

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

(Budget Meeting)

19 February 2021

Present:

Councillors Randall Johnson (Chair), Best, Biederman, Bown, Brazil, Buchan, Clayton, Coles, Colthorpe, Corvid, Drear, Hannaford, Healey MBE, Long, Napper, Peart, Prowse, Radford, Redman, Saywell, Thomas, Trail BEM, Vijeh, Wheeler (Vice-Chair) and Yabsley.

Apologies:

Councillor Eastman, Hernandez and Mountstevens).

DSFRA/67 Minutes

RESOLVED that the Minutes of the meeting held on 16 December 2020 be approved as a correct record.

DSFRA/68 Appointment of Director of Finance & Resourcing and Treasurer

(An item of urgent business taken in accordance with Section 100(B)(4) of the Local Government Act 1972.

The Chair decided that this should be considered as a matter of urgency to enable the Authority to determine at the earliest opportunity an appointments process for a replacement Director of Finance & Resourcing and Treasurer. The current incumbent had indicated, following publication of the agenda for this meeting, that they would be leaving the Authority in early May 2021.

The Chair advised the Authority that the existing Terms of Reference for the Appraisals & Disciplinary Committee provided for it to undertake an appropriate process for a successor.

RESOLVED that, following the recruitment process, the Appraisals & Disciplinary Committee be authorised to:

- (a). confirm the new appointment of Director of Finance & Resourcing and Treasurer; and
- (b). confirm the person so appointed as Treasurer shall serve as the officer responsible for the proper administration of the Authority's financial affairs, in accordance with the provisions of Section 112 of the Local Government Finance Act 1988.

DSFRA/69 Minutes of Committees

a Community Safety & Corporate Planning Committee

The Chair of the Committee, Councillor Redman, **MOVED** the Minutes of the meeting held on 11 December 2020 which had considered:

- an update on the Service Safer Together Programme; and

- an update on progress made by the Service in implementing recommendations from the Grenfell Phase 1 inquiry and use of additional grant funding.

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

b Human Resources Management & Development Committee

The Chair of the Committee, Councillor Hannaford, **MOVED** the Minutes of the meeting held on 14 December 2020 which had considered the Service Gender Pay Gap report for 2020.

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

c Resources Committee

The Chair of the Committee, Councillor Drean, **MOVED** the Minutes of the budget meeting held on 10 February 2021 which had considered, amongst other things:

- a draft 2021-22 Revenue Budget and Council Tax levels;
- a report on the Authority's Capital Strategy;
- a report on the proposed Capital Programme 2021-22 to 2023-24;
- a report on the Authority's Medium Term Financial Plan;
- a report on the proposed Treasury Management Strategy (including Prudential and Treasury Indicators) 2021-22;
- a report on Treasury Management Performance for quarters 2 and 3 of the current (2020-21) financial year;
- a report on Service financial performance for quarters 2 and 3 of the current financial year; and
- a report on the financial performance of Red One Ltd. for quarters 2 and 3 of the current financial year.

RESOLVED

(i). that the recommendations at Minutes:

- RC/41 (Medium Term Financial Plan);
- RC/39 (Capital Strategy);
- RC/38 (2021-22 Revenue Budget and Council Tax Levels);
- RC/40 (Capital Programme 2021-22 to 2023-24); and
- RC/42 (Treasury Management Strategy [including Prudential and Treasury Indicators] 2021-22)

be considered in conjunction with Minutes DFSRA/70, DSFRA/71 and DSFRA/72(a) to (c), inclusive and respectively, below;

(ii). that, as recommended at Minute RC/44 (Financial Performance report 2020-21: Quarters 2 and 3), the following virements (budget transfers) be approved in accordance with Financial Regulations:

Line Ref.	Description	Debit £m	Credit £m
	<i>To fund Pay for Availability in future years delayed in 2021 – see paragraph 3.1 of report RC/21/7</i>		
1	Decrease Service Delivery Staff		(1.442)
36	Create Earmarked Reserve to help fund future year costs	1.442	
		1.442	(1.442)

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

(SEE ALSO MINUTES DSFRA/70, DSFRA/71 AND DSFRA/72(a) TO (c) BELOW).

DSFRA/70 Medium Term Financial Plan

The Authority considered a report of the Director of Finance & Resourcing (Treasurer) on the Authority's Medium Term Financial Plan (MTFP) for the next five financial years (to 2025-26), outlining funding, income and expenditure forecasts. The requirement to produce and publish a Medium Term Financial Plan was included in the current iteration of the Fire & Rescue National Framework for England.

The MTFP identified how the financial forecast is constructed (including funding sources and expenditure/cost pressures) together with savings targets over the period covered and the Service Change & Improvement Programme (Safer Together) which was the principal vehicle for delivering these savings. As such, the MTFP should be considered alongside the Safer Together Programme (which aimed to deliver against those objectives in the community-facing Integrated Risk Management Plan [IRMP] and organisation-facing Fire & Rescue Plan) and the Authority Reserves Strategy.

The MTFP would be updated at least annually as part of the budget setting process and would be refreshed more frequently as soon as any information making a material difference became available.

This report was initially considered by the Resources Committee at its budget meeting on 10 February 2021 which resolved to recommend that the Authority endorse the MTFP (Minute RC/41 refers).

RESOLVED that, as recommended by the Resources Committee, the Medium Term Financial Plan 2021-22 to 2025-26, as appended to report DSFRA/21/1, be endorsed.

(SEE ALSO MINUTE DSFRA/69(c) ABOVE).

DSFRA/71 Capital Strategy

The Authority considered a report of the Director of Finance & Resourcing (Treasurer) (DSFRA/21/2) on a proposed Capital Strategy ("the Strategy") for the Authority.

The 2017 Prudential Code included the requirement for all Local Authorities to produce and approve an annual capital strategy. The Strategy was a key document for the Authority and formed part of the financial planning arrangements, reflecting the priorities set out in the Fire & Rescue Plan and the Medium-Term Financial Plan.

The Strategy provided a high level overview of how capital expenditure, and the way it is financed, would contribute to the provision of services together with an overview of how associated risk would be managed and the implications for future financial sustainability. The Strategy also detailed the governance process for approval and monitoring of capital expenditure.

RESOLVED that, as recommended by the Resources Committee, the Authority Capital Strategy as appended to report DSFRA/21/2, be endorsed.

(SEE ALSO MINUTE DSFRA/69(c) ABOVE).

DSFRA/72 REVENUE AND CAPITAL BUDGETS

a 2021-22 Revenue budget and Council Tax Levels

The Authority considered a joint report of the Director of Finance & Resourcing (Treasurer) and the Chief Fire Officer (DSFRA/21/3) on the proposed 2021-22 revenue budget and associated Council Tax levels.

On 17 December 2020 the provisional local government finance settlement was announced. This was a one year settlement for 2021-22 only. The provisional settlement indicated an increase in Settlement Funding Assessment (SFA) for this Authority of 0.16% over 2020-21 (from £22.319m to £22.354m). This nonetheless represented an overall reduction of 24% from the 2015-16 settlement of £29.413m.

The Authority had also been awarded, for 2021-22, £0.445m as its share of the £85m Rural Services Grant available only to the most sparsely populated rural areas. As part of a suite of measures to support local authorities in off-setting the impacts of the Covid-19 pandemic, the Authority had received grant funding of £0.970m against the increased costs of the Local Council Tax Support Scheme. The proposed revenue budget also included an estimated £2.856 funding as the Authority's share of National Non-Domestic Rate grants made to businesses because of the pandemic. These Section 31 grants were included as one-off income rather than forming part of the base budget.

The Ministry for Housing, Communities and Local Government announced, for 2021-22, a threshold of 2% for increases in Council Tax beyond which it would be necessary to hold a referendum. The administration costs associated with a referendum for this Authority were estimated to be in excess of £2.3m. Consequently, no proposals for an increase in Council Tax beyond 2% were presented.

Two budgetary options were presented for consideration by the Authority:

- Option A, representing no increase in Council Tax over 2020-21; and
- Option B, representing a 1.99% increase in Council Tax over 2020-21 (an increase of £1.74p per annum [15p a month] – from £88.24 to £90.00 for a Band D property).

The Authority was reminded that each 1% increase in Council Tax represented a £0.538m variation on the revenue budget. Both Council Tax options proposed represented a decrease on the overall budget available as a result of the economic impacts of the pandemic on Council Tax base, surplus and business rates income.

The Core Budget Requirement for 2021-22 (which included provision for pay and inflation and inescapable commitments) had been identified at £72.222m. This was designed to support reform of the Service by:

- maintaining investment of £1.224m in the Pay for Availability system, representing half the annual cost should all stations take up the new system;
- £0.415m to fund 12 development firefighter posts to support strategic workforce planning by providing resilience to offset potential retirements from 2022 and increase opportunities for diversity in the workforce; and
- £0.151m for the introduction of Microsoft 365 to support more efficient ways of working.

The proposed revenue budget exceeded the amount currently available. Consequently, it was proposed that – should Option B be approved – the shortfall would be met from a £0.512m contribution from reserves.

As required by the Local Government Finance Act 1992, non-domestic rate payers had been consulted on expenditure proposals for 2021-22. Additionally, telephone and on-line surveys of businesses and residents had been undertaken. The detailed survey results were appended to the report but in summary the majority of respondents felt it would be reasonable for the Authority to consider increasing its precept for 2021-22, with both businesses and residents expressing satisfaction with the services provided and agreeing that the Service provided value for money.

Also appended to the report was a statement prepared by the Chief Finance Officer in accordance with Section 25 of the Local Government Act 2003 on the robustness of the budget estimates and the adequacy of the level of reserves.

The proposed revenue budget and associated Council Tax levels had been considered by the Resources Committee (budget) meeting on 10 February 2021 which had resolved to recommend that the Authority approve Option B including the additional £0.415m funding for twelve firefighter development posts (Minute RC/38 refers).

RESOLVED

- (i). that, as recommended by the Resources Committee at its meeting 10 February 2021, the level of Council Tax in 2021-22 for a Band D property be set at £90.00, as outlined in Option B of report DSFRA/21/3, representing a 1.99% increase over 2020-21;
- (ii). that, accordingly, a Net Revenue Budget Requirement for 2021-22 of 72.222m be approved;
- (iii). that, as a consequence of the decisions at (i) and (ii) above:

- (A). a tax base for payment purposes of the precept required from each billing authority for payment of a total precept of £54,849,642 (Option B), as detailed on page 3 of the respective budget booklet (circulated separately with the agenda for the meeting) and reproduced in the following table, be approved:

Billing Authority	Tax Base used for collection	Surplus/ (Deficit) for 2020-21 £	Precepts due in 2021-22 £	Total due 2021-22 £
East Devon	60,084.00	148,808	5,407,560	5,556,368
Exeter	37,377.00	45,621	3,363,930	3,409,551
Mendip	41,332.49	(18,671)	3,719,924	3,701,253
Mid Devon	28,594.38	(37,327)	2,573,494	2,536,167
North Devon	34,397.87	40,021	3,095,808	3,135,829
Plymouth City	73,115.00	32,633	6,580,350	6,612,983
Sedgemoor	40,991.35	(88,485)	3,689,222	3,600,737
Somerset & West Taunton	55,947.87	3,295	5,035,308	5,038,603
South Hams	38,298.32	(11,108)	3,446,849	3,435,741
South Somerset	61,152.95	(36,701)	5,503,765	5,467,064
Teignbridge	48,410.00	(31,063)	4,356,900	4,325,837
Torbay	45,464.53	(97,154)	4,091,808	3,994,654
Torridge	24,035.20	(6,403)	2,163,168	2,156,765
West Devon	20,239.51	(2,715)	1,821,556	1,818,841
	609,440.47	(59,249)	54,849,642	54,790,393

- (B). that the Council Tax for each property band A to H associated with the total precept of £54,849,642 (Option B), as detailed on page 3 of the respective budget booklet and reproduced in the following table, be approved:

Valuation Band	Ratio	Government Multiplier %	Council Tax (£.p)
A	6/9	0.667	60.00
B	7/9	0.778	70.00
C	8/9	0.889	80.00
D	1	1.000	90.00
E	11/9	1.222	110.00
F	13/9	1.444	130.00
G	15/9	1.667	150.00
H	18/9	2.000	180.00

- (iv). that £0.415m of funding be made available to fund an additional 12 development firefighter posts;
- (v). that the Treasurer's "Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balance", as set out in Appendix C to report DSFRA/21/2 and reproduced at Appendix A to these Minutes, be approved.

(SEE ALSO MINUTE DSFRA/69(c) ABOVE).

b Capital Programme 2021-22 to 2023-24

The Authority considered a report of the Director of Finance & Resourcing (Treasurer) (DSFRA/21/4) on the proposed Capital Programme 2021-22 to 2023-24 for estates and operational assets (fleet and equipment).

The Service was currently refreshing its Estates Strategy and undertaking a full condition survey of its estate to inform a risk-based approach to future investments. Consequently, the Capital Programme proposed for 2021-22 had been limited to existing projects (e.g. the new Plymstock fire station and a refurbishment of Camels Head fire station).

A risk based review of the fleet profile (Rapid Intervention Vehicles [RIVs]; Light Rescue Pumps [LRPs]; and Medium Rescue Pumps [MRPs]) had been undertaken as part of the Safer Together Programme to support the operational requirements of the new Service Delivery Operating Model. A ten-year fleet replacement programme had been developed alongside an equipment replacement programme (to be funded from revenue). A project had commenced to review and replace Aerial Ladder Platforms (ALPs) and to review other specialist appliances.

The proposed programme and funding would decrease the external borrowing requirement from the current external borrowing of £24.9m to £23.8m by 2023-24. The debt ratio remained below the 5% maximum limit throughout the planning period. The proposed programme had been prepared on the basis that that increased revenue contributions to capital would be limited to the amount saved from reduced borrowing, thereby maintaining the overall cost envelope for the Capital Programme. Nonetheless, significant pressures still remained which would require further asset rationalisation in alignment with the Authority's future community risk management planning.

The report also detailed Prudential Indicators for the programme to 2023-24 along with profiled indicators (based on indicative capital programme levels) for a further two years to 2025-26 to inform longer term planning.

The report had previously been considered by the Resources Committee (budget) meeting on 10 February 2021 which had resolved to commend the Capital Programme 2021-22 to 2023-24 and associated Prudential Indicators to the Authority for approval.

RESOLVED

- (i). that, as recommended by the Resources Committee (budget) meeting on 10 February 2021, the draft Capital Programme 2021-22 to 2023-24 and associated Prudential Indicators, as detailed in this report and summarised in Appendices B and C respectively to these Minutes, be approved;
- (ii). that, subject to (i) above, the forecast impact of the proposed Capital Programme from 2023-24 onwards on the 5% debt ratio Prudential Indicator, as indicated in the report, be noted.

(SEE ALSO MINUTE DSFRA/69(c) ABOVE AND MINUTE DSFRA/72(c) BELOW).

c Treasury Management Strategy (Including Prudential and Treasury Indicators) 2021-22 to 2023-24

The Authority considered a report of the Director of Finance & Resourcing (Treasurer) (DSFRA/21/5) on the Treasury Management Strategy and Annual Investment Strategy for 2021-22, Treasury Management Indicators, Prudential Indicators associated with the proposed Capital Programme 2021-22 to 2023-24 and a Minimum Revenue Provision Statement for 2021-22 as required by relevant legislation and regulations. The report also identified an extension to the Strategy reflect the potential for a loan to be made to the Authority's subsidiary company (subject to associated terms and conditions being approved by the Authority).

This report had previously been considered by the Resources Committee (budget) meeting on 10 February 2021 which had resolved to commend the Treasury Management Strategy and Annual Investment Strategy and Minimum Revenue Provision Statement for 2021-22 to the Authority for approval.

RESOLVED that, as recommended by the Resources Committee (budget) meeting on 10 February 2021:

- (i). the expansion of approved counter parties, to include subsidiary entities, be approved, with the terms and conditions of any such arrangement being reserved to the Authority;
- (ii). the Treasury Management Strategy and Annual Investment Strategy for 2021-22, as detailed in report DSFRA/21/5, be approved;
- (iii). the Prudential Indicators and Treasury Management Indicators as detailed in the report and set out at Appendix C to these Minutes be approved; and
- (iv). the Minimum Revenue Provision (MRP) Statement as set out in the report and attached at Appendix D to these Minutes be approved.

(SEE ALSO MINUTES DSFRA/69(c) AND DSFRA/72(b) ABOVE).

DSFRA/73

Localism Act 2011 - Pay Policy Statement 2021-22

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/21/6) to which was attached the proposed Pay Policy Statement to operate for the Authority for the forthcoming (2021-22) financial year. The Localism Act 2011 required such a statement, setting out the Authority's policy towards a range of issues relating to the pay of its workforce (particularly senior staff and the lowest paid employees), to be approved prior to the commencement of each financial year and published, as a minimum, on the Authority's website.

The proposed Pay Policy Statement for 2021-22 had been updated to reflect current pay levels of senior officers but other than that was unchanged from the previous year.

RESOLVED that the Pay Policy Statement for the 2021-22 financial year, as appended to report DSFRA/21/6, be approved and published on the Authority's website.

DSFRA/74 Red One Ltd. - Appointment of Non-Executive Directors

(Councillors Saywell and Thomas each declared a personal, non-pecuniary interest in this item by virtue of being an Authority-appointed non-executive director on the Board of Red One Ltd. Councillors Saywell and Thomas both abstained from voting on this issue).

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/21/7) on a proposal to extend the current term of office of the Independent Non-Executive Director (Chair) of the Board of Red One Ltd. ("the Company"), and the two Authority-appointed Non-Executive Directors, for a further twelve months, as provided for in the Company's Articles of Association. Such an extension would provide greater stability for the company during the current pandemic.

RESOLVED

- (a). that, in accordance with the Articles of Association of Red One Ltd., the current Independent Non-Executive Director (Board Chair) and two Authority-appointed Non-Executive Directors be re-appointed to these roles for a further twelve months, subject to the latter two remaining serving Members of the Authority; and
- (b). that the Director of Governance & Digital Services be authorised to undertake an appointments process to identify potential successors for recommendation to the Authority in sufficient time to enable an appropriate transition in 2022.

DSFRA/75 Authority Governance

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/21/8) on the outcomes of a review of the Authority's governance structure commenced in December 2018 and supported, from 2020, by the Centre for Governance & Scrutiny (CfGS), an independent charitable organisation with a proven record in assisting with local authority governance reviews.

In particular, the report set out the findings of CfGS (as contained in its appended report) and the work undertaken by the Governance Review Working Group established to progress the issues identified in the CfGS report as considered at three initial workshops held for Authority Members.

The report identified two options proposed by the Governance Review Working Group to amend the Authority's governance structure.

In debating the report, the view was expressed that the forthcoming local elections in May could have a significant impact on membership of the Authority and that consequently there could be benefit in deferring consideration of this issue until after the elections.

Councillor Redman **MOVED**, with Councillor Vijeh seconding:

- "(a) that the Authority notes the report and agrees to defer the final decision on potential alternative governance arrangements as this will provide the incoming Authority (post the May 2021 elections) the opportunity to shape its own future;

- (b) that the Authority recognises the extensive work carried out by the Working Party on behalf of the Authority to explore alternative governance arrangements and thanks the Members, officers and the Centre for Governance & Scrutiny for their part in this important work.”

The motion was put to the vote and declared **CARRIED** whereupon it was **RESOLVED**

- (a) that the Authority notes the report and agrees to defer the final decision on potential alternative governance arrangements as this will provide the incoming Authority (post the May 2021 elections) the opportunity to shape its own future;
- (b) that the Authority recognises the extensive work carried out by the Working Party on behalf of the Authority to explore alternative governance arrangements and thanks the Members, officers and the Centre for Governance & Scrutiny for their part in this important work.

DSFRA/76 **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 involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

DSFRA/77 **Restricted Minutes of the Resources Committee (Budget) Meeting held on 10 February 2021**

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

(Councillors Saywell and Thomas each declared a personal, non-pecuniary, interest in this item by virtue of being Authority-appointed Non-Executive Directors on the Board of Red One Ltd.)

The Chair of the Committee, Councillor Drear, **MOVED** the restricted Minutes of the Resources Committee (budget) meeting held on 10 February 2021 which had considered (amongst other things):

- the restricted Minutes of the Committee meeting held on 12 October 2021; and
- a Red One Ltd. financial performance report for quarter 3 of the current (2020-21) financial year.

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

DSFRA/78 Disposal of Former Topsham Fire Station

(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 Authority considered a report of the Director of Finance & Resourcing (Treasurer) and the Director of Governance & Digital Services (DSFRA/21/9) on the proposed disposal of Topsham Fire Station in the context of the policy approved by the Authority, at its meeting on 23 October 2020, for the disposal of land (Minute DSFRA/51 refers).

At the same meeting, the Authority had asked officers to explore potential community uses for the site. The report now identified the outcome of this exploration. Five organisations had expressed interest in acquiring the site but none had identified a proposed primary use aligned to the Authority's statutory functions. Each had, though, identified potential secondary uses which could do so.

The Authority was reminded that:

- the general expectation, as per Section 123 of the Local Government Act 1972, was that any land should be disposed of for the best consideration that could reasonably be obtained. This was the main principle of the Authority's approved policy on the disposal of land;
- that, in order to exercise its discretionary power to sell land at an undervalue, it would need to establish a tangible benefit to the Authority which could be quantified, financially. Failure to do so would expose the Authority to a risk of judicial challenge.

The report indicated that the proposed secondary uses identified were already well provided for by the Devon & Somerset Fire & Rescue Service and that the approved Integrated Risk Management Plan did not identify any proposed community use to support those services which the Authority had a statutory duty to secure.

If the Authority was minded to progress disposal of the Topsham site at an undervalue, it would need to commission an external, independent assessment to quantify, financially, the benefit of the proposed secondary uses to the Authority. This would entail further delays and expense in disposal of the site with no guarantee that the assessment could identify a sufficient quantifiable benefit, in which case the Authority would be required to dispose of the site for the best consideration that might reasonably be obtained.

In debating this item, the view was expressed that there may be merit in exploring further whether some form of community use for the site, compatible with Authority functions, could be ascertained. The Chair **MOVED**, with Councillor Peart seconding:

- “(a) that the report be noted;

- (b) that officers undertake further work to assess in more detail what would be required to develop a framework for the effective evaluation of bids in compliance with the exercise of the discretionary power conferred under the “general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained”; and
- (c) that the matter be reported back to a future meeting of the Authority.”

The Motion was put to the vote and declared **CARRIED** whereupon it was **RESOLVED**

- (a). that the report be noted;
- (b). that officers undertake further work to assess in more detail what would be required to develop a framework for the effective evaluation of bids in compliance with the exercise of the discretionary power conferred under the “general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained”; and
- (c). that the matter be reported back to a future meeting of the Authority.”

The meeting started at 10.00 am and finished at 1.01 pm

**APPENDIX A TO THE MINUTES OF THE AUTHORITY BUDGET MEETING HELD ON
19 FEBRUARY 2021**

**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 2021-22 BUDGET

The net revenue budget requirement for 2021-22 has been assessed as £74.222 (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 March 2022, 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 Coronavirus pandemic. 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 and lockdowns 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 2021-22 to 2025-26. 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 2021-22 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO CHANGE

Budget Head	Budget Provision 2021-22 £m	<i>RISK AND IMPACT</i>	MITIGATION
Service Delivery staff costs	51.8	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. No provision for pay awards have been made in the 2021-22 budget.	In establishing a General Reserve an allowance has been made for a potential pay award. The payment for availability reserve will support those stations which transition to the new pay model in year.
Fire-fighter's Pensions	2.4	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 Pensions Reserve an allowance has been made for a potential overspend on this budget
Insurance Costs	0.9	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority.	General Reserve

Fuel Costs	0.7	This budget has been reduced since 2020-21 in recognition of new ways of working and the green agenda	General Reserve
Treasury Management Income	(0.1)	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 0.3% return on investments. Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Income	(0.8)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.8m of external income whilst setting the reliance on the Service budget for Red One Income at £0.3m. Due to economic uncertainty this budget line may be at risk and is dependent on the ability of Red One Ltd to generate income.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible. A provision for doubtful debts is available to protect the Authority from potential losses.
Capital Programme	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.
Revenue Contribution to Capital	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

Business Rates	(4.5)	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. £2.9m of this has been estimated grant income to offset funding losses yet to flow through from 20-21 business rates losses.	General Reserve
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THE ADEQUACY OF THE LEVEL OF RESERVES

Total Reserve balances for the Authority as at April 2020 is £38.8m made up of Earmarked Reserves (committed) of £33.5m, 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 the pandemic and the problems experienced by the global financial markets are just two examples of external risks which local authorities may need to take into account in setting levels of reserves and wider financial planning.

The Authority’s Reserves Strategy is reviewed annually and is available on the website www.dsfire.gov.uk.

CONCLUSION

It is considered that the budget proposed for 2021-22 represents a sound and achievable financial plan, and will not increase the Authority’s risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

**APPENDIX B TO THE MINUTES OF THE AUTHORITY BUDGET MEETING HELD ON
19 FEBRUARY 2021**

Capital Programme 2021/22 to 2025/26

2020/21 £000 Budget	2020/21 £000 Forecast Outturn	Item	PROJECT	2021/22 £000 Budget	2022/23 £000 Budget	2023/24 £000 Budget	2024/25 £000 Indicative Budget	2025/26 £000 Indicative Budget
3,557	1,907	1	Estate Development Site re/new build (subject to formal Authority approval)	2,150	0	0	0	0
5,591	1,437	2	Improvements & structural maintenance	5,089	3,600	1,300	3,500	3,700
9,148	3,344		Estates Sub Total	7,239	3,600	1,300	3,500	3,700
5,034	2,839	3	Fleet & Equipment Appliance replacement	5,157	2,300	2,800	2,800	2,000
710	370	4	Specialist Operational Vehicles	440	5,100	1,900	700	700
0	0	5	Equipment	0	0	0	0	0
159	9	6	ICT Department	400	0	0	0	0
46	46	7	Water Rescue Boats	0	0	0	0	0
5,949	3,264		Fleet & Equipment Sub Total	5,997	7,400	4,700	3,500	2,700
(3,800)	0	9	Optimism bias Sub Total	(2,600)	400	1,000	1,200	0
11,297	6,608		Overall Capital Totals	10,636	11,400	7,000	8,200	6,400
7,672	2,663	15	Programme funding Earmarked Reserves:	6,575	7,998	3,417	0	0
2,037	2,037	16	Revenue funds:	2,037	2,037	2,300	2,300	2,300
60	380	17	Capital receipts:	0	0	0	0	0
1,528	1,528	18	Borrowing - internal	2,024	1,365	1,283	3,019	1,918
		19	Borrowing - external	0	0	0	2,881	2,182
11,297	6,608		Total Funding	10,636	11,400	7,000	8,200	6,400

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

**APPENDIX C TO THE MINUTES OF THE AUTHORITY BUDGET MEETING HELD ON
19 FEBRUARY 2021**

<u>PRUDENTIAL INDICATORS</u>	INDICATIVE INDICATORS 2023/24 to 2024/25				
	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
Capital Expenditure					
Non - HRA	10.636	11.400	7.000	8.200	6.400
HRA (applies only to housing authorities)					
Total	10.636	11.400	7.000	8.200	6.400
Ratio of financing costs to net revenue stream					
Non - HRA	4.28%	3.91%	3.74%	3.87%	4.26%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000
Non - HRA	24,758	24,264	23,771	26,120	27,984
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	907	791	656	509	349
Total	25,665	25,055	24,426	26,629	28,333
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(196)	(610)	(628)	2,203	1,704
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(196)	(610)	(628)	2,203	1,704
<u>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</u>					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,189	26,071	25,553	28,058	29,875
Other long term liabilities	1,056	947	823	681	527
Total	27,244	27,018	26,376	28,739	30,401
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	24,951	24,857	24,364	26,752	28,479
Other long term liabilities	1,010	907	791	656	509
Total	25,961	25,765	25,155	27,408	28,988
<u>Maximum Principal Sums Invested over 364 Days</u>					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATORS

	Upper Limit %	Upper Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
<i>Maturity structure of fixed rate borrowing during 2021/22</i>		
Under 12 months	30%	0%
12 months and within 24 months	30%	2%
24 months and within 5 years	50%	15%
5 years and within 10 years	75%	3%
10 years and above	100%	80%

**APPENDIX D TO THE MINUTES OF THE AUTHORITY BUDGET MEETING HELD ON
19 FEBRUARY 2021**

MINIMUM REVENUE PROVISION STATEMENT 2021-22

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 2020 the total Voluntary Revenue Provision overpayments were £nil.