

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

21 February 2022

Present:

Councillors Randall-Johnson (Chair), Bown, Dr. Buchan, Chesterton, Coles, Corvid, Healey MBE, Long, Napper, Peart, Radford, Redman, Shayer and Thomas (Vice-Chair).

Apologies:

Councillors Best, Biederman, Brazil, Clayton, Drean, Hannaford, McGeough, Parker-Khan, Prowse, Roome and Scott.

**DSFRA/21/31     Retiring Members**

The Chair and Authority Members present paid tribute to Councillors Bown, Dr. Buchan and Corvid, for whom this would be the last Authority meeting, for their work in supporting the Authority since their appointments.

**DSFRA/21/32     Minutes**

**RESOLVED** that the Minutes of the meeting held on 10 November 2021 be signed as a correct record.

**DSFRA/21/33     Questions from Members of the Authority**

In accordance with Standing Order 15, Councillor Healey asked and received answers to questions relating to the proposed Community Risk Management Plan 2022-23 to 2026-27 and specifically on the provision of services from and response support to Cheddar fire station.

*(See also Minutes DSFRA/21/34(d) and DSFRA/35 below).*

**DSFRA/21/34     Minutes of Committees**

**a     Resources Committee**

(Councillors Radford and Shayer each declared a personal, non-pecuniary interest in the Resources Committee minutes relating to Red One Ltd. performance by virtue of their being Authority-appointed non-executive directors on the Board of the Company. Neither Councillor participated in any voting in relation to these items).

The Chair of the Committee, Councillor Peart, **MOVED** the Minutes of the meetings held on 30 November 2021 and 8 February 2022.

The meeting on 30 November 2021 had considered, amongst other things, reports on:

- Treasury Management Performance 2021-22: Quarter 2;
- Financial Performance 2021-22: Quarter 2;
- Green Performance Measures; and

- Red One Performance 2021-22: Quarter 2.

The meeting on 8 February 2022 had considered, amongst other things, reports on:

- 2022-23 Revenue Budget and Council Tax levels;
- Capital Strategy;
- Capital Programme 2022-23 to 2024-25;
- Treasury Management Strategy (including Prudential Indicators and Treasury Indicators) 2022-23;
- Treasury Management Performance 2021-22: Quarter 3;
- Financial Performance 2021-22: Quarter 3; and
- Red One Performance 2021-22: Quarter 3.

## **RESOLVED**

- (i). that the recommendations from the meeting held on 8 February 2022 and relating to:

- the Capital Strategy;
- the 2022-23 Revenue Budget and Council Tax levels;
- the Capital Programme 2022-23 to 2024-25; and
- the Treasury Management Strategy (including Prudential and Treasury Indicators) 2022-23 to 2024-25

be considered in conjunction with Minutes DSFRA/21/38 and DSFRA/21/39(a) to (c), inclusive and respectively, below; and

- (ii). that, subject to (i) above, the Minutes of the meetings held on 30 November 2021 and 8 February 2022 be adopted in accordance with Standing Orders.

***(See also Minutes DSFRA/21/38, DSFRA/31/39(a) to (c) and DSFRA/44 below)***

### **b Appointments & Disciplinary Committee**

The Chair of the Committee, Councillor Randall Johnson, **MOVED** the Minutes of the meeting held on 15 December 2021 which had considered, amongst other things, the appointment of a Deputy Chief Fire Officer and Assistant Chief Fire Officer (Designate).

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

### **c People Committee**

The Chair of the Committee, Councillor Bown, **MOVED** the Minutes of the meeting held on 27 January 2022 which had considered, amongst other things, reports on:

- Performance Monitoring 2021-22: Quarter 3;
- People Strategy Update; and
- Gender Pay Gap 2021.

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

**d Community Safety Committee**

The Chair of the Committee, Councillor Chesterton, **MOVED** the Minutes of the meeting held on 9 February 2022 which had considered, amongst other things, reports on:

- a proposed final Community Risk Management Plan 2022-23 to 2026-27;
- Performance against Strategic Policy Objectives 1 and 2: Quarter2, 2021-22;
- Fire engine availability;
- Home Fire Safety Visits; and
- the Committee Forward Plan 2022-23

**RESOLVED**

- (i). that the recommendation in relation to the Community Risk Management Plan 2022-23 to 2026-27 be considered in conjunction with Minute DSFRA/21/33 below; and
- (ii). that, subject to (i) above, the Minutes be adopted in accordance with Standing Orders.

***(See also Minutes DSFRA/21/33 above and DSFRA/21/35 below)***

**DSFRA/21/35 Community Risk Management Plan 2022-23 to 2026-27**

The Authority considered a report of the Chief Fire Officer (DSFRA/22/1) to which was appended a proposed final Community Risk Management Plan (the Plan) 2022-23 to 2026-27.

The Fire & Rescue National Framework for England required the Authority to have a Plan identifying foreseeable fire and rescue related risks faced by the communities it serves together with how it was proposed address these risks by prevention, protection and response activities.

Development of the Plan had been informed by engagement with key stakeholders, including communities served, fire and rescue service staff and the Authority. A draft Plan had been approved by the Authority for public consultation purposes at its meeting on 10 November 2021 (Minute DSFRA/21/28 refers). The consultation had commenced on 15 November 2021 and closed on 14 January 2022.

The outcome of the consultation was summarised in the report and had been reported in full to the meeting of the Community Safety Committee held on 9 February 2022, which had also considered a proposed final Plan (amended to reflect consultation feedback, where appropriate). The Committee had resolved to commend the proposed final Plan to the Authority for approval.

In debating this item, Members commented that the Plan should reflect the governance role of the Authority and refer to Service use of technical mapping data. Officers undertook to ensure that these were captured in the final published Plan.

**RESOLVED** that, subject to incorporation of those amendments as indicated above, the proposed final Community Risk Management Plan 2022-23 to 2026-27, as appended to report DSFRA/22/1, be approved.

***(See also Minutes DSFRA/21/33 and DSFRA/21/34(d) above)***

**DSFRA/21/36     Strategic Policy Objectives 2022-23**

The Authority considered a report of the Chief Fire Officer (DSFRA/22/2) to which were appended proposed Strategic Policy Objectives for the Service for 2022-23.

**RESOLVED** that the Strategic Policy Objectives 2022-23, as appended to report DSFRA/22/2, be approved.

**DSFRA/21/37     Medium Term Financial Plan**

The Authority considered a report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/10) to which was appended a Medium-Term Financial Plan on Authority funding, income and expenditure forecasts for the next five years, as required by the Fire & Rescue National Framework for England.

**RESOLVED** that the Medium-Term Financial Plan, as appended to report DSFRA/22/10, be endorsed.

***(See also Minutes DSFRA/21/39(a) to (c), inclusive, below)***

**DSFRA/21/38     Capital Strategy**

The Authority considered a report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/3) setting out a proposed capital strategy for the Authority, as required by the Chartered Institute of Public Finance and Accountancy Prudential Code.

The Strategy provided a high-level overview of how capital expenditure and the way it is financed 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 set out the governance processes for approval and monitoring of capital expenditure.

The Strategy was a key document for the Authority and formed part of the financial planning arrangements, reflecting the priorities of the Medium-Term Financial Plan.

The Resources Committee, at its budget meeting on 8 February 2022, had considered the strategy and resolved to commend it to the Authority for endorsement (Minute RC/21/19 refers).

**RESOLVED** that, as recommended by the Resources Committee budget meeting on 8 February 2022, the Capital Strategy as set out in report DSFRA/22/3 be approved.

***(See also Minutes DSFRA/21/34(a) above and DSFRA/21/39(a) to (c), inclusive, below)***

## **DSFRA/21/39    Revenue and Capital Budgets**

### **a    2022-23 Revenue Budget and Council Tax Levels**

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and the Chief Fire Officer (DSFRA/22/4) on the draft 2022-23 revenue budget and associated Council Tax levels.

Two options were presented, together with an accompanying budget book for each option:

- Option A: that the level of council tax in 2022-23 for a Band D property be set at £90.00, as outlined in Option A in this report, representing no increase over 2021-22 and representing a Net Revenue Budget Requirement for 2022-23 of £76.182m; or
- Option B: that the level of council tax in 2022-23 for a Band D property be set at £91.79, as outlined in Option B in this report, representing a 1.99% increase over 2021-22 and representing a Net Revenue Budget Requirement for 2022-23 of £77.289m be approved.

A one-year Local Government Finance Settlement had been announced on 17 December 2021. This indicated a Settlement Funding Assessment for the Authority of £22.551m for 2022-23, a 0.88% increase on the settlement for 2021-22 but representing a 23.33% decrease on the settlement for 2015-16. At the same time, the government had announced that the increase in council tax beyond which a local referendum would be required would be limited to 2% for 2022-23. The cost of such a referendum for this Authority was estimated to be in excess of £2.3m.

The Authority had also received a £0.445m share of the Rural Services Delivery Grant for 2022-23 together with £1.1m Section 31 grant funding to reduce the impact of the increase in social costs (National Insurance increases for employers). These sums were included as income in the proposed revenue budget.

A Net Budget Requirement of £77.289m had been identified. This included support for Service reform by increasing the total investment for the Pay for Availability system to £2.774m. Additionally, the Net Budget Requirement reflected:

- savings of £0.641m identified from scrutiny of non-operational budgets during the budget setting exercise and cashable savings from the Safer Together programme; and
- a reduction of £0.5m in the revenue contribution to capital.

Option B would enable the Net Budget Requirement to be met without a requirement to use reserves. Should budget option A be selected, however, then the Net Spending Requirement would exceed available funding by £1.106m. This shortfall could be met by a transfer from the budget smoothing reserve, but would exhaust fully that reserve.

The Medium-Term Financial Plan identified a requirement for further budget savings in 2023-24 of £5.7m (Option A - Council Tax freeze) or £3.4m (Option B - 1.99% Council Tax increase), rising to £12.4m (Option A) or £10.1m

(Option B) in 2025-26. A strategic approach to delivering required savings was being developed.

As required by Section 65 of the Local Government Finance Act 1992, non-domestic ratepayers had been consulted on proposals for expenditure. Members of the public had also been consulted. The consultation results indicated that:

- 68% of businesses agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, with 10% disagreeing, giving a net agreement of +58%;
- 70% of residents agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, with 8% disagreeing, giving a net agreement of +62%;

Of those agreeing that a Council Tax increase would be reasonable, 45% of businesses and 47% of residents indicated that they would support an increase of 1.99% or above.

Additionally, the consultation results indicated that:

- 64% of businesses and 66% of residents considered the Service provided good value for money; and
- 80% of businesses and 81% of residents were either very or fairly satisfied with the service provided.

Appended to the report was a statement on the robustness of the budget estimates and the adequacy of the levels of reserves and balances, as required by Section 25 of the Local Government Act 2003.

At its budget meeting on 8 February 2022, the Resources Committee had considered the contents of the report and resolved, amongst other things, to recommend that the Authority approve a level of Council Tax in 2022-23 for a Band D property of £91.79, representing a 1.99% increase over 2021-22, to secure the Net Budget Requirement of £77.289m (Minute RC/21/18 refers).

In debating this item, Members raised the issue of support for people experiencing financial difficulties. Officers undertook to explore the possibility of the Service “signposting” sources of financial support/assistance, as required, when undertaking other Service activities (e.g. home fire safety visits).

Following the debate, Councillor Dr. Buchan **MOVED**, with Councillor Corvid seconding:

“that the Authority approve budget Option A i.e. a freeze on Council Tax at the 2021-22 level (£90.00 for a Band D property) with an associated Net Revenue Budget Requirement of £76.182m”

This Motion was put to the vote and declared **LOST**, with three votes in support of the Motion but ten against.

Councillor Peart then **MOVED**, with Councillor Chesterton seconding:

“that the recommendations in report DSFRA/22/4 be approved (i.e. approving the recommendation of the Resources Committee budget

meeting for budget Option B, a level of Council Tax for 2022-23 of £91.79 for a Band D property (representing a 1.99% increase over 2021-22) and an associated net revenue budget of £77.289m”

This Motion was put to the vote and declared **CARRIED** by eleven votes in support of the Motion, with three abstentions, whereupon it was

## RESOLVED

- (i). that, as recommended by the Resources Committee at its budget meeting on 8 February 2022, the level of Council Tax in 2022-23 for a Band D property be set at £91.79, representing a 1.99% increase over 2021-22, and that accordingly, a Net Revenue Budget Requirement for 2022-23 of £77,288,900 be approved;
- (ii). that, as a consequence of (i) above:
  - (A). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £56,708,737 (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) 2021-22 £	Precepts Due 2022-23 £	Total due 2022-23 £
East Devon	60,805.00	41,362	5,581,291	5,622,653
Exeter	37,666.00	5,694	3,457,362	3,463,056
Mendip	41,544.11	140,196	3,813,334	3,953,530
Mid Devon	29,811.41	127,032	2,736,389	2,863,421
North Devon	34,762.04	(18,469)	3,190,808	3,172,339
Plymouth City	73,830.00	(53,843)	6,776,856	6,723,013
Sedgemoor	42,016.14	110,419	3,856,661	3,967,080
Somerset West And Taunton	56,628.91	(32,227)	5,197,968	5,165,741
South Hams	39,139.70	65,000	3,592,633	3,657,633
South Somerset	60,643.62	88,700	5,566,478	5,655,178
Teignbridge	49,633.00	(18,158)	4,555,813	4,537,655
Torbay	46,194.82	(10,254)	4,240,222	4,229,968
Torridge	24,447.03	49,641	2,243,993	2,293,634
West Devon	20,687.75	42,000	1,898,928	1,940,928
<b>TOTALS</b>	<b>617,809.53</b>	<b>537,093</b>	<b>56,708,736</b>	<b>57,245,829</b>

(B). the council tax for each of the property bands A to H associated with the total precept of £56,708,737 (Option B), as detailed on page 3 of the respective budget booklet and reproduced in the following table, be approved:

Valuation Band	Ratio	Gov. Multiplier %	Council Tax £ p
A	6/9	0.667	61.19
B	7/9	0.778	71.39
C	8/9	0.889	81.59
<b>D</b>	<b>1</b>	<b>1.000</b>	<b>91.79</b>
E	11/9	1.222	112.19
F	13/9	1.444	132.59
G	15/9	1.667	152.98
H	18/9	2.000	183.58

(iii). that the Treasurer's Statement on the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances, as set out in Appendix B to report DSFRA/22/4 and attached as Appendix A to these Minutes, be endorsed.

**(See also Minutes DSFRA/21/34(a) and DSFRA/21/37 above)**

**b Capital Programme 2022-23 to 2024-25**

The Authority considered a report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/5) on the proposed Authority Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators.

While the proposed programme and funding would increase the external borrowing requirement from the current level of £24.8m to £26.6m by 2024-25, the debt ratio of financing costs to the net revenue scheme, a key Prudential Indicator, would remain below the 5% maximum limit previously approved by the Authority throughout the period of the programme.

The report identified proposed expenditure on both estate and fleet capital projects over the period of the programme, with indicative expenditure (and associated Prudential Indicators) for a further two years (2025-26 and 2025-27).

There remained considerable difficulties in meeting the full capital expenditure needs for the Service and in maintaining the 5% debt ratio limit. The proposed capital programme had been constructed on the basis that revenue budget contribution to capital would be maintained in future years. Unless capital assets were further rationalised, however, there would be a need for external borrowing in 2024-25. Decisions on further spending would be subject to annual review based on the financial position of the Authority.

At its budget meeting on 8 February 2022, the Resources Committee had considered the contents of this report and resolved to recommend that the Authority approve the proposed Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators (Minute RC/21/20 refers).



## RESOLVED

- (i). that, as recommended by the Resources Committee (budget) meeting on 8 February 2022, the Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators as detailed in report DSFRA/22/5 and summarised in Appendices B and C respectively to these Minutes be approved; and
- (ii). that, subject to (a) above, the forecast impact on the 5% debt ratio Prudential Indicator of the proposed Capital Programme from 2025-26 onwards, as indicated in the report, be noted.

***(See also Minutes DSFRA/21/34(a) and DSFRA/21/38 above and DSFRA/21/39(c) below).***

### **c Treasury Management Strategy (Including Prudential and Treasury Indicators) 2022-23 to 2024-25**

The Authority considered a report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/6) detailing:

- the proposed Treasury Management Strategy (including Prudential Indicators) and investment strategy for 2022-23;
- Prudential Indicators associated with the proposed Capital Programme 2022-23 to 2024-25;
- a Minimum Revenue Provision Statement 2022-23; and
- certification that none of the Authority's spending plans would include the acquisition of assets primarily for yield.

The proposed Strategy had been prepared in accordance with the requirements of the Local Government Act 2003 and the Treasury Management Code of Practice produced by the Chartered Institute of Public Finance and Accountancy.

At its budget meeting on 8 February 2022, the Resources Committee had considered the contents of this report and resolved to recommend that the Authority approve the Treasury Management Strategy and Annual Investment Strategy 2022-23 and the Minimum Revenue Provision Statement 2022-23 (Minute RC/21/21 refers).

In debating this report, Members enquired about ethical considerations for Authority investments. The Treasurer responded that investment advice was currently provided by Link Treasury Solutions and that a report on ethical considerations could be submitted to a future meeting of the Resources Committee.

## RESOLVED

- (i). that, as recommended by the Resources Committee (budget) meeting on 8 February 2022:
  - (A). the Treasury Management Strategy and Annual Investment Strategy 2022-23 as set out in report DSFRA/22/6 be approved;

(B). the Prudential Indicators and Treasury Management Indicators as appended to the report and attached as Appendix C to these Minutes be approved; and

(C). the Minimum Revenue Provision Statement 2022-23 as appended to the report and attached as Appendix D to these Minutes be approved;

(ii). that, in approving the Treasury Management Strategy and Annual Investment Strategy 2022-23, continuance of the expansion of counter parties, to include subsidiary entities (subject to terms and conditions of any such arrangement being reserved to the Authority), as previously approved by the Authority at its budget meeting on 19 February 2021(Minute DSFRA/72(c)(i) refers), be noted.

***(See also Minutes DSFRA/21/34(a) and DSFRA/21/39(b) above).***

**DSFRA/21/40     Appointment of External Auditors**

The Authority considered a report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/7) on the appointment of external auditors for the Authority in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Local Authority (Appointing Persons) Regulations 2015.

The report identified the following three options for the Authority, together with the benefits and disadvantages of each option:

- direct appointment, taking account of advice from the Authority's own auditor panel (which it would need to establish);
- direct appointment, taking advice of a joint auditor panel established with another relevant authority; or
- opt-in to "appointing person" arrangements for the appointment of an external auditor.

The Authority had resolved to opt-in to Public Sector Audit Appointments for the previous compulsory appointing period 2018-19 to 2022-23 and this was recommended as the preferred option for the forthcoming compulsory appointing period 2023-24 to 2027-28.

**RESOLVED** that the Authority opts-in to the sector-led Public Sector Audit Appointments (PSAA) arrangements for the appointment of external auditors for the financial years 2023-24 to 2027-28 inclusive.

**DSFRA/21/41     Process for Appointment of Authority Member Non-Executive Directors to the Board of Red One Ltd.**

(Councillors Radford and Shayer each declared a personal, non-pecuniary interest in this matter by virtue of their being Authority-appointed non-executive directors on the Board of the Company and took no part in the voting thereon).

In accordance with Standing Order 21, Councillor Dr. Buchan had asked that the Authority consider whether the process for appointing Authority-Member non-executive directors to the Board of Red One Ltd. (the Company) represented good governance practice and value for money.

The agenda item requested by Councillor Dr. Buchan was accompanied by a report of the Director of Governance & Digital Services (DSFRA/22/8) providing officer comments to specific questions raised by Councillor Dr. Buchan and setting out legislative and constitutional considerations.

Following a discussion on this item, Councillor Dr. Buchan **MOVED**, with Councillor Thomas seconding:

“that, for future Authority-Member non-executive director appointments to the Board of Red One Ltd., the Clerk be authorised to engage an external consultancy to assess the suitability of applicants for the role and advise the Authority accordingly.”

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

**RESOLVED** that, for future Authority-Member non-executive director appointments to the Board of Red One Ltd., the Clerk be authorised to engage an external consultancy to assess the suitability of applicants for the role and advise the Authority accordingly.

#### **DSFRA/21/42     Localism Act 2011 - Pay Policy Statement 2022-23**

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/22/9) to which was attached the proposed Pay Policy Statement to operate for the Authority for the forthcoming (2022-23) 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 2022-23 had been updated to reflect current pay levels of senior officers but other than that was unchanged from the previous year. It was also noted, however, that the 2021-22 pay award for professional, technical and support (“Green Book”) staff was still to be finalised and that acceptance of the employers offer for a 1.75% increase could result in a change in ratio between Chief Fire Officer and the lowest paid employee from 8.6 to 1 to 8.4 to 1.

#### **RESOLVED**

- (a). that the Pay Policy Statement for the 2022-23 financial year, as appended to report DSFRA/22/9, be approved and published on the Authority's website; and
- (b). that the Clerk be authorised to make any consequential amendments to the Statement as may be necessitated by the final 2021-22 pay award for “Green Book” staff and to publish a revised Statement, as necessary, on the Authority's website.

**DSFRA/21/43      Exclusion of the Press and Public**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

**DSFRA/21/44      Resources Committee (Budget Meeting) 8 February 2022 Restricted Minutes**

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

(Councillors Radford and Shayer each declared a personal, non-pecuniary interest in the Resources Committee minutes relating to Red One Ltd. performance by virtue of their being Authority-appointed non-executive directors on the Board of the Company. Neither Councillor participated in any voting in relation to these items).

The Chair of the Committee, Councillor Peart, **MOVED** the Restricted Minutes of the budget meeting of the Resources Committee held on 8 February 2022. The Restricted Minutes address Red One Ltd. financial performance reporting for the third quarter of the current (2021-22) financial year.

**RESOLVED** that the Minutes be adopted in accordance with Standing Orders.  
**(See also Minute DSFRA/21/34(a) above).**

**APPENDIX A TO THE MINUTES OF THE DEVON & SOMERSET FIRE &  
RESCUE AUTHORITY BUDGET MEETING HELD ON 21 FEBRUARY  
2022**

**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 2022-23 BUDGET**

The net revenue budget requirement for 2022-23 has been assessed as £77.151 (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 2022-23 to 2026-27. 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 2022-23 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO CHANGE**

Budget Head	Budget Provision 2022-23 £m	RISK AND IMPACT	MITIGATION
Service Delivery staff costs	56.1	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.	The payment for availability reserve will support those stations which transition to the new pay model in year, funding decisions for this model will need to be considered for future years.
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 reducing year-on-year 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. However, the recent increase in the bank base rate has seen some recovery in the investment returns on offer. 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	(1.5)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £1.5m 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	7.0	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.
Revenue Contribution to Capital	1.2	This amount has been reduced considerably when compared to 2020/21 due to affordability. £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, £17.5m Capital Reserve

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

Total Reserve balances for the Authority as at April 2021 was £45.7m made up of Earmarked Reserves (committed) of £40.4m, 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 7.1% 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.](#)

## **CONCLUSION**

It is considered that the budget proposed for 2022-23 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.

**SHAYNE SCOTT**

**Director of Finance, People & Estates (Treasurer)**

**APPENDIX B TO THE MINUTES OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY BUDGET MEETING HELD ON 21 FEBRUARY 2022**

Capital Programme 2022/23 to 2026/27									
2021/22 £000 Budget	2021/22 £000 Forecast Outturn	Item	PROJECT	2022/23 £000 Budget	2023/24 £000 Budget	2024/25 £000 Budget	2025/26 £000 Indicative Budget	2026/27 £000 Indicative Budget	
			<b>Estate Development</b>						
2,207	2,289	1	Site re/new build	0	0	0	0	0	
5,762	1,366	2	Improvements & structural maintenance	3,923	7,300	900	3,700	3,700	
<b>7,969</b>	<b>3,655</b>		<b>Estates Sub Total</b>	<b>3,923</b>	<b>7,300</b>	<b>900</b>	<b>3,700</b>	<b>3,700</b>	
			<b>Fleet &amp; Equipment</b>						
6,403	5,923	3	Appliance replacement	3,861	4,500	2,400	1,600	2,700	
480	90	4	Specialist Operational Vehicles	820	6,000	2,200	200	0	
409	159	5	ICT Department	250	0	0	0	0	
32	0	6	Water Rescue Boats	0	0	0	0	0	
<b>7,324</b>	<b>6,172</b>		<b>Fleet &amp; Equipment Sub Total</b>	<b>4,931</b>	<b>10,500</b>	<b>4,600</b>	<b>1,800</b>	<b>2,700</b>	
<b>(2,600)</b>	<b>0</b>	7	<b>Optimism bias Sub Total</b>	<b>(1,800)</b>	<b>(1,800)</b>	<b>2,500</b>	<b>1,100</b>	<b>0</b>	
<b>12,693</b>	<b>9,827</b>		<b>Overall Capital Totals</b>	<b>7,054</b>	<b>16,000</b>	<b>8,000</b>	<b>6,600</b>	<b>6,400</b>	
			<b>Programme funding</b>						
8,632	5,766	8	Earmarked Reserves:	4,189	12,417	998	0	0	
2,037	2,037	9	Revenue funds:	1,200	2,300	2,300	2,300	2,300	
0	0	10	Capital receipts:	300	0	0	0	0	
2,024	2,024	11	Borrowing - internal	1,365	1,283	1,370	2,031	1,330	
		12	Borrowing - external	0	0	3,332	2,269	2,770	
<b>12,693</b>	<b>9,827</b>		<b>Total Funding</b>	<b>7,054</b>	<b>16,000</b>	<b>8,000</b>	<b>6,600</b>	<b>6,400</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



# APPENDIX C TO THE MINUTES OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY BUDGET MEETING HELD ON 21 FEBRUARY 2022

<b>PRUDENTIAL INDICATORS</b>					
	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	<b>INDICATIVE INDICATORS</b>	
				2025/26 £m Estimate	2026/27 £m Estimate
<b>Capital Expenditure</b>					
Non - HRA	7.054	16.000	8.000	6.600	6.400
HRA (applies only to housing authorities)					
Total	7.054	16.000	8.000	6.600	6.400
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	4.19%	3.49%	3.54%	3.83%	3.58%
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	24,264	23,771	26,645	28,820	30,997
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	1,686	1,308	1,007	661	381
Total	25,950	25,078	27,652	29,481	31,377
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000
Non - HRA	285	(872)	2,573	1,829	1,896
HRA (applies only to housing authorities)	0	0	0	0	0
Total	285	(872)	2,573	1,829	1,896
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000
Borrowing	26,071	25,553	28,535	30,455	33,240
Other long term liabilities	1,774	2,251	1,858	1,540	1,180
Total	27,844	27,804	30,393	31,995	34,420
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000
Borrowing	24,857	24,364	27,203	29,014	31,690
Other long term liabilities	1,689	2,186	1,808	1,507	1,161
Total	26,547	26,550	29,011	30,521	32,851
<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 2022/23		
Under 12 months	30%	2%
12 months and within 24 months	30%	4%
24 months and within 5 years	50%	14%
5 years and within 10 years	75%	1%
10 years and above	100%	80%

**APPENDIX D TO THE MINUTES OF THE DEVON & SOMERSET FIRE &  
RESCUE AUTHORITY BUDGET MEETING HELD ON 21 FEBRUARY  
2022**

**MINIMUM REVENUE STATEMENT 2022-23**

***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 or 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 31 March 2020 the total Voluntary Revenue Provision overpayments were £nil.