role for Members and the part they should play in responding to the outputs from the inspection report by the HMICFRS. Just as the Inspection Report highlights the importance of developing staff it is important that the Authority supports Members to develop in order to meet the changing demands of their role and be effective as possible.

## **6. Special Responsibility Allowances**

- 6.1. Special Responsibility Allowances (SRAs) are payable to those Members who have significant additional responsibilities. The Regulations stipulate the grounds upon which an SRA can be paid but do not prohibit the payment of more than one SRA to any one Member. It is often, though, the adopted practice to limit the number of SRAs payable to any individual Member to one. Within the South West authorities, the majority of schemes limit Members to one SRA. One of the reasons may be the view that Members only have so many hours in a day so if they are taking on one demanding role in addition to that of the basic councillor responsibilities then there is limited scope to effectively undertake other roles.
- 6.2. In the case of Devon and Somerset, following the first report in 2008, the Authority agreed to follow others in restricting individual Members to only one SRA. This was first amended when the Commercial Services Committee was established, and Members of this Committee were all allowed to claim an allowance in addition to one other SRA – the rationale behind this was a recognition of increased contact time. This Committee is no longer in operation. In the 2015 Review this was further amended to allow Members also serving as Non-Executive Directors to claim an additional allowance, the Review recommend that they could exceptionally receive one full allowance and 50% of a second allowance. The Authority did not accept this recommendation but instead decided that Red One NEDs could claim the full allowance in addition to one other SRA. The Authority also set the allowance higher than recommended in the Review. The Review author felt at the time there was insufficient evidence to make a well-founded recommendation for a higher level of allowance.

6.3. Taking account of evidence presented including information from a number of other authorities **I am recommending the policy of allowing only one SRA per member (at the highest rate applicable) and should be continued and that this should now include serving on the Board of Red One (i.e. that exemption from this rule should be discontinued).** NB - neither of the existing two Authority NEDs are in receipt of an additional SRA.

6.4. The current scheme pays the following SRAs:

**Table 2:**

Chair of the Authority (5x Basic)	£13,665
Vice Chair (2.5x Basic)	£6,915
Chair of Committee (1.5 x Basic)	£4,100
Non-Executive Directors Red One Ltd – not set using the multiplier approach	£6,305

6.5. In reaching conclusions on the way forward consideration has been given to benchmarking information. Using the information about the totality of combined fire and rescue authorities and the same benchmark groups of similar fire and rescue authorities and the SW fire and rescue authorities provides the following data:

**Table 3:**

	<b>Combined Fire Authorities</b> (Includes Devon & Somerset) [Highest to Lowest]	<b>SW Authorities</b> (Avon, Dorset/Wiltshire) [Highest to Lowest]	<b>“similar sized” FRSA</b> (Dorset/Wiltshire, Hants, Kent, Lancashire) [Highest to Lowest]
<b>Chair: Average</b>	<b>£12,461</b> [£20,883-£8,498]	<b>£9,049</b> [£9,600 -£8,498]	<b>£14,469</b> [£19,293-£9,600]
<b>Vice Chair: Average</b>	<b>£6,032</b> [£14,621-£579]	<b>£4,466</b> [£4,800-£2,066]	<b>£5,972</b> [£8,249-£3,122]
<b>Committee Chair: Average</b>	<b>£2,487</b> [£5,140-£561]	<b>£2,116</b> [£3,200-£1,033]	<b>£2,267</b> [£3,300-£1,530] Kent pays no allowance

6.6. The benchmarking data shows there is considerable variation across the Fire Authorities. This is not just variation in amounts paid but what allowances are paid – for example Kent does not pay an allowance for Committee Chairs but pays £5,788 for the Leader of the Second Largest Group. Hampshire pays an allowance of £781 to Committee Vice Chairs and some authorities pay different levels of Chairs allowances (for large and small committees). Comparators are therefore just a guide.

6.7. SRAs are often set by reference to the Basic Allowance with a multiplier assessed for each post which attracts a SRA. This approach has been previously adopted (except for the Red One NEDs) with the multipliers noted in Table 2 above. **I am recommending the continued use of multipliers as a clear and transparent way of setting allowances.**

**(i) Authority Chair**

6.8. The Authority Chair's Allowance was confirmed at a multiplier of 5x in the previous Reviews, the evidence cited at the time included the fact that the Authority is the largest non-metropolitan fire and rescue authority.

6.9. Evidence suggests the role of the Authority Chair will continue to have a high level of commitment and responsibility given the current challenges, and opportunities, facing the Authority.

6.10. In terms of the constituent authorities I have taken account of the current allowances paid to the Leaders of those councils which range from £20,004-£33,364.

6.11. The benchmarking average for similar sized fire authorities suggests the Chair's allowance is relatively low however, the current Chair expressed broad support for not increasing the allowance multiplier.

6.12. Taking these considerations into account **I recommend that the multiplier for the Authority Chair remain at 5x Basic Allowance. This gives an Authority Chair's allowance of £13,930** (assuming the Basic Allowance is increased as per the recommendation above) **representing an increase of 1.94%.**

**(ii) Authority Vice Chair**

6.13. The current Vice Chair and Chair clearly work well together, and this relationship is key. The Authority Vice Chair's allowance multiplier was increased in the 2008 Report following evidence presented at the time and then reduced down in 2012 as a result of changes around the Regional Control Centre (although the multiplier was reduced, the Basic Allowance was increased at the same time leading to the Vice Chair's allowance increasing even on the reduced multiplier).

6.14. In looking at benchmarking evidence, this Authority's Vice Chair allowance remains relatively high, higher than the average of all the benchmark groups and within those benchmark groups only Kent pays a higher allowance (£7,344).

6.15. As the Allowance is currently above all the benchmark groups I am recommending a reduction in the multiplier to 2.15x the basic allowance. The 2.15x has been set by reference in particular to the average for similar sized FRSA's which is £5,972. This reduction being either: implemented from 01/04/2020, OR frozen at the current level (£6,915) until the earliest of: 31 March 2023 or the multiplier exceeding the current level or a new appointment is made.

- 6.16. **I recommend that the multiplier for the Authority Vice Chair be set at 2.15x Basic Allowance. This gives an SRA for the Authority Vice-Chair of £5,990 per annum (assuming the Basic Allowance is increased), representing an overall decrease of -13.3%. This change to be implemented either**
- (a). **from 01 April 2020; or**
  - (b). **that the SRA is frozen at its current level (£6,915) until the earliest of either:**
    - (i) **31 March 2023; or**
    - (ii) **the effect of the new multiplier (2.15 x Basic) results in the current amount (£6,915) being exceeded; or**
    - (iii) **a new appointment is made.**
- (iii) **Committee Chairs**
- 6.17. There are currently four Committees with allowances payable to the Chair of the Committee:
- Resources Committee
  - Human Resources Management and Development Committee
  - Community Safety and Corporate Planning Committee
  - Audit and Performance Review Committee
- 6.18. The Authority has a Standards Committee, **I am not recommending an allowance for the Chair as the Committee meets very infrequently.** It would be a subject for future review if the situation changed.
- 6.19. There is an additional committee: the Appraisals and Disciplinary committee which is chaired by the Authority Chair. For avoidance of doubt **I am not recommending an allowance should be attached to the work of this committee.**
- 6.20. Over the last year work has commenced to review the overall governance structure for the Authority to ensure that, as with the Service, it is both effective and efficient, provides value for money and clearly recognises the respective roles of Members and officers. This review is an ongoing process but initial outcomes have seen a slight reduction in the number of scheduled meetings for certain committees during the course of a municipal year (i.e. from annual meeting to annual meeting).
- 6.21. The Benchmarking exercise shows that the Authority's allowance level for Committee Chairs is high. The Authority has the third highest allowance for Committee Chairs after Buckinghamshire & Milton Keynes and Cambridgeshire. The three benchmark groups have the averages: £2,487; £2,267 and £2,116. All substantially below the £4,100 paid by the Authority. At least one authority in the benchmarking group, Dorset and Wiltshire FRS, pays a variable Committee Chair's allowance (ranging from £3,200 - £1,600) and this is something that previous Reviews have suggested exploring.

- 6.22. The last Report noted an increase in responsibility for Chairs of Committees in attending the informal monthly meeting between the Chief Fire Officer, the Authority Chair and Vice Chair and Committee Chairs. There is no question that Committee Chairs work hard and take on additional responsibility. However, the Committee Chairs allowances still seems high in comparison with other SRAs.
- 6.23. **I am therefore recommending that, as with the Authority Vice Chair, there is a reduction in the multiplier for Committee Chairs to 1.00 x the Basic Allowance i.e. £2,786 (assuming the Basic Allowance is increased), representing an overall decrease of -32%. This change to be implemented either:**
- (a). from 01/04/2020;**
  - (b). that the SRA is frozen at its current level (£4,100) until the earliest of either:**
    - (i) 31 March 2023; or**
    - (ii) the effect of the new multiplier (1.00 x Basic) results in the current amount (£4,100) being exceeded**
- 6.24. This is would bring the SRA more in line with the benchmark group averages.
- (iv) Non-Executive Director (NED) roles on Red One Ltd**
- 6.25. The role of NED on Red One Ltd had been developing over the period of the recent reviews. At the time of the last review there were three Authority NEDs, now there are only two. However, the Red One Board of Directors has been restructured since the last review and now provides for: two Independent NEDs (one of whom must be the Chair of the Board); two Authority Member NEDs; two Service officer NEDs; together with Executive Directors as may be appointed by the Board. This restructuring of the Board was a direct result of the Authority's recognition that the governance arrangements for Red One needed to be strengthened.
- 6.26. Guidance recognises that Non-Executive Directors may be remunerated although it is sometimes the case that these positions are not remunerated. Under the Local Authorities (Companies) Order 1995 Part 2, Regulation 5 the Authority Members appointed as non-executive director of Red One Ltd are "regulated directors" for the purposes of the Regulations (with Red One similarly being a "regulated company"). 5(1)(a) limits the amount of remuneration payable to a regulated director, with 5(3)(a) defining that limit as: "greatest amount which would for the time being be payable...in respect of a comparable duty performed on behalf of the Authority, less any amount payable by that authority in respect of the relevant duty" (paragraph 5).
- 6.27. The new Independent Chair was appointed in April 2018 and was interviewed as part of the Review. Her view was that currently the Board members have a very challenging role in ensuring the company has a firm operational footing. This view was shared by the Authority Chair and Vice Chair. The Independent Chair estimates the Member NEDs at present spend about 1½ days a month on the role and that for the time being this is likely to continue but may reduce in the future.

- 6.28. As part of the 2015 Review, the Review author identified the [then] Commercial Services Committee as a potential comparator which had an SRA with a multiplier of 1.5x Basic Allowance because it met once a month (the relevant regulations set out that one of the permitted reasons for an SRA is “acting as a member of a committee or sub-committee of the authority which meets with exceptional frequency or for exceptionally long periods”). This would have given an SRA [at that time] of £3,900. However, the Authority did not accept this and set an SRA at £6,000. The Review author felt at the time there was insufficient evidence to make a well-founded recommendation for a higher level of allowance.
- 6.29. As a further guide, as set out at paragraph 5.5, using the current LGA day rate of £300 less the public service element of 30% (giving a day rate of £210), 18 days a year would equate to £3,780 per annum. A multiplier of 1.5x Basic Allowance would give an SRA of £4,179 per annum (assuming the increase in Basic Allowance is accepted).
- 6.30. The circumstances of Red One are constantly changing and from the evidence there has been an increase in workload hence I am recommending that the SRA is maintained at the existing level. The expectation is that this workload should settle down and the SRA should be reviewed for 2021/22.
- 6.31. In the current circumstances given the challenges of the organisation and the pressures on the NEDs and also to align with the approach on other SRAs **I am recommending that the NED role should continue to receive an SRA of £6,305 for 2020/21 and the Authority should review this for 2021/22 with a view to using a multiplier of 1.5x Basic Allowance as set out at paragraph 6.29 above**

## **7. Uprating mechanism**

- 7.1. The previous Reviews’ recommendation that the Authority should link the Allowances with the level of any annual increase agreed by the NJC for Local Government Services (Green Book) was accepted. **I am recommending this approach be continued to take effect in the second year of the period under review i.e. from April 2021.**

## **8. Travel and Subsistence**

- 8.1. I am recommending a continuation of the link to HMRC rates and reimbursement for employees:
- (a). **Reimbursement of approved mileage be linked to the rates published by HMRC.** Currently, these rates are:
- 45p per mile for the first 10,000 miles pa.
  - 25p per mile for mileage over 10,001 miles pa.
  - Passenger rate is 5p per passenger per mile (max 4 passengers).
  - Bicycle allowance: 20p per mile.



Any increases or decreases to these rates by HMRC should automatically be reflected in the payment to Members in the future.

(b). **Subsistence allowances should be the same as for employees, with any changes in rates reflecting changes to the employee scheme.** Currently these rates are:

- Breakfast - £6.90
- Lunch - £9.54
- Tea - £3.76
- Dinner - £11.82

Overnight accommodation would be subject to agreement through the Democratic Services section as under the current arrangements.

## 9. Other Issues

- 9.1 One issue was drawn to my attention in the Review relating to the Local Pensions Board for Firefighters' Pensions Schemes. Regulations require the Authority to have such a Board, which now features an Authority Member as one of the Scheme Manager representatives. I understand that this is quite a challenging role but probably only involves 6-8 days additional work during the year.
- 9.2 I have not found evidence of other Authorities paying for this role but I have as background the agreement by the Authority in 2019 that the additional Scheme Manager representative should be an independent/co-opted appointment with remuneration attached to this appointment of £500 per annum. I have no evidence from elsewhere to suggest a Member Allowance should be set at a higher level than the independent member.
- 9.3 At the moment the role is carried out by the Vice Chair who is in receipt of an SRA in that capacity and was not seeking an allowance for this work but it is possible in future a Member not in receipt of any other SRA may be appointed to the Board.
- 9.4 **I am recommended that an Allowance be introduced of 0.15x the Basic Allowance at £418.**

**Bryony Houlden**  
**January 2020**

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<b>REPORT REFERENCE NO.</b>	<b>DSFRA/20/9</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>18 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>LOCALISM ACT 2011 – PAY POLICY STATEMENT 2020-21</b>
<b>LEAD OFFICER</b>	<b>Director Of Governance &amp; Digital Services</b>
<b>RECOMMENDATIONS</b>	<b><i>That the Pay Policy Statement 2020-21 as appended to this report be approved and published on the Authority’s website.</i></b>
<b>EXECUTIVE SUMMARY</b>	<p>The Authority is required under the Localism Act 2011 to approve and publish a Pay Policy Statement, by 31 March of each year, to operate for the forthcoming financial year. This Statement sets out the Authority’s policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees.</p> <p>This paper provides further background information in relation to the requirements of the Localism Act and includes a draft Pay Policy Statement for the forthcoming (2020-21) financial year.</p> <p>The draft Pay Policy Statement for 2020-21 has been updated to reflect current levels of pay for senior officers but other than that, it is unchanged to the previous year and is recommended to the Authority for approval.</p>
<b>RESOURCE IMPLICATIONS</b>	There are no resource implications associated with production of the Pay Policy Statement. Funding for staffing costs etc. are contained within the approved Authority revenue budget.
<b>EQUALITY RISK &amp; BENEFITS ANALYSIS (ERBA)</b>	The contents of this report are considered compatible with existing equalities and human rights legislation.
<b>APPENDICES</b>	A. Draft Pay Policy Statement 2020-21
<b>LIST OF BACKGROUND PAPERS</b>	<ol style="list-style-type: none"> <li>1. Localism Act 2011 Sections 38 to 43.</li> <li>2. “Pay Policy and Practice in Local Authorities: A Guide for Councillors” produced by the Local Government Association, published January 2013.</li> <li>3. Code of Recommended Practice for Local Authorities on Data Transparency.</li> <li>4. Fire and Rescue National Framework for England – May 2018</li> </ol>

## **1. INTRODUCTION**

- 1.1 The Localism Act 2011 (“the Act”) introduced a new requirement for all public authorities, including combined fire and rescue authorities, to approve and publish annually a Pay Policy Statement. The reasons for the introduction of this new duty, included:
- the estimation that, between 2001 and 2008 median top salaries in local government grew at faster rate than entry salaries and that, in that context, around 800 local government employees were in the top 1% of all earners;
  - the commitment of the Government at that time to strengthen councillors powers to vote on large salary packages for council officers;
  - the outcome of the Hutton review into fair pay in the public sector which made several recommendations for promoting pay fairness in the public sector by increasing transparency over pay and tackling disparities between the lowest and the highest paid in public sector organisations.
- 1.2 The provisions on pay in the Act are designed to bring together the strands of Government thinking to address pay issues in local government as outlined above.
- 1.3 Pay Policy Statements must articulate an authority’s policy towards a range of issues relating to the pay of its workforce, particularly its senior staff (or “chief officers”) and its lowest paid employees. Pay Policy Statements must be prepared and approved by the Authority by 31 March in each year and be published as soon as reasonably practicable thereafter. Publication can be in such a manner as the Authority considers appropriate, but must include publication on the Authority’s website. A Pay Policy Statement may be amended “in year” but, should it be amended, the revised Statement must again be published.
- 1.4 In essence, the purpose of the Pay Policy Statement is to ensure that there is the appropriate accountability and transparency of top salaries in local government. Under the Act, elected Members have the ability to take a greater role in determining the pay for top earners and therefore ensuring that these decisions are taken by those who are directly accountable to the local people. In addition, communities should have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility.

## **2. CONTENT OF THE PAY POLICY STATEMENT**

- 2.1 The Act requires that each authority’s Pay Policy Statement must include its policies on:
- the level and elements of remuneration for each chief officer;
  - the remuneration of its lowest paid employees (together with its definition of “lowest paid employees” and its reasons for adopting that definition);
  - the relationship between the remuneration of its chief officers and other employees;
  - other specific aspects of chief officers’ remuneration namely:
    - remuneration on recruitment;
    - increases and additions to remuneration;
    - use of performance-related pay and bonuses; termination payments; and
    - transparency (i.e. the publication and access to information on the remuneration of chief officers).

- 2.2 The term remuneration is defined as the chief officer's salary, any bonuses payable, any charges, fees or allowances payable, any benefits in kind to which the chief officer is entitled as a result of their office or employment, any increase in or enhancement of the chief officer's pension entitlement where the increase or enhancement is as a result of the resolution of the Authority and any amounts payable by the Authority to the chief officer on the chief officer ceasing to hold office under or be employed by the Authority other than amounts that may be payable by virtue of any enactment.
- 2.3 The term "chief officers" in a fire and rescue service context will refer to the Chief Fire Officer but "chief officers" are defined in Section 43 of the Act to include a Head of Paid Service, a Monitoring Officer, any other statutory chief officer, or a deputy chief officer or other non-statutory chief officer as defined in the Local Government and Housing Act 1989 (these include officers reporting directly either to the Head of Paid Service or the Authority).

### **3. SENIOR EMPLOYEES AND PAY RATIOS**

- 3.1. Whilst the Localism Act 2011 does not require details on salary levels to be published in the Pay Policy Statement, Schedule 1 to the Accounts and Audit Regulations 2015 requires the published Statement of Accounts for an authority to include information on the number of senior employees who are paid over £50,000. These numbers are to be reported in bands of £5,000. Any senior employee earning in excess of £150,000 must be identified by name.
- 3.2. "Senior employees" are defined as per the Local Government and Housing Act 1989 (see para. 2.3 above) but also include "a person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money), whether solely or collectively with other persons".
- 3.3. The Localism Act requires authorities to explain what they think the relationship should be between the remuneration of its chief officers and its employees who are not chief officers. The Hutton Review of Fair Pay recommended the publication of the ratio between the highest paid employee and the median pay-point of the organisation's whole workforce as a way of illustrating that relationship. Guidance produced by the [then] Department for Communities and Local Government (DCLG) on openness and accountability in local pay provides that:
- "While authorities are not required to publish data such as a pay multiple within their pay policy statement, they may consider it helpful to do so, for example, to illustrate their broader policy on how pay and reward should be fairly dispersed across their workforce. In addition, while they are not required to develop local policies on reaching or maintaining a specific pay multiple by the Act they may wish to include any existing policy".*
- 3.4. Section 5 of the proposed Pay Policy Statement shows two pay multiples. The first being comparison with the median earnings of the whole workforce (as recommended by Hutton), using the basic pay for full-time equivalents.

- 3.5. The second multiple is for the lowest pay point, which has previously been used as a benchmark in the media following suggestions by the Government that a ratio of 20:1 should be regarded as a maximum level which public sector organisations should not exceed. The Service revised its pay grading structure for professional, technical and support staff in 2019/20 which resulted in a reduction in the number of pay increments within a salary grade from five to four for grades 3 to 11. For grade 2, the number of pay increments was decreased to three and for grade 1 this was reduced to two (although the Service does not currently have any jobs at Grade 1). The effect of this is that the pay multiple ratio between the Chief Fire Officer and the lowest paid employee has decreased from 12.8:1 to 8.5:1, the lowest pay point now being £18,426 instead of £17,173.

#### 4. **RE-EMPLOYMENT OF OFFICERS**

- 4.1 In 2013, the Local Government Association (LGA) published guidance titled “Pay Policy in Practice in Local Authorities – A Guide for Councillors”. However, unlike other guidance published by [the then] DCLG, it does not constitute statutory guidance and is perhaps best viewed as “best practice”. In November 2013, the LGA specifically issued the guidance to all fire and rescue authorities in England and Wales. Within the covering letter the LGA highlighted that the practice of re-employment of individuals who have been made redundant or have retired and are in receipt of a pension should be used only in exceptional and justifiable circumstances (such as business continuity). Within the guide is an LGA model Pay Policy Statement which suggests the following paragraph:

*“It is not the council’s policy to re-employ or to contract with senior managers who have been made redundant from the council unless there are exceptional circumstances where their specialist knowledge and expertise is required for a defined period of time or unless a defined period of (define number of years) has elapsed since the redundancy and circumstances have changed.”*

- 4.2 The covering letter to this LGA guidance suggests that this paragraph should be widened to incorporate retirements in addition to redundancies. These modifications were incorporated into the 2014/15 Pay Policy Statement and remain unchanged in the draft now attached for 2020/21.
- 4.3 Additionally, the Fire and Rescue National Framework for England, published by the Home Office in May 2018, included a section of “Re-engagement of Senior Officers”. Paragraph 6.8 of the Framework sets out that:

*“Fire and rescue authorities must not re-appoint principal fire officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety. Any such appointment must be transparent, justifiable and time limited”.*

- 4.4 Principal Officers in this respect is defined as Area Managers and above, or those with comparable responsibilities to those roles. The Authority’s Pay Policy Statement previously set out strict controls regarding the re-employment of employees who had retired and those controls were revised in previous versions of the Pay Policy Statement to reflect the 2018 National Framework.

## **5. THE TRANSPARENCY CODE**

- 5.1 The Local Government (Transparency Requirements) (England) Regulations 2015 imposed additional requirements in terms of publishing data relating to the Authority. The requirements are set out in the Local Government Transparency Code 2015. The Local Government Association produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information.
- 5.2 The Transparency Code requirements overlap to a degree with certain staffing information required to be published both as part of the annual Statement of Accounts and the Pay Policy Statement. There are, however, some additions including requirements for further details of Senior Managers, including grading and responsibilities, where salary levels are in excess of £50,000 and also Trade Union Facility time.

## **6. PAY POLICY STATEMENT 2020-21**

- 6.1 This is now the ninth iteration of the Pay Policy Statement, the Authority having approved and published a Statement for each of the last eight consecutive years following introduction of the requirement by the Localism Act 2011.
- 6.2 The draft Pay Policy Statement to operate for the 2020-21 financial year is now attached at Appendix A to this report. There are no substantial changes to the Pay Policy Statement as approved by the Authority for 2019-20.

## **7. CONCLUSION**

- 7.1 The Localism Act requires the Authority to adopt, prior to the commencement of each financial year, a Pay Policy Statement to operate for the forthcoming financial year. This Statement sets out, amongst other things, the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees.
- 7.2 The Authority is now invited to approve the Pay Policy Statement 2020-21 as appended to this report.

**MIKE PEARSON**  
**Director of Governance & Digital Services**

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**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**

**LOCALISM ACT 2011 – PAY POLICY STATEMENT 2020-21**

**1. INTRODUCTION**

- 1.1 Under section 38(1) of the Localism Act 2011, Devon & Somerset Fire & Rescue Authority (the Authority) is required to prepare a Pay Policy Statement. The Authority is responsible for ensuring that its pay policy will set out the issues relating to the pay of the workforce and in particular, the senior officers and the lowest paid employees. This will ensure that there is the appropriate accountability and transparency of the salaries of the Authority's senior staff. The Authority will also publish the statement on its website and update it on an annual basis or at such times as it is amended. The purpose of the statement is to provide greater transparency on how taxpayer's money is used in relation to the pay and rewards for public sector staff.
- 1.2 This is the ninth such Pay Policy Statement that the Authority has produced and it will continue to be reviewed and refined by the Authority as part of its rewards & recognition strategies.
- 1.3 It should be noted that the Accounts and Audit Regulations 2015 require authorities to disclose individual remuneration details for senior employees and these can be viewed here: [Senior Management Salaries](#)
- 1.4 In addition, the rates of pay for all other categories of staff can be found at: [Rates of Pay](#)
- 1.5 The Local Government (Transparency Requirements) (England) Regulations 2015 imposed additional requirements in terms of publishing data relating to the Authority. The requirements are set out in the Local Government Transparency Code 2015. The Local Government Association produced a set of revised practical guidance documents to support local authorities in understanding and implementing the Transparency Code and to help them publish the data in a meaningful and consistent way. The Code covers information on spending and procurement, organisational information and asset and parking information and this open data is accessible via the following link: [Transparency Data](#)
- 1.6 There is some overlap within the Transparency Code with certain staffing information that is already required as part of the annual Statement of Accounts and the Pay Policy Statement but there are also some additions including further details of organisational structures relating to Senior Managers, including grading and responsibilities, where salary levels are in excess of £50,000 and also Trade Union Facility time.

**2. CATEGORIES OF STAFF**

- 2.1 As part of the Pay Policy Statement, it is necessary to define the categories of staff within the Service and by which set of Terms and Conditions they are governed.

- 2.2 **Executive Board Officers (including Chief Fire Officer):** The Executive Board is a mix of uniformed Brigade Managers and non-uniformed Officers who are the Directors of the Service. The salary structure for Brigade Managers and other Executive Board members has previously been determined by the Authority and is subject to annual reviews in accordance with the Constitution and Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Local Authorities' Fire Brigades (the "Gold Book"). The two non-uniformed Executive Board Officers are conditioned to the Gold Book for pay purposes only. The minimum remuneration levels for Chief Fire Officers are set nationally in relation to population bands and in accordance with the Gold Book. At a national level, the National Joint Council for Brigade Managers of Fire and Rescue Services reviews annually any cost of living increase applicable to all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration over and above the minimum levels for Chief Fire Officers are taken locally by fire authorities, arrangements for which are set out in paragraphs 3.8 to 3.10.
- 2.3 **Uniformed Staff:** This includes Whole-time and On-call staff and also the Control Room uniformed staff. The remuneration levels for these staff are subject to national negotiation as contained in the Scheme of Conditions of Service of the National Joint Council for Local Authority Fire & Rescue Services which is known as the "Grey Book". Any other remuneration is subject to local agreement.
- 2.4 **Support Staff:** This category is the non-uniformed employees who support our Operational Service. The Scheme of Conditions of Service for these employees is set out within the National Joint Council (NJC) for Local Government Services known as the "Green Book". The National Joint Council negotiates the level of any annual pay increases applicable to the nationally recognised local government pay spine and these increases are applied across the Authority's "Green Book" staff grading structure.

### **3. REMUNERATION OF THE CHIEF FIRE OFFICER AND EXECUTIVE BOARD**

- 3.1. The position of Chief Fire Officer is subject to minimum remuneration levels as set out in the "Gold Book" and according to population bands. The Authority is in Population Band 4 (1.5m people and above). The minimum salary level for this position is currently £125,748 per annum. The Authority is the largest non-metropolitan fire and rescue authority in the UK.
- 3.2. In 2006, prior to the combination of Devon Fire & Rescue Service and Somerset Fire & Rescue Service, the [then] Shadow Devon and Somerset Fire and Rescue Authority reviewed the remuneration of the Chief Fire Officer and undertook a salary survey of other fire & rescue services within the same population band. The average salary, based on 2005 data, was found to be £124,184 and the salary level for the Chief Fire Officer for the new, combined service, was set at a notional level of £124,800 per annum for 2007. Since then, national annual pay awards, and the review of Executive Board Officers' pay conducted by the Authority in 2015, have increased the salary to £156,535.
- 3.3. The other positions within the Executive Board are as follows:
- Deputy Chief Fire Officer
  - Assistant Chief Fire Officer – Director of Service Delivery
  - Assistant Chief Fire Officer – Director of Service Improvement
  - Director of Governance & Digital Services
  - Director of Finance & Resourcing

- 3.4. Further details of our Executive Board can be found at [Devon and Somerset Fire and Rescue Service - Organisational Structure](#)
- 3.5. The Deputy Chief Fire Officer and Assistant Chief Fire Officer salaries had previously been set locally at 80% and 75% respectively of the Chief Fire Officer salary, which reflected the previous minimum salary level set by the National Joint Council. However, following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary was removed. The current salary for the Deputy Chief Fire Officer is £129,923. The current salary for an Assistant Chief Fire Officer is £117,399. Uniformed Brigade Managers (Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer) also provide "stand-by" hours outside of the normal working day within a Brigade Manager rota.
- 3.6. The remaining two "non-uniformed" Executive Board positions are the Director of Governance & Digital Services and the Director of Finance & Resourcing, both of which are on Grade 3 within a four point grading structure, which was determined by the [then] Shadow Devon and Somerset Fire and Rescue Authority in 2006 following an external, independent Job Evaluation process. The salary levels for these grades were set as a percentage of the Chief Fire Officer's salary but following the review of Executive Board Officers' pay conducted by the Authority in 2015, the percentage link to the Chief Fire Officer salary was removed. The current salary levels for the four grades are:

Grade	Salary
4	£95,916
3	£87,923
2	£79,930
1	£71,937

- 3.7. The Gold Book NJC recommended that minimum increases are implemented with effect from 1 January of each year.
- 3.8. The relevant sections 9 – 11 from the Gold book in relation to salary increases are set out below:

*Salaries*

*The NJC will publish annually recommended minimum levels of salary applicable to chief fire officers/chief executives employed by local authority fire and rescue authorities.*

*There is a two-track approach for determining levels of pay for Brigade Manager roles. At national level, the NJC shall review annually the level of pay increase applicable to all those covered by this agreement. In doing so, the NJC will consider affordability, other relevant pay deals and the rate of inflation at the appropriate date. Any increase agreed by the NJC will be communicated to fire authorities by circular.*

*All other decisions about the level of pay and remuneration to be awarded to individual Brigade Manager roles will be taken by the local Fire and Rescue Authority, who will annually review these salary levels.*

- 3.9. Any locally determined increases in the Executive Board Officers' remuneration are subject to approval by the Authority. In accordance with the conditions within the Gold Book, the Authority is required to conduct an annual review of the remuneration afforded to members of the Executive Board. Any such reviews will be conducted by way of an expert, independent report to a full Authority meeting which will contain such relevant data as to enable the Authority to reach a determination on levels of appropriate remuneration. As a minimum, comparative benchmark data will be provided on chief executive and other senior officer salary levels in other relevant public bodies as may be determined, e.g. other fire and rescue authorities, constituent authorities, neighbouring police forces etc. The annual review will also consider the level of pay awards made for other groups of employees and the relationship between the remuneration of the Chief Fire Officer and the median basic pay of the Authority's whole workforce.
- 3.10. In 2015, the Authority conducted a review of Executive Board Officers' pay. Following that review, it was agreed that:
- i) the percentage link to the Chief Fire Officer salary for other Executive Board Officers would be removed;
  - ii) the annual review process will be considered on an individual basis;
  - iii) in conducting the annual review, any pay rise above the annual cost of living increases agreed nationally by the NJC for Brigade Managers, will be no greater than the percentage pay rise received by a Firefighter, unless such a pay rise is as a result of good performance, a reorganisation, restructure or other substantial reason.

#### **4. REMUNERATION OF THE LOWEST PAID EMPLOYEES**

- 4.1 The lowest grade in the Service is within the Support Staff category which has a grading structure from Grade 1 to 11. However, following the outsourcing of cleaning, there are no employees on Grade 1 so the lowest grade for substantive employees is Grade 2. Each grade has a number of spinal column points and a new joiner will progress through these with increasing service. The salary range at Grade 2 is currently £18,426 to £19,171 for a 37 hour week and is usually subject to review from 1 April each year. For contextual purposes the salary level for a full-time firefighter is £31,144 per annum and is usually subject to review from 1 July each year.

#### **5. THE RELATIONSHIP BETWEEN THE REMUNERATION OF CHIEF OFFICERS AND THE REMUNERATION OF THOSE EMPLOYEES WHO ARE NOT CHIEF OFFICERS.**

- 5.1 In terms of pay multiples, in line with recommendations contained within the Hutton Review of Fair Pay, the Authority will use two ratios to explain the relationship between the remuneration of the Chief Fire Officer and the remuneration of those employees who are not chief officers. The first is a comparison with the median earnings of the whole workforce using the basic pay for full-time equivalents (currently £31,114). The second multiple is for the lowest pay point (currently £18,426). This multiple has previously been used as a benchmark following suggestions by the Government that a ratio of 20:1 should be regarded as a level which public sector organisations should not exceed.
- 5.2 The current pay multiple ratios are:

median basic pay	5.0 : 1
lowest pay point	8.5 : 1

5.3 In terms of the pay multiple between the Chief Fire Officer and other staff across the organisation, the Authority's Pay Policy is that this will be 5.0 : 1 when compared with the median basic pay across the organisation, subject to the national pay settlements and any review by the Authority. The Pay Policy Statement for future years will continue to be determined by the full Authority.

## **6. ADDITIONAL ELEMENTS OF THE REMUNERATION FOR THE CHIEF OFFICER**

6.1 These additional elements relate to the following:

- Bonuses or Performance Related Pay;
- Charges, Fees or Allowances;
- Benefits in Kind;
- Any increase or enhancement to the pension entitlement as a result of the resolution of the Authority;
- Any amounts payable by the Authority to the Chief Fire Officer on the Chief Fire Officer ceasing to hold office other than amounts that may be payable by virtue of any enactment.

6.2 The Chief Fire Officer does not receive any additional bonuses, performance related pay, charges, fees or allowances. The Chief Fire Officer has an operational requirement for a Service provided emergency response vehicle. This is provided in accordance with the Service's Provided Car Policy and, as Brigade Managers operate on continuous duty, no Benefit in Kind is attributable.

6.3 In relation to the pension entitlement, the Chief Fire Officer is eligible to be a member of the Firefighters' Pension Scheme. All members of this pension scheme (which is closed to new members) can retire on reaching age 50, provided they have at least 25 years' service. The maximum pension entitlement that a member of the pension scheme can accrue is 30 years' service. Chief Fire Officers appointed before 2006 are required to seek approval to retire before age 55 whilst those appointed after 2006 do not. All other members of the pension scheme are not required to obtain such approval. This requirement for Chief Fire Officers to have to seek approval has been recognised nationally as being potentially discriminatory on the grounds of age but can be overcome by agreement with the Authority to permit retirement from age 50. The Authority has previously given approval for the Chief Fire Officer to retire at age 50 subject to any pensions benefit payable before the age of 55 not representing an unauthorised payment as defined in the Finance Act 2004.

6.4 The notice period from either the employee or employer for termination of employment for the post of Chief Fire Officer is three months. There are no additional elements relating to the Chief Fire Officer ceasing to hold this post other than those covered under any other enactments.

## **7. REMUNERATION OF CHIEF OFFICERS ON RECRUITMENT**

7.1 Within the Localism Act there is a requirement to state the remuneration of Chief Officers on recruitment. The pay level for the Chief Fire Officer was determined by the Authority in 2006, based on 2005 data, in preparation for the new combined Devon & Somerset Fire & Rescue Service commencing on 1 April 2007. The appointment of a Chief Fire Officer is subject to approval by the Authority. The current rate of remuneration would apply to any new Chief Fire Officer on recruitment, subject to any review that may take place in accordance with the arrangements set out within this Pay Policy Statement.

## 8. RE-EMPLOYMENT OF EMPLOYEES

- 8.1 The Authority will not normally re-employ or contract with employees who have been made redundant by the Authority unless:
- there are exceptional circumstances where their specialist knowledge and expertise is required for a defined period of time **and** there has been a break in service of at least one month; or
  - a defined period of 12 months has elapsed since the redundancy and circumstances have changed; or
  - the re-employment is in a different role **and** there has been a break in service of at least six months; or
  - the re-employment is in the same role but at a lower cost and is within the context of an approved business case at the time of the redundancy **and** there has been a break in service of at least one month.
- 8.2 For each of the above scenarios:
- the approval of the Human Resources Management and Development Committee will be required for the re-employment, following redundancy, of any former employee up to Area Manager or non-uniformed equivalent posts; or
  - the approval of the full Authority will be required for the re-employment, following redundancy, of any post-holder at Area Manager or above (including non-uniformed equivalent); and
  - for both of the above two approval processes, the Authority may require the repayment of one 24<sup>th</sup> part of any redundancy payment made by the Authority for every month less than 24 months between the date of redundancy and the date of re-employment.
- 8.3 The Authority will, in principle, allow the re-employment of employees who have retired, subject to a break in service of at least one month, because it is recognised that this often represents an effective way of retaining specialist knowledge and skills without any increase in cost to the Authority (and noting that costs to the Pension Scheme are no more than would be the case for normal retirement).
- 8.4 However, the Fire and Rescue National Framework for England, published by the Home Office in May 2018, sets out that “fire and rescue authorities must not re-appoint principal fire officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety”. In this context, Principal Officers refers to those officers at Area Manager and above, or those with comparable responsibilities to those roles. The Fire and Rescue National Framework also states that fire and rescue authorities will “have regard to this principle when appointing at any level”.
- 8.5 With this in mind, the re-employment of any employee who has retired will be subject to:
- the approval of the Human Resources Management and Development Committee for all employees up to Area Manager or non-uniformed equivalent; or
  - the approval of the full Authority for any post-holder at Area Manager or above (including non-uniformed equivalent).

- 8.6 Where retired uniformed staff are re-employed, then the Fire-Fighters' Pension shall be abated such that the income from the gross annual rate of pay whilst re-employed together with the gross annual pension (after commutation) will not exceed the gross annual rate of pay immediately prior to retirement. For staff within the Local Government Pension Scheme, where an individual is re-employed on the same terms and conditions [salary] as previously, the same abatement rules as apply to those within the Fire Fighters Pension Scheme will be applied. However, the Authority's policy on Pension Discretions refers to flexible retirement and states that this "may be subject to abatement during such time as the individual remains employed by the Service". This allows the Authority to use flexible retirement opportunities where key employees may wish to continue working as they get older but step down in grade or reduce their working hours. This can be beneficial to the Authority in retaining key skills, knowledge and experience whilst also reducing costs. The authorisation of any such flexible retirement arrangements will be subject to the approval mechanism detailed above.
- 8.7 The appointment of any members of the Executive Board (the Chief Fire Officer, Assistant Chief Fire Officers, Director of Corporate Services and Director of Finance and Treasurer to the Authority) are subject to approval of the Authority and any re-employment following redundancy or retirement will be subject to consideration, by the Authority, of a robust business case and fully scrutinised against the above criteria.

**9. THE PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS**

- 9.1 In order to make this information in relation to the Pay Policy Statement accessible to members of the public, the statement will be published on the Authority website.

**10. REVIEW OF THE PAY POLICY STATEMENT**

- 10.1 This document will be reviewed at least annually by the Authority.

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<b>REPORT REFERENCE NO.</b>	<b>DSFRA/20/10</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>18 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>REPORT OF URGENT ACTION</b>
<b>LEAD OFFICER</b>	<b>Chief Fire Officer</b>
<b>RECOMMENDATIONS</b>	<i>That the report be noted.</i>
<b>EXECUTIVE SUMMARY</b>	<p>This paper advises the Authority of the action of the Chief Fire Officer (taken in accordance with Standing Order 27 and following consultation with the Authority Chair) in undertaking a process for and promoting an Area Manager to act as temporary Assistant Chief Fire Officer (Service Improvement), to cover during the period of incapacity of the substantive post-holder between 25 November 2019 and 20 January 2020.</p> <p>The Authority is required under the Fire and Rescue Services Act 2004 to make provision for dealing with emergencies in its area. Having arrangements in place for the effective command and control of the Service is a fundamental part of making such provision and this urgent decision to appoint a temporary Assistant Chief Fire Officer was necessary to maintain an effective Principal Officer rota.</p> <p>It was also necessary to maintain the senior leadership capacity at a critical time in the run up to the Authority meeting on 10 January 2020 when important decisions were taken on changers to the Service Delivery Operating Model. This point was made by the Chair of the Authority at the start of that meeting.</p>
<b>RESOURCE IMPLICATIONS</b>	Nil.
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	Not applicable.
<b>APPENDICES</b>	Nil.
<b>LIST OF BACKGROUND PAPERS</b>	Nil.

**LEE HOWELL**  
Chief Fire Officer

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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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