DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

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

(see below)

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

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

Date : 10 February 2022
Please ask for : Steve Yates
Email : syates@dsfire.gov.uk

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DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Budget Meeting)

Friday, 18 February, 2022

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

M. Pearson
Clerk to the Authority

A G E N D A

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

1 **Apologies**

2 **Minutes (Pages 1 - 4)**

of the previous meeting held on 10 November 2021 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 is responsible, or which affect the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority (e-mail address: clerk@dsfire.gov.uk) **by midday on Tuesday, 15 February 2022.**

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 Resources Committee (Pages 5 - 18)

The Chair of the Committee, Councillor Peart, to **MOVE** the Minutes of the meeting held on 30 November 2021 and the budget meeting held on 8 February 2022 (both attached).

RECOMMENDATIONS

(i).that any recommendations in relation 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 items 10 and 11(a) to (c) inclusive, respectively, below; and

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

b Appointments & Disciplinary Committee (Pages 19 - 20)

The Chair of the Committee, Councillor Randall Johnson, to **MOVE** the Minutes of the meeting held on 15 December 2021 (attached).

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

c **People Committee** (Pages 21 - 24)

The Chair of the Committee, Councillor Bown, to **MOVE** the Minutes of the meeting held on 27 January 2022 (attached).

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

d **Community Safety Committee**

The Chair of the Committee, Councillor Chesterton, to **MOVE** the Minutes of the meeting held on 9 February 2022 (***to follow***).

RECOMMENDATIONS

(a). that any recommendation in relation to the Community Risk Management Plan 2022-23 to 2026-27 be considered in conjunction with agenda item 8 below; and

(b). that, subject to (a) above, the Minutes be adopted in accordance with Standing Orders.

8 Community Risk Management Plan 2022-23 to 2026-27 (Pages 25 - 88)

Report of the Chief Fire Officer (DSFRA/22/1) attached.

9 Strategic Policy Objectives 2022-23 (Pages 89 - 92)

Report of the Chief Fire Officer (DSFRA/22/2) attached.

10 Capital Strategy (Pages 93 - 102)

Report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/3) attached.

11 REVENUE AND CAPITAL BUDGETS

a **2022-23 Revenue Budget and Council Tax Levels** (Pages 103 - 118)

Report of the Director of Finance, People & Estates (Treasurer) and the Chief Fire Officer (DSFRA/22/4) attached.

b **Capital Programme 2022-23 to 2024-25** (Pages 119 - 128)

Report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/5) attached.

c **Treasury Management Strategy (Including Prudential and Treasury Indicators) 2022-23 to 2024-25** (Pages 129 - 158)

Report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/6) attached.

12 Appointment of External Auditors (Pages 159 - 168)

Report of the Director of Finance, People & Estates (Treasurer) (DSFRA/22/7) attached.

13 Process for Appointment of Authority Member Non-Executive Directors to the Board of Red One Ltd. (Pages 169 - 172)

In accordance with Standing Order 21, Councillor Dr. Buchan has asked the Authority to consider this matter.

Report of the Director of Governance & Digital Services (DSFRA/22/8) attached.

14 Localism Act 2011 - Pay Policy Statement 2022-23 (Pages 173 - 188)

Report of the Director of Governance & Digital Services (DSFRA/22/9) 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 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.

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

16 Resources Committee (Budget Meeting) 8 February 2022 Restricted Minutes

The Chair of the Committee, Councillor Peart, to **MOVE** the Restricted Minutes of the meeting held on 8 February 2022 (***to follow***).

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

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Best, Biederman, Bown, Brazil, Dr. Buchan, Chesterton, Clayton, Coles, Corvid, Drean, Hannaford, Healey MBE, Long, McGeough, Napper, Parker-Khan, Peart, Prowse, Radford, Randall Johnson (Chair), Redman, Roome, Scott, Shayer and Thomas (Vice-Chair)

NOTES	
1.	**<u>Access to Information</u>** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.
2.	**<u>Reporting of Meetings</u>** Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	**<u>Declarations of Interests at meetings (Authority Members only)</u>** If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.

	NOTES (Continued)
4.	**<u>Part 2 Reports</u>** Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.
5.	**<u>Substitute Members (Committee Meetings only)</u>** Members are reminded that, in accordance with Standing Orders, 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.
6.	**<u>Other Attendance at Committees)</u>** Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

10 November 2021

Present:

Councillors Randall Johnson (Chair), Best, Biederman, Chesterton, Clayton, Coles, Corvid, Drean, Healey MBE, Long, McGeough, Napper, Parker-Khan, Peart, Prowse, Radford, Scott, Shayer and Thomas (Vice-Chair).

Apologies:

Councillors Bown, Brazil, Dr. Buchan, Hannaford, Redman, Roome and Vijeh.

DSFRA/21/25 **Minutes**

RESOLVED that the Minutes of the meeting held on 29 September 2021 be signed as a correct record.

DSFRA/21/26 **Questions from Authority Members**

In accordance with Standing Order 15, Councillor Hannaford had submitted a series of questions on firefighter safety and protection from contaminants when undertaking operational activities.

The questions together with written responses were circulated at the meeting.

DSFRA/21/27 **Minutes of Committees**

a People Committee

In the absence of the Committee Chair, the Committee Vice-Chair, Councillor Clayton, **MOVED** the Minutes of the meeting held on 14 October 2021 which had considered, amongst other things:

- an update on the Service People Strategy;
- a report on progress against Authority-approved strategic priorities relevant to this Committee; and
- a request for retirement and re-employment.

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

b Audit & Governance Committee

The Chair of the Committee, Councillor Healey MBE, **MOVED** the Minutes of the meeting held on 28 October 2021 which had considered, amongst other things:

- a report on progress against the approved Internal Audit Plan 2021-22;
- a quarterly report on the Service Corporate Risk Register;
- the Authority's financial statements for the year ended 31 March 2021 (including the external auditor's audit findings and Letter of Representation).

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

c **Community Safety Committee**

The Chair of the Committee, Councillor Chesterton, **MOVED** the Minutes of the meeting held on 2 November 2021 which had considered, amongst other things:

- Service performance during the first quarter of 2021-22 against key performance indicators associated with Authority-approved strategic priorities relevant to this Committee;
- an overview of the Service collaboration activity;
- a report on Service progress in addressing outcomes from the Grenfell Tower fire inquiry; and
- the draft Community Risk Management Plan 2022-27.

RESOLVED

(i). that the recommendation at Minute CSC/21/9 (Draft Community Risk Management Plan 2022-27) be considered in conjunction with item DSFRA/21/27 below; and

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

(See also Minute DSFRA/21/28 below)

DSFRA/21/28 **Draft Community Risk Management Plan 2022-27**

The Authority considered a report of the Chief Fire Officer (DSFRA/21/25) to which was appended a draft Community Risk Management Plan 2022-27 (“the draft Plan”). The Fire and Rescue Service National Framework required every fire and rescue authority to have in place a plan identifying foreseeable risks to communities served and measures to mitigate or address these risks in terms of prevention, protection and response activities.

The appended plan had been revised to incorporate the majority of amendments proposed by the Community Safety Committee at its meeting held on 2 November 2022.

The Authority also considered a supplementary report of the Chief Fire Officer (DSFRA/21/28) to which was appended a document setting out prior achievements in relation to the Integrated Risk Management Plan 2018-22 and actions against improvements required by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services following its inspection of the Service in 2019. It was proposed that this document be incorporated into the “Looking Back” section of the draft Plan.

The draft Plan had been subject to extensive engagement with the Authority and pre-consultation with the public and key stakeholders to inform its content. The draft Plan was supported by a Strategic Risk Analysis and Equality Impact Assessment, which should be read alongside the draft Plan and which were also appended to the report.

Once approved by the Authority, the draft Plan would be subject to a formal public consultation period the result of which would be reported to a future meeting to inform the decision on adoption of a final Plan.

The debate on this matter included consideration of:

- the potential for the Service to provide greater support to businesses in the development of fire safety plans, bearing in mind the enforcement role of the Authority;
- the role of other partner agencies and organisations in supporting areas such as flood prevention and targeted fire safety activities; and
- the detrimental impact on Service resources of false alarms from automatic fire alarm systems.

In relation to public consultation on the draft Plan, Members commented that there could be benefit in producing a short video promoting the Plan and its contents and a summary document, with hyperlinks to the content in the main draft Plan, to secure greater engagement.

RESOLVED that, subject to incorporation of the content of the additional document appended to report DSFRA/21/28 into the "Looking Back" section, the draft Community Risk Management Plan 2022-27 be approved for public consultation purposes.

(See also Minute DSFRA/21/27(c) above)

DSFRA/21/29 **Firefighters Pensions Schemes - Immediate Detriment Framework**

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/21/26) on the publication by the Local Government Association (LGA) of an Immediate Detriment Framework ("the Framework") to assist fire and rescue authorities in addressing, at the earliest opportunity, age discriminatory aspects relating to the Firefighters Pension Scheme 2015. The Framework was based on an understanding of the remedy provisions as contained in the Public Service Pensions and Judicial Offices Bill and was the subject of a Memorandum of Understanding between the LGA and the Fire Brigades Union aimed at mitigating the potential for further litigation in this area.

This Authority had previously agreed steps to address immediate detriment cases for staff approaching retirement (Minute DSFRA/82 of the extraordinary meeting held on 20 April 2021 refers), based on legal advice obtained and Home Office guidance at the time. The Framework, however, would also apply to individuals who had already retired (subject to those individuals being "in-scope", as defined in the Framework).

While the LGA was encouraging all fire and rescue authorities to adopt the Framework, the report identified a number of areas (notably the costs of making unauthorised pension payments; capacity to process immediate detriment cases within the Framework timeframes; and legal powers of the Authority to revisit commutation decisions made at the time of retirement) where further assurance was currently being sought.

Additionally, the Director of Governance & Digital Services reported that Her Majesty's Revenue and Customs had advised that taxation legislation would need to be revised to facilitate certain aspects of the remedy provisions and that, pending this revision, any adjustments to lump sum payments made could result in significant additional charges to Authority. Consequently, it might be reasonable for the Authority to adopt the Framework in part (i.e. for individuals approaching retirement) rather than in full.

RESOLVED that, subject to satisfactory resolution of those issues as identified in report DSFRA/21/26 and as indicated above, the Chief Fire Officer be authorised to adopt the Immediate Detriment Framework on behalf of the Authority to process immediate detriment cases pending enactment of the remedy legislation.

DSFRA/21/30 **Confirmation of Members' Allowances Scheme 2022-23**

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/21/27) on the proposed Scheme of Members' Allowances for the 2022-23 financial year.

RESOLVED

(a). that the Scheme of Allowances to operate for the 2022-23 financial year, as set out in report DSFRA/21/27, be approved; and

(b). that the Clerk to the Authority be authorised to publicise details of the Scheme in one or more local newspapers circulating in the area served by the Authority.

The Meeting started at 10.00 am and finished at 11.30 am

RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

30 November 2021

Present:

Councillors Coles, Drean (Vice-Chair), Long, Peart (Chair), Randall Johnson (vice Chesterton) and Thomas.

Apologies:

Councillors Chesterton and McGeough.

* **RC/21/10** **Minutes**

RESOLVED that the Minutes of the meeting held on 9 September 2021 be signed as a correct record.

* **RC/21/11** **Treasury Management Performance 2021-22: Quarter 2**

NB. Adam Burleton, 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 (Treasurer) (RC/21/15) that set out the Authority's performance relating to the second quarter of 2021-22 (to September 2021) 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:

- The UK bank base rate remained at 0.10% with quantitative easing in place although the Bank of England (the Bank) was looking to tighten monetary policy in light of recent wage rises, energy cost increases and supplies issues which had caused inflation to rise (currently 4.2%). It was forecast that inflation was likely to reach 5% before returning to the Bank's target of 2% in 2023/24;
- The interest rate was unlikely to rise imminently as had been forecast as there was uncertainty in the market due to the onset of the new Omicron variant of Covid albeit that it was expected still to rise in the next two years;
- The annual treasury management strategy had continued on a prudent approach, underpinned by investment priorities based on security of capital, liquidity and yield;

- Investment income of £0.023m in quarter 2 outperformed the LIBID benchmark rate of -0.05% by 0.20bp. It was forecast, however, that the Authority would underperform on the target set for year-end of £0.100m by £0.015m; and
- None of the Prudential Indicators (affordability limits) had been breached in quarter 2 with external borrowing at 30 September 2021 being £24.804m, forecast to reduce to £24.757m by the end of the financial year with no new borrowing undertaken.

Reference was made to the point that the Authority needed to ensure that it was tightening its budget management and treasury management policy in light of the impact of rising costs and associated inflationary pressures. The Director of Finance & Resourcing (Treasurer) advised the Committee that the Service was already experiencing the effects of the rising costs of timber and energy coupled with the planned rise in National Insurance due in 2022 so he was acutely aware of the need for tight management of the budget. The Treasurer stated that he would be looking to repay existing loans as soon as it was prudent to do so.

Whilst the Authority was responsible for approving the strategic policy on Treasury Management, the Treasurer would also be taking a steer from this Committee on a potential move to a policy of including more socially responsible investments following an internal review of treasury management which was being undertaken currently.

*** RC/21/12** **<u>Financial Performance Report 2021-22: Quarter 2</u>**

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/21/16) that set out details of the second quarter performance (to September 2021) against the agreed financial targets for 2021-22.

The Director of Finance & Resourcing (Treasurer) advised the Committee that, at this point in the financial year, it was projected that spending would be £0.514m under budget of £78.222m, representing an underspend of 0.69% of total budget. He indicated that he had commissioned a full review to be undertaken in preparation for the budget in 2022-23 which had been completed and taken account of in the figures presented in this report to the Committee.

It was noted that the main variances in budget were set out at page 22 of the report circulated but notably, they were due to a forecast underspend on service delivery staff costs (£0.211m), an underspend on training investments costs (£0.163m) although both timber and energy costs had increased resulting in an overspend in both of these areas.

In terms of the capital programme, this was due to underspend by £4.9m in 2021-22 as a result largely of delays in delivery of the refurbishment/rebuild of the station at Camelshead. This was linked to the requirement for an in depth, structural report that had been commissioned to identify the potential lifetime left on the building which would subsequently facilitate a decision on whether it was viable to refurbish the building or to go for a rebuild.

Reference was made to an amendment required in the figure for other income set out on line 31 of table 2 on page 21 of the report circulated (-£412k). The Director of Finance & Resourcing (Treasurer) advised that he would look into this and report back on the accuracy of the figures presented.

The Committee also sought an explanation on the costs of utilising agency staff when there were internal vacancies held to which staff could be employed directly. The Director of Finance & Resourcing (Treasurer) advised that this was due to the need to source experienced staff to undertake development work in the Information and Technology department on the Change & Improvement Programme. Current market conditions had meant that the staff with the requisite skills were only available at premium rates due to current market conditions. These costs were accounted for within an earmarked reserve in the Capital Programme and thus did not feature in the revenue budget directly. Concern was expressed that the Service was undertaking bespoke development work in house when there may be off the shelf solutions available at less cost. The Chief Fire Officer stated that there were instances where a bespoke solution would be required but that current strategy was to develop the capability for in house expertise whilst looking to purchase off the shelf wherever possible. He undertook to cover the solutions already utilised by the Service, such as the performance dashboards and how they were utilised within the Service, at a future Members' Forum.

The Committee expressed the view that such costs were not evident within the Capital Programme. The Director of Finance & Resourcing (Treasurer) replied that he would provide a more detailed breakdown of the information contained within the Capital Programme in future reports to the Committee.

*** RC/21/13 Green Performance Measures**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) that set out details of the environmental data that had been collected to date to provide measures against which the Service's performance on delivery of its Green Strategy could be measured. The report also provided an update of performance based on a Red Amber Green Blue rating (RAGB) against the Action Plan agreed by the previous Audit & Performance Review Committee.

The Director of Finance & Resourcing (Treasurer) mad reference to an Environmental Review that had been undertaken on behalf of the Service recently by an external consultant. He indicated that he would be bringing a set of revised performance measures to this Committee for consideration once the report on the Environmental Review had been worked through and digested.

The Committee expressed the view that the Service could improve the way in which it sold the environmental impact of its activities and Strategy to the public. The Chief Fire Officer replied that the assistance of the Communications Team could be sought to improve the way in which this information was imparted to the public.

RESOLVED

(a). That the environmental measures set out at Appendix A of report RC/21/17 be endorsed; and

(b). Subject to (a). above, the report be noted.

*** RC/21/14 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 the Officers of Red One Ltd. and Councillors Radford and Shayer [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) be excluded from the meeting for the following item of business on the grounds that they involved the likely disclosure of exempt information as defined in 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.

*** RC/21/15 Restricted Minutes of the meeting held on 9 September 2021**

(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 Officers of Red One Ltd.) were excluded from the meeting).

RESOLVED that the Restricted Minutes of the meeting held on 9 September 2021 be signed as a correct record.

*** RC/21/16 Red One Performance 2021-22: 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 Officers of Red One Ltd.) were excluded from the meeting).

The Committee considered a report of the Officers of Red One Ltd. (RC/21/18) on the financial performance of Red One Ltd. in quarter 2 of 2021-22.

Following a discussion on this matter and consideration of information presented verbally to the Committee, Councillor Thomas **MOVED** (seconded by Councillor Drean:

> “The addition of a part (b). to the recommendation to the effect that a full report on the matter discussed at the meeting be submitted to the Committee in quarter 3”.

Upon a vote, this motion was **CARRIED** unanimously, whereupon it was:

RESOLVED

(a). That the recommendation set out at report RC/21/18(a) be approved;

(b). That a full report on the matter discussed at the meeting be submitted to the Committee in quarter 3; and (c). Subject to (a). and (b). above;

(i) That the financial performance of Red One Ltd. for the quarter ended September 2021 be noted;

(i) That the year to date performance against agreed budget for 2021-22 be noted.

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

The meeting started at 2.00 pm and finished at 4.50 pm

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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

8 February 2022

Present:

Councillors Coles, Long, Peart (Chair), Thomas and Randall Johnson (vice Drean)

Apologies:

Councillors Chesterton and McGeough

* **RC/22/1** **Minutes**

RESOLVED that the public minutes of the meeting held on 30 November 2021 be signed as a correct record.

RC/22/2 **2022-23 Revenue Budget and Council Tax Level**

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and the Chief Fire Officer (RC/22/1) 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 £75,995,900; 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 £77,151,300 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.

The Treasurer gave an update at the meeting on the Net Budget Requirement given that the Authority had now received the final returns on the National Non-Domestic Rates (NNDR) and details of the share of the Council Tax Collection Funds from billing authorities. This had resulted in a change to the Net Budget Requirement set out above of £76.182m for Option A; and, £77.289m for Option B. The Treasurer emphasised that this took account of £0.641m of savings that had been identified as a result of a reduction in non-operational budget lines

The Net Budget Requirement of £77.289m for Option B was designed to support Service reform by increasing the total investment for the Pay for Availability system to £2.774m. Should budget option A be selected, then the net spending requirement exceeded available funding by £1.106m. This shortfall could be met by a transfer from general reserves (budget smoothing) of £1.011m, with the remaining £0.095m being met from a reduction in the revenue contribution to capital. This would, though, exhaust fully the budget smoothing reserve.

The Medium Term Financial Plan identified a requirement for further budget savings in 2023-24 of £4.5m (Option A - Council Tax freeze) or £2.3m (Option B - 1.99% Council Tax increase), rising to £9.5m (Option A) or £7.3m (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.

RESOLVED that the Authority be recommended:

(a). to set the level of Council Tax in 2022-23 for a Band D property at £91.79, as outlined above, 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;

(b). that, as a consequence of this:

(i). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £56,708,737, as set out in the revised figures above (Option B) be approved;

(ii). the council tax for each of the property bands A to H associated with the total precept as detailed in the budget booklet be approved; and

(c). 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 the report, be endorsed.

RC/22/3 **Capital Strategy**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/2) 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.

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out in the report.

(See also Minutes RC/22/4 and RC/22/5 below)

RC/22/4 **Capital Programme 2022-23 to 2024-25**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/3) 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.

Reference was made at this point to the position on the Service's ageing fleet of vehicles and the potential reduction in maintenance and running costs that may be achieved in future, together with a reduction in CO^2 emissions, as a result of the replacement programme.

RESOLVED

(a). that the Authority be recommended to approve the draft Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators as detailed in report RC/22/3; and

(b). 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 RC/22/3 above and RC/22/5 below)

RC/22/5 **<u>Treasury Management Strategy (including Prudential indicators and Treasury Indicators) Report 2022-23</u>**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/4) 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.

RESOLVED that the Authority be recommended to approve:

(a). expansion of its approved counter-parties to include subsidiary entities, subject to the terms and conditions of any such arrangement being reserved to the Authority;

(b). the Treasury Management Strategy and Annual Investment Strategy 2022-23 as set out in report RC/22/4; and

(c). the Minimum Revenue Provision Statement 2022-23 as appended to the report.

(See also Minute RC/22/4 above)

*** RC/22/6** **<u>Treasury Management Performance 2021-22: Quarter 3</u>**

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/22/5) on the Treasury Management performance of the Authority as at the third quarter (to December 2021) of the current (2021-22) financial year.

Adam Burleton, representing Link Asset Services, the Authority's treasury management adviser, was present for this item of business.

Mr Burleton gave an update on the economic position since publication of the report circulated and drew attention to the recent increase in bank base rate to 0.50% on 3 February 2022, a measure which had been instigated by the Bank of England in a bid to curb inflationary pressures. The interest rate forecast had been reviewed and it was anticipated that this may rise to 0.75% in March 2022 with a further rise to 1% later in 2022. Inflation had reached 5.4% in February 2022 and this was forecast to increase to 7.2% by April 2022. This was likely to result in an increase in borrowing costs which should result in better returns on investment for the Authority than those predicted at the time the budget was set.

No Prudential Indicators had been breached and a prudent approach had been taken in relation to investment decisions, with priority being given to liquidity and security over yield. While investment returns were recovering as a result of an increase in interest rates as indicated above, the Committee would be apprised of the impact on investment returns, which did not meet the budgeted target presently, at its next meeting in May 2022.

*** RC/22/7** **<u>Financial Performance Report 2021-22: Quarter 3</u>**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/3) on performance against agreed financial targets as at the third quarter of the current (2021-22) financial year.

An overspend of £0.107m (0.15%) was projected against the approved revenue budget. Significant variations (over £0.050m) from budget were detailed in the report. Additional costs had been incurred for Pay for Availability linked to greater take-up than initially anticipated for the initiative. A budget virement was proposed to address these additional costs.

An underspend of £5.416m was projected for capital spending, linked to delays in the refurbishment of Camels Head fire station as a result of a requirement for more intrusive structural work to address potential risks. For fleet, there had been delays in evaluating the type of vehicle required to replace both aerial ladder platforms and 4x4 medium rescue pumps, together with extended chassis build times.

The report also detailed:

- projected expenditure against and forecast reserves and provision balances as at 31 March 2022;
- a summary of performance against all Prudential Indicators agreed for 2021-22; and
- aged debt analysis.

Attention was drawn to the projected overspend of 0.15% of budget which was within the target set and the question was raised as to at what point the Treasurer would consider this to be a critical issue and whether a level of tolerance should be instigated to assist the Committee in its monitoring of the budgetary position. The Treasurer expressed the view that he was confident that there would be no overspend at the year-end in 2021-22 but he acknowledged the need to consider a level of tolerance for monitoring purposes. He undertook to report back to the Committee on this matter in the next report.

RESOLVED

(a). that the budget transfer as set out in the table below, to fund Pay for Availability due to quicker take up than initially anticipated, be approved:

Line Ref	Description	Debit (£m)	Credit (£m)
1	Increase Service Delivery staff	0.390	
36	Reduce earmarked reserve established to fund future year costs		(0.390)
		0.390	**(0.390)**

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

* RC/22/8 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 representatives of Red One Ltd.) be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person, including the authority holding that information).

* RC/22/9 Restricted Minutes of Resources Committee held on 30 November 2021

(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 representatives from Red One Ltd., were excluded from the meeting).

(Councillor Radford declared a personal, non-pecuniary interest in this item, by virtue of being an Authority-appointed Non-Executive Directors on the Board of Red One Ltd. and did not participate in any voting on this item).

RESOLVED that the Restricted Minutes of the meeting held on 30 November 2021 be signed as a correct record.

*** RC/22/10 Red One Performance 2021-22: Quarter 3**

(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 representatives from Red One Ltd. and Councillor Radford were excluded from the meeting).

(Councillor Radford declared a personal, non-pecuniary interest in this item, by virtue of being an Authority-appointed Non-Executive Directors on the Board of Red One Ltd. and did not participate in any voting on this item).

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and Co-Chief Executives and Finance Director of Red One Ltd. (RC/22/7) on the financial performance of Red One Ltd. for the third quarter of the current (2021-22) financial year. The report also identified an issue relating to ICT costs incurred by Red One Ltd. from the Service and relating to development of a system similar to the Service Training for Competence system for use by Red One Ltd. in relation to one of its major contracts.

RESOLVED

(a). that the recommendations as set out in report RC/22/7 relating to terms for the payment of Red One Ltd. invoices be approved;

(b). that the Treasurer be authorised to agree the matter related to ICT costs further with Red One Ltd. and to come to a solution within the limits set out in Financial Regulations; and

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

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

The Meeting started at 2.00 pm and finished at 5.40 pm

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APPOINTMENTS & DISCIPLINARY COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

15 December 2021

Present:

Councillors Randall Johnson (Chair), Best, Hannaford and Thomas.

Also in attendance:

Bryony Houlden (South West Councils) (Independent Advisor to the Committee).

* **ADC/21/1** **Minutes**

a Appraisals & Disciplinary Committee 25 September 2020

RESOLVED that the Minutes of the (former) Appraisals & Disciplinary Committee meeting held on 25 September 2020 (as replaced by this Committee with effect from 29 June 2021) be signed as a correct record.

b Appraisals & Disciplinary Committee 24 March 2021

RESOLVED that the Minutes of the (former) Appraisals & Disciplinary Committee meeting held on 24 March 2021 (as replaced by this Committee with effect from 29 June 2021) be signed as a correct record.

* **ADC/21/2** **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:

- Paragraph 1 (information relating to an individual); and
- Paragraph 2 (information likely to reveal the identity of an individual).

* **ADC/21/3** **Appointment of Deputy Chief Fire Officer and Assistant Chief Fire Officer(s) (Designate)**

(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 interviewed five applicants for the posts of Deputy Chief Fire Officer and Assistant Chief Fire Officer(s) (Designate).

RESOLVED

(a). that Gavin Ellis be appointed Deputy Chief Fire Officer with effect from the date of retirement of the current Deputy Chief Fire Officer;

(a). that Gerald Taylor be appointed Assistant Chief Fire Officer (Service Improvement) with effect from the date at which Gavin Ellis commences as Deputy Chief Fire Officer.

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

The Meeting started at 8.30 am and finished at 5.10 pm

PEOPLE COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

27 January 2022

Present:

Councillors Bown (Chair), Best, Clayton (Vice-Chair), Peart, Thomas and Randall Johnson

Apologies:

Councillors Hannaford

* **PC/22/1** **Minutes**

RESOLVED that the Minutes of the meeting held on 14 October 2021 be signed as a correct record.

* **PC/22/2** **Performance Monitoring Report 2021-22: Quarter 3**

The Committee received for information a report of the Deputy Chief Fire Officer (PC/22/1) on performance in Quarter 3 of the current (2021-22) financial year against the following Strategic Policy Objectives as approved by the Authority:

3(a). Ensure that the workforce is highly trained and has the capability and capacity to deliver services professionally, safely and effectively;

3(b). Increase the diversity of the workforce to better reflect the communities we serve, promoting inclusion and developing strong and effective leaders who ensure that we have a fair place to work where our organisational values are a lived experience; and

3(c). Recognise and maximise the value of all employees, particularly the commitment of on-call firefighters, improving recruitment and retention.

In particular, the report provided information on performance against each of the following key measures:

- operational core competence skills (beathing apparatus; incident command; water rescue; safety when working at heights or in confined spaces; maritime; driving; and casualty care);
- workforce planning;
- health and safety (accidents [including near misses]; personal injuries; vehicle incidents);
- sickness and absence (including mental health) for wholetime, on-call, support, Control and casual staff, by type of sickness;
- fitness testing;
- diversity;

- promoting inclusion, developing strong leaders, living Service values and being a fair place to work;
- grievance, capability and disciplinary issues;
- recruitment and retention (including Pay for Availability benefits); and
- employee engagement.

The report also identified Service performance when benchmarked against national statistics relating to sickness, annual personal injuries, annual vehicle incidents and RIDDOR (injuries, diseases and dangerous occurrences) reportable events.

In terms of operational core competence skills, attention was drawn to the Service’s performance on water rescue which had dropped below the 95% target to 91.4%. The Deputy Chief Fire Officer explained the reason behind this which had emanated from the six-month extension for achieving core competence having expired during the lockdown period in Covid. The extension had been applied to all staff, however, it had only been intended for staff with competence expiring during the lockdown period. The impact of this error had resulted in a drop in competence to 82.8% in October 2021 but the Academy had worked hard to bring this competence level back up to 91.4% by the end of January 2022, by applying additional resources.

A lengthy debate was held on the performance on competence for water rescue during which points including the additional costs incurred to bring performance back up, accreditation, standby arrangements and the policy for training staff in water rescue were covered. It was suggested that the Service might consider a critical level below which performance should not be permitted to drop and at which point consideration could be given to applying additional resources to bring the level back up to target. The Deputy Chief Fire Officer acknowledged this point and agreed to explore the viability of incorporating a critical level for all core competences in future.

It was noted that the performance on health and safety was showing positive signs and reference was made to improvements in the reporting of near misses (50% increase) which was an indication of a good safety culture within the Service. The Committee asked for more detailed information on the costs of overall vehicle accidents to be included within future reports and for the cost of insurance claims and overall cost of insurance to be provided which the Deputy Chief Fire Officer undertook to provide.

The Committee sought clarification of the position on the sickness and absence reporting in terms of the impact of the Covid pandemic as this was not identified separately within the performance figures presented. Reference was also made to the point that mental health had moved ahead of musculoskeletal as the main reason for absence for the first time in many years and the Committee sought an explanation of the reasons why this had occurred albeit that it was acknowledged that this could be linked to the Covid pandemic. In this regard, it was requested that a comparison with other fire and rescue services was also reported to the Committee in a future report. The Deputy Chief Fire Officer advised the Committee that this information would be included in future reports to the Committee.

In terms of the Forward Plan attached at Appendix A of report PC/22/1, the Committee requested that reporting on strategic workforce planning be moved forward to its next meeting on 12 May 2022.

*** PC/22/3** **People Strategy Update**

The Committee received for information a report of the Deputy Chief Fire Officer (PC/22/2) on development of the Service People Strategy 2022-26 and progress against the previous (2018-22) Strategy.

The 2022-26 Strategy would align to revised workplace commitments developed by staff as part of the previous Strategy and the People Pillar of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services inspection programme. Key areas of work would be:

- continuation and expansion of the Service 'Safe To' programme to promote values, ethics and an engaged safety culture;
- retaining, attracting and securing the best talent for the future with smart and flexible working models;
- addressing the challenges of an aging workforce;
- developing a robust succession planning process and critical role career pathways; and
- increasing diversity and capability in leadership through direct entry and innovative high potential leadership development.

A closure report on the 2018-22 People Strategy was being developed. Of the 53 initial areas of focus identified in this Strategy, all but six were operating and progressing. Those areas that had not progressed would be reviewed and incorporated as necessary in the new Strategy.

*** PC/22/4** **Gender Pay Gap 2021**

The Committee received for information a report of the Deputy Chief Fire Officer (PC/22/3) to which was appended the latest Gender Pay Gap report for the Service.

The Equality Act (Specific Duties and Public Authorities) Regulations 2017 required all local authority employers with 250 or more employees to publish statutory calculations each year on the pay gap between male and female employees, accompanied by a supporting narrative.

The latest iteration of the Service's gender pay gap indicated that the gap was decreasing for the third year in a row. The Service recognised, however, that certain issues need to be addressed regarding recruitment and retention. The Service was committed to taking all appropriate actions to address gender pay gap issues. Additionally, the Service People Strategy made diversity & inclusion issues integral to its business plan.

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

The Meeting started at 2.00 pm and finished at 3.55 pm

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REPORT REFERENCE NO.	**DSFRA/22/1**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**COMMUNITY RISK MANAGEMENT PLAN 2022-23 TO 2026-27**
LEAD OFFICER	**CHIEF FIRE OFFICER**
RECOMMENDATIONS	***(a). That the Authority consider any recommendations as may be made by the Community Safety Committee following its consideration of the outcome of the consultation on the draft Community Risk Management Plan;*** ***(b). That, having considered this and subject to any amendments as may be indicated at this meeting, the Community Risk Management Plan 2022-27 be approved.***
EXECUTIVE SUMMARY	The Fire and Rescue National framework for England requires fire and rescue services to produce an Integrated Risk Management Plan. In line with the National Standard, the next iteration of this Authority's plan will be titled a Community Risk Management Plan 2022-2027. The Community Risk Management Plan provides an overview of fire and rescue-related risks faced by the communities in the geographical counties of Devon and Somerset. It identifies the plans for tackling those risks through Service prevention, protection, and emergency response activities. At its meeting on 10 November 2021, the Authority approved a draft Community Risk Management Plan 2022-2027 for public consultation purposes. The outcome of the subsequent twelve-week consultation was submitted to the Community Safety Committee meeting on 9 February 2022, together with a proposed final Community Risk Management Plan amended as necessary to reflect views expressed during the consultation. The Community Risk Management Plan is supported by a Strategic Risk Analysis. Once the final Plan is approved, both it and the Strategic Risk Analysis will be published on the Authority website.
RESOURCE IMPLICATIONS	N/A

EQUALITY RISKS AND BENEFITS ANALYSIS	An equality impact assessment has been prepared alongside the CRMP to identify any disproportionate impacts on groups of people within our communities. This will be finalised before the document goes to public consultation.
APPENDICES	A. Draft Community Risk Management Plan (CRMP) 2022-2027
BACKGROUND PAPERS	1. Strategic Risk Analysis 2. Community Risk Management Plan Consultation Overview: (i) Online Survey Findings (ii) Email Response Summary (iii) Focus Group Report (Devon Communities Together) (iv) Focus Group Report (Consultation and Engagement Team) 3. Community Risk Management Plan 2022-27 Equality Impact Assessment (***Note***: each of the above papers are hyper-linked and are readily available on the Authority website. Each paper was submitted with the agenda for the Community Services Committee meeting held on 9 February 2022).

1. INTRODUCTION

1.1. The Devon & Somerset Fire & Rescue Authority (the Authority) is responsible for ensuring that the communities of Somerset, Devon, Plymouth and Torbay are protected and supported by an effective and efficient fire and rescue service, the Devon & Somerset Fire & Rescue Service (the Service).

1.2. The Authority has a statutory duty to assess and plan for threats and risks to all its communities. All fire and rescue services maintain a response capability to ensure that they can respond, together with partner agencies as necessary, to foreseeable risks identified at a national, regional and local level. This requirement is fulfilled through the Community Risk Management Plan (the Plan), where the key challenges and risks facing the Service are set out along with how it is intended to meet and reduce them.

1.3. There is an integrated approach to ensuring community safety through the Service’s prevention, protection and response activities. The Service protects over 1.8m people and will always seek to prevent incidents from occurring but when needed, it will respond quickly to minimise harm and economic loss.

1.4. The Plan sets out how protection, prevention and response activities have and will be used collectively to prevent and/or mitigate fires and other incidents so as to reduce detrimental impacts on all communities (including business), firefighters and to promote economic wellbeing.

1.5. The Plan is accompanied by a Strategic Risk Analysis which outlines future trends anticipated in the next five years and the top-level plans to keep communities and staff safe.

2. THE COMMUNITY RISK MANAGEMENT PLAN

2.1. The Fire and Rescue National Framework for England requires each fire and rescue service to prepare an Integrated Risk Management Plan. The next iteration of this for this Authority will be titled the Community Risk Management Plan (in line with the National Standard). This Plan provides an overview of how services are aligned to risk so as to keep people safe from fire and rescue-related risks. This is done by balancing Service resources across Prevention, Protection and Emergency Response activities. The Plan is framed by strategic duties and responsibilities including the Fire & Rescue Services Act 2004,the Civil Contingencies Act 2004 and the Regulatory Reform (Fire Safety) Order 2005.

2.2. The Plan covers a five-year period (2022- 2027) and provides an overview of fire and rescue-related risks faced by the communities served. The Plan identifies how these risks will be addressed by prevention, protection and emergency response activities.

2.3. The Plan provides the strategy for keeping Devon and Somerset communities, its environment, homes and people safe from fire and other emergencies. Any emerging risks over the next five years will be considered and evaluated with evidence to inform, support and develop the resilience of both the Service and communities. The impacts of extreme events can be devastating and far reaching for communities. The Authority will, therefore, seek to improve community resilience through successful engagement and partnership working.

2.4. In determining the risks within the community and how to mitigate them, it is important to ensure that the planning process is sustainable for the future to deliver services to communities. This requires the proposals in the Plan to take account of the operating budget of the Service to identify the capacity and capabilities required to meet the needs of existing, new and emerging risks.

3. DEVELOPMENT OF THE COMMUNITY RISK MANAGEMENT PLAN AND CONSULTATION PROCESS

Plan Development

3.1. In developing the Plan, it was essential for the Service to understand not only the risks to be addressed but also the views of its communities, residents and businesses on their perception of the risks and measures required to address them.

3.2. Several workshops were held with the Authority to develop a draft Plan which was approved for public consultation purposes by the Authority at its meeting on 10 November 2021 (Minute DSFRA/21/28 refers).

3.3. The consultation on the draft Plan commenced on 15 November 2021 and closed on 14 January 2022. Mid-term and closing reviews were undertaken to monitor responses from identified stakeholders and quality of response.

3.4. The consultation consisted of a dedicated email address, engagement events, focus groups and on-line survey.

Summary of Consultation Results

3.5. 249 responses to the consultation were received, 241 completed responses by online survey and 8 responses received by email. A further 36 individuals were engaged through focus groups. 53 members of staff and 13 members of the public engaged through the virtual events. Most members of the public represented a local parish council.

3.6. From the on-line survey, 32.9% of respondents were female and 54.7% male. 0.9% identified as non-binary and the remaining 11.5% chose not to say. The age make-up of respondents was:

Age Group	% Response
74+	5.5
65-74	18.3
55-64	22.1
45-54	24.7
35–44	13.6

34 or under	9.4
Prefer not to say	6.4
TOTAL	100

3.7. 53.6% of respondents were from rural area, 29.3% from urban areas, and 14.6% from coastal areas. The remaining 2.5% preferred not to say.

3.8. 70.3% of respondents either agreed or strongly agreed that the Service had identified all the major risks it is responsible for. 9.2% disagreed, with 5.9% strongly disagreeing. 12.6% neither agreed nor disagreed and 2.0% selected "don't know".

3.9. 63.1% of respondents either agreed or strongly agreed that the activities the Service both continues and as proposes to deliver were appropriate to the identified risks. 10.4% disagreed and 8.3% strongly disagreed. 17% neither agreed nor disagreed and 1.2% selected "don't know".

3.10. 57.3% of respondents either agreed or strongly agreed that the activities the Service both continues and proposes to deliver did not affect them or anyone else more positively or negatively than other people. This question saw more neutral responses, with 23.6% neither agreeing nor disagreeing, and 16.2% responding they disagreed or strongly disagreed. This was in line with the equality impact assessment which considers a positive or neutral impact. 2.9% selected "don't know". The question was edited to have 'do not' in bold following a response which selected 'strongly disagree' to this question but made a positive comment in the free text.

3.11. The on-line consultation feedback was analysed by an external company. At its meeting on 9 February 2022, the Community Safety Committee received the full consultation feedback together with a revised draft Community Risk Management Plan amended to incorporate consultation feedback as appropriate.

4. CONCLUSION

4.1. The Community Risk Management Plan (formerly Integrated Risk Management Plan) is a key strategic document for the Authority. The Fire & Rescue National Framework for England requires every fire and rescue authority to have such a Plan. The Plan, which will run for a five-year period (2022-27), identifies risks faced by the communities of the geographical counties of Devon and Somerset together with how it is proposed to address these risks by protection, prevention and response activities.

4.2. In drafting the Plan, engagement was held with the communities served, Service staff and the Authority. The draft Plan was then approved for public consultation by the Authority at its meeting on 10 November 2021.

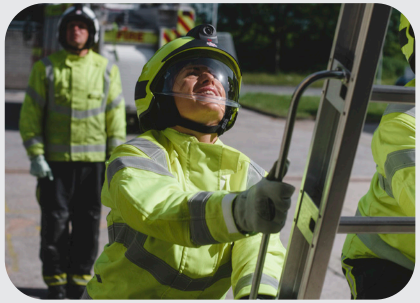
4.3. The outcome of the subsequent twelve-week consultation has been subject to extensive evaluation, with the results – together with a proposed final Plan, amended where necessary to reflect the consultation feedback – presented to the Community Services Committee meeting on 9 February 2022.

4.4. The proposed final Plan is now appended to this report. The Authority is asked to consider it, together with any recommendations as may be made by the Community Safety Committee, with a view to approving the Plan (subject to any other amendments as may be agreed by the Authority).

LEE HOWELL
Chief Fire Officer

DEVON & SOMERSET
FIRE & RESCUE SERVICE

APPENDIX A TO REPORT DSFRA/22/1



Community Risk Management Plan

2022 - 2027

This is a high level, strategic plan. More detail about the risks and how they have been established in our communities is in the Strategic Risk Analysis available on our website where you will also find the Equality Impact Assessment.

Text change. *Explanation - making the Strategic Risk Analysis more prominent to address feedback about lack of detail, and to replace previous note which signposted it being a draft plan.*

DEVON & SOMERSET
FIRE & RESCUE SERVICE

Community Risk Management Plan

“Together we will work to end preventable fire and rescue emergencies, creating a safer world for you and your family.”

Introduction

This document outlines who we are and what we do. It sets out the key challenges and patterns of incidents that we experience now and anticipate in the future. Specifically, it highlights the risks facing our communities and how we intend to reduce these over the life of this plan. The resources that we have available to us to achieve our priorities are also identified.

This Community Risk Management Plan is a five year strategic plan and is supported by a Strategic Risk Analysis and an Equality Impact Assessment which are available on our website. If any of the reviews proposed in this plan result in significant change to the service communities receive, we will consult further as required.

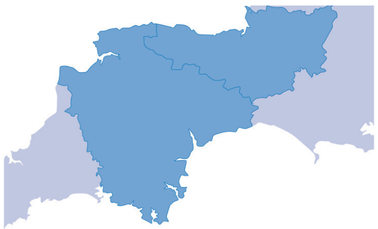
This plan will be reviewed annually and we will publish the progress reports on our website. If you need the information in a different format please contact **01392 872200** or email ***comments@dsfire.gov.uk***

Text added. *Explanation - additional clarity provided for transparency throughout the lifespan of the plan.*

Contents

About us

We are the largest non-metropolitan fire and rescue service in England, covering almost **4,000 square miles.**



We protect **820,000 households, 74,000 businesses** and a further **1.1 million visitors** a year.

Our Service area has a network of over **13,000 miles** of roads, 90% of which are smaller, rural roads and country lanes, and **659 miles of coastline**.

We have **332 emergency response vehicles** and **1,915 dedicated staff**.

Devon and Somerset Fire and Rescue Authority (the Authority) is responsible for ensuring that the communities of Somerset and Devon, including Plymouth and Torbay, are protected and supported by an effective and efficient fire and rescue service. Devon and Somerset Fire and Rescue Service (the Service) is the organisation put in place by the Authority to deliver its duties and responsibilities.

Each fire and rescue authority in the country has a statutory duty to produce a Community Risk Management Plan (CRMP) – this document. Our CRMP sets out the key challenges and risks facing our communities and how we intend to meet and reduce them. It demonstrates how our protection, prevention and response activities have, and will be, used collectively to prevent and/or mitigate fires and other incidents. This integrated approach will keep you safe and reduce the impact of emergencies on people, businesses and the local economy.

We protect over 1.8 million people and we will always seek to prevent incidents from occurring but when you need us, we will respond quickly to minimise harm and economic loss.

332 emergency response vehicles and 1,915 dedicated staff

Prevention

We believe that prevention is better than cure. We aim to stop fires and incidents happening in the first place. By doing this we not only reduce the suffering caused but also save money, for ourselves and our partners, such as the police, ambulance service, local councils and the National Health Service (NHS).

We provide home fire safety advice so that you can keep yourself safe. For most people this is through targeted social and traditional media to influence behaviour. We also:

- deliver free home safety visits to people most at risk of fire
- deliver education and campaigns
- work with partners to deliver road safety advice, education and campaigns
- work with partners to deliver water safety advice and equipment.

We will increasingly use community partnerships, as well as internal and external learning, to identify trends and emerging risks to enable us to target prevention activities. We plan to better understand local risks to help us focus our activities on those most at risk of fire and high-risk locations, taking a prevention-first approach.

We work with our partners to improve the wellbeing of vulnerable people by signposting appropriate help, advice and services, and helping them with basic crime prevention measures. Reducing the potential for slips, trips and falls, and reducing the likelihood of a fire, means that vulnerable people can carry on living independently in their homes.

More people are killed and seriously injured in road traffic collisions than in fires. With roads such as the M5, A30, A38 and A303 in our Service area, road traffic collisions form a significant part of our emergency response and we aim to educate drivers to reduce these.

Text removed. 'We will develop local risk management plans, involving staff, partners and communities, to help us shape and improve the service we provide.' ***Explanation - removed from here as added to pages 45 and 48 in response to feedback that the draft did not account very specific local differences.***

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One in four of our residents are aged 65 years or over[1], and 60,000 of those are over 85 years. As the population ages we expect to see greater numbers of older people living with some form of impairment, many of whom will be living alone and in relative isolation given the rural nature of much of our area. Fifty-four percent of the victims of fires in the home live alone, meaning that people living alone are more likely to have a fire at home than those living with others.

Employment levels are relatively high and there are many affluent areas across the two counties. However the average hourly rate in Devon and Somerset is £9.15, significantly lower than the national average of £14.00[2]. Those on a lower income tend to live in areas of deprivation, where the likelihood of a fire in their home is higher than those living in less deprived areas.

Help us to help you stay safe by following the advice on our website ***dsfire.gov.uk/safety?home***

If you have paying guests, you will also need to ensure you comply with the law. Visit ***gov.uk/government/publications/do-you-have-paying-guests*** for guidance.

Text added. *Explanation - wording changed to better reflect the data.*

[1] Office for National Statistics mid-year population estimates.

[2] From NOMIS labour market statistics.

Protection

We carry out fire protection activities guided by a risk-based approach, completing fire safety checks at lower risk business premises and fire safety audits at higher risk business premises. We work with partners to ensure fire safety in high-rise buildings and to ensure that public events are safe. The devastating fire at Grenfell Tower in London raised several significant questions over building regulations, how fire safety regulations are enforced in such premises and how fire and rescue services respond to fires in high-rise residential premises.

There are 163 buildings in our Service area with six floors or more. We continue to focus our protection resources on the inspection of high-rise buildings and protecting buildings and the area around them. We will continue to adopt recommendations from the Grenfell Public Inquiry.

We are also involved in influencing the safety of buildings before they are built. We work closely with architects, planners and owners, advising them how to maximise the safety of occupants, the public and our firefighters through technical solutions and building design. This work includes encouraging the use of sprinklers in higher risk buildings like high-rise properties, schools and residential care homes.

We work hard to support local businesses to help them reduce fire risk and be compliant with their legal responsibilities. We are the enforcing body for fire safety prosecutions and continue to take action against those who break the law. Fire protection laws are there to keep people safe whenever they enter a public building or business. We are here to help those responsible for these buildings meet the legal standards and to help them protect businesses from fire. We undertake fire safety audits based on our risk-based inspection programme.

We work hard to support local businesses to help them reduce fire risk and be compliant with their legal responsibilities.

Response

Our response to emergencies is designed to get the right equipment to the right place as quickly as possible. It requires highly trained firefighters, with modern equipment, supported with risk information to respond safely. We have about 1,600 frontline operational staff and 83 fire stations across Devon and Somerset.

Our Emergency Response Standards enable us to monitor how often we arrive within our target attendance time to dwelling fires and road traffic collisions on a daily basis.

Our aim is for a fire engine to attend dwelling fires within 10 minutes of the emergency call being answered, and road traffic collisions within 15 minutes.

The rural nature of Devon and Somerset means that this isn't always going to be possible, so our target is to achieve the Emergency Response Standards for at least 75% of incidents.

Across our Service area, on average, we arrive at an emergency in about nine minutes from answering the call.

We have:

- **12 wholetime fire stations** (crewed 24 hours a day, seven days a week, by immediately available wholetime firefighters. Ten of these stations also have an on-call section attached)
- **69 on-call fire stations** (crewed 24 hours a day, seven days a week, by firefighters who are on call and respond to the fire station within five minutes of a call being received)
- **two volunteer fire stations** (crewed by on-call firefighters).

Text added. *Explanation - this is in response to how people in rural areas tended to respond so wanted to make this clearer.*

As well as responding to fires and road traffic collisions we also undertake a wide variety of specialist rescues, working with the police, HM Coastguard, Environment Agency and many other organisations. Examples of our activities include:

- rescuing people from height or below ground
- rescue of extremely overweight people or supporting the ambulance service
- rescuing people trapped within or under structures or large vehicles
- rescues from difficult locations like lifts, cliffs and mud
- rescuing large animals that are trapped
- response to flooding incidents
- chemical and hazardous response
- marine firefighting.

All our firefighters are trained in casualty care. This is vital and means that when we are the first to arrive at an emergency we can provide immediate, and potentially lifesaving, first aid.

We also operate medical co-responder schemes at 20 of our fire stations, where trained firefighters attend medical emergencies at the request of the ambulance service. More recently, we have supported the ambulance service during the Covid-19 pandemic for example with firefighters driving ambulances.

We have a statutory duty to assess and plan for threats and risks to our communities. All fire and rescue services maintain a response capability to ensure that we can respond with our partners to foreseeable risks, such as those identified at a national or regional level.

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We have specialist rescue capabilities and additional specialist vehicles at various locations that will support incidents where a higher level of intervention is needed, such as mass public decontamination. We also have two specialist teams prepared to help mitigate the impact of terrorism.

More information about us and how we use our resources is available on our website ***dsfire.gov.uk***

Fighting fires and attending other emergency incidents is inherently dangerous. We need to ensure that we assess the risks faced by our staff and introduce control measures to reduce the risks as much as possible. We will continue to carry out operational assurance and learning to understand significant risks, providing our firefighters with access to a suite of guidance and risk information when attending incidents.

The diagram below shows how our work connects our planning activity to improve public outcomes. We use risk management to inform what needs to be done by who, where and when. We train our staff and have effective policy and procedures to ensure that our prevention, protection and response arrangements make people safer.

This is our high level operating strategy for Service Delivery. At the bottom are the public outcomes that we are here to deliver – anything and everything we do should be able to be linked to providing at least one of these outcomes.

Service Delivery
RISK MANAGEMENT

Community risk

Operational risk

Emergency planning

Risk-based work packages

Dynamic risk information

Service Delivery
INTERVENTION

Prevention

Protection

Response

Collaboration

Risk-based training packages

Dynamic risk information

Resource changes

Service Delivery
RESILIENCE

Training Academy

Policy and procedure

Continuous improvement

OUTPUTS

PUBLIC OUTCOMES

PREVENTION	PROTECTION	RESPONSE
Home safety visits	Fire Safety Checks	Emergency Response Standards
Education	Fire Safety Audits	Availability
Interventions	Enforcement	Firefighter competency

Looking back

This plan provides an overview of fire and rescue-related risks faced by the communities we serve, and outlines how we will address them through our prevention, protection and emergency response activities. It's our strategy for the next five years to help keep you, your home, your community and your environment safe from fire and other emergencies.

This plan will replace our Integrated Risk Management Plan 2018-2022 (IRMP) and Fire and Rescue Plan 2018-2022. We will continue to build upon the work already delivered under these plans. We have outlined some of the changes and achievements below.

Under our existing **Integrated Risk Management Plan** we have:

- improved delivery of home fire safety visits using new working arrangements and training highly skilled staff to reduce the risk of fire to households
- developed a heritage property fire reduction policy
- expanded our community engagement and collaboration work with the police and other partners, including health and social care, to ensure the highest risk individuals can receive our support
- developed a strategy to support the installation of domestic sprinklers in the highest risk households
- improved control of fire risk through investment in training for business safety officers to expand our capability in enforcing fire safety legislation
- developed our relationships with partners who manage high risk sites to manage risk through legal compliance and integrated response plans
- implemented new firefighting technology, enhancing incident skills and knowledge of operational staff, and providing specific training to ensure they are prepared to deal with flooding, hazardous material and counter terrorism incidents

- shared data with partners and used predictive analysis to target interventions with road users
- worked with other emergency services to share resources and response to resolve incidents effectively and efficiently
- implemented an Operational Resource Centre to redistribute surplus capacity to meet forecasted crewing needs
- reviewed skills and requirements for the role of an on-call firefighter and adjusted the recruitment process, ensuring positive action is in place to encourage recruitment.

Our **Fire and Rescue Plan** identified six areas of focus and we have made significant changes and improvements, some of which are outlined below.

- **Service delivery** - how we deliver the best possible prevention, protection and response services to keep our community safe. For example we have:
  - introduced a model for centralised prevention and protection activity. This included investing in more home fire safety visit technicians and specialist equipment to tailor solutions to keep those most at risk safe, and investing in more business safety officers to ensure that businesses comply with fire safety legislation
  - developed and implemented a new Service Delivery Operating Model. This included investing £3 million in our on-call model to support us to better match resource to risk, relocating Topsham and Budleigh Salterton crews to Clyst St George and Exmouth, moving fire engines and creating new on-call sections at Middlemoor and Clyst St George stations, and removing nine fire engines whilst maintaining operational cover. The new model brought together the four key components of our response capability: staff, the duty systems they work, the appliances used and the stations from which they operate. This has been a contributing factor to improving our risk-based appliance availability, and the wellbeing and retention of our staff, whilst fulfilling our statutory duties
  - collaborated with partner agencies both locally and nationally to improve emergency response
  - established a robust process for managing and implementing risk-critical information including learning from emergencies elsewhere.

***Text added.** Explanation - added in response to feedback that risks relating to staffing and availability were not represented, and to provide additional information about our centralised prevention and protection model.*

- **People** - ensuring we are recruiting, retaining, supporting and developing the best people. For example we have:
  - developed a people strategy and established a workforce plan to support our new ways of working. This includes improved leadership and management development, new apprenticeship opportunities and encouraging diversity and inclusivity in our workforce
  - introduced a new on-call duty system called Pay for Availability, which means that we now pay our on-call firefighters by the hour for their availability. Compared to the previous system, this approach allows more flexibility on the hours each person needs to commit to and enhances their pay
  - provided risk-based training and development that is centred on safety-critical elements.

- **Value for money and use of resources** - ensuring that we provide value for money, making the most of our assets, investing in improvement and planning a sustainable future. For example we have:
  - a medium-term financial plan, and capital and investment strategies that take into account the interdependencies of revenue budgets and capital investments
  - produced an environmental strategy and action plan, and developed an estates strategy that provides the resources needed to deal with risk and maximises the opportunities for shared use, including investing in rebuilding Chagford, Brixham and Plymstock fire stations
  - designed our change and improvement programme around clearly identified cost-benefit analysis
  - reviewed our vehicle fleet to support new service delivery models – we have bought 35 new vehicles including 15 front-line fire engines and 20 specialist vehicles. We identified a need to improve our ability to get to locations off-road, so five of our new specialist vehicles are equipped to deal with this, and have improved our wildfire response
  - developed a reserves strategy to indicate how we are investing for the future.

***Bullet added.** Explanation - additional example.*

- **Governance** - putting the right information, processes and people in place to help us make the right decisions. For example we have:
    - improved our governance and programme management arrangements
    - developed a comprehensive communications, consultation and engagement strategy, and also worked with our staff and their representative bodies on changes that affects them
    - introduced a new website
    - developed a performance management culture with meaningful conversations and measurable outcomes
    - published an annual report showing how we are meeting priorities and managing our finances.

- **Collaboration** - seeking opportunities to work better with others to provide an improved service to our shared communities. For example we have:
    - built on the work of the Offices for Data Analytics to develop an analytical model to predict locations with an increased risk of dwelling fires. We will be working to share data with other public sector organisations to improve services
    - improved our approach to partnership working across our Service area and have a key role in the South West Emergency Services Forum
    - established Community Responders (on-call firefighters who are also special constables) at three locations in Devon, with the ability to deliver a wider range of services at an overall reduced cost to the public
    - supported the ambulance service by providing firefighters to drive ambulances during the Covid-19 pandemic
    - continued to explore opportunities through strategic partnerships such as Networked Fire Services Partnership.

- **Digital transformation** - making use of technology to provide the information we need in the right way and developing smarter ways of working and thinking. For example we have:
    - developed a digital transformation strategy and invested in technology such as video conferencing and applications to help us work more efficiently and effectively
    - implemented a data architecture and improved operational data capture through a single operational reporting tool
    - restructured our business analysis and data architecture teams to support these ways of working.

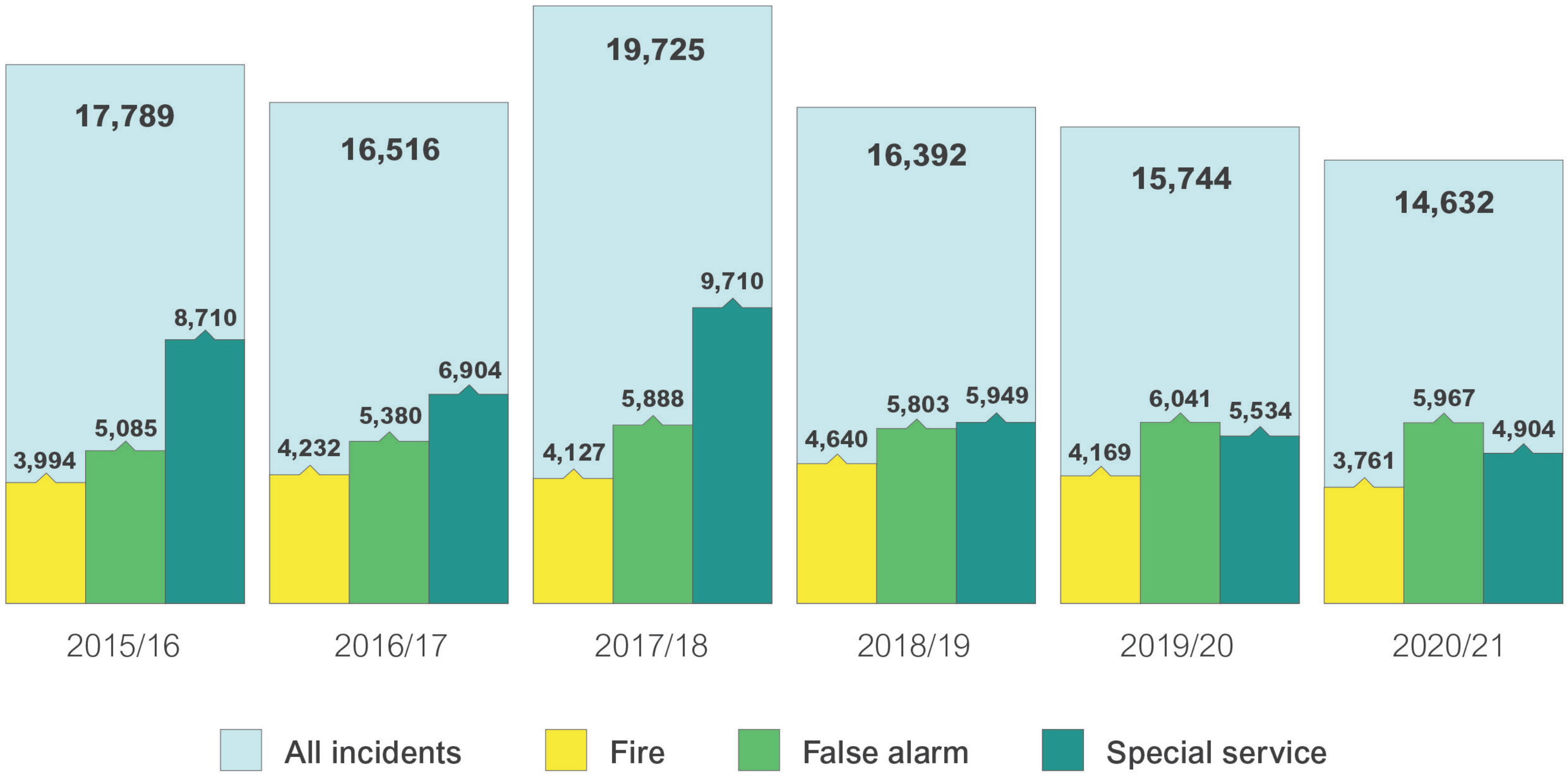
In 2019 we received recommendations from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services on the themes of effectiveness, efficiency and people. Full reports are published on their website. We developed a comprehensive action plan and some of the areas we have been focusing on include:

- improving the availability of on-call staff
- performance against Emergency Response Standards
- allocating prevention, protection and response resources in relation to risk
- using operational crews more efficiently to support prevention, protection, and response activity
- having assurance that operational members of staff meet the minimum fitness requirements to perform their role
- ensuring that selection and promotion processes are fair, open, and transparent and that feedback is available to staff.

You can find more information about the changes we have made, and continue to make, on our website. If you need the information in a different format please contact 01392 872200 or email *comments@dsfire.gov.uk*

Incidents attended over the last five years

This chart shows the total incidents in Devon and Somerset that the Service attended each year (2015/16 to 2020/21). The total is shown along with the number of fires, false alarms and special services attended.



The range of incidents that we attend is extremely broad and has increased over recent years, as has the equipment needed to deal with each incident type.

How this plan has been informed

When preparing this plan, we asked residents, businesses and our staff about the dangers they face and how we could help them feel safer. We did this with an online survey and an online forum, both also available to participate in over the phone. We received nearly 1,700 responses.

We consulted on the draft plan asking to what extent respondents agreed or disagreed with three statements.

- 71% agreed that the Service identified all the major risks it is responsible for.
- 63% agreed that the activities the Service continues to and proposes to deliver are appropriate to the identified risks.
- 57% agreed that the activities the Service continues to and proposes to deliver do not affect them or anyone else more positively or negatively than other people. 23% neither agreed nor disagreed.

We received around 250 responses to an online survey and by email. We also held focus groups and a paper version of the survey was available on request.

By looking at our data and listening to what our staff, partners and those who live and work in Devon and Somerset have told us, we have sought to identify the key fire and rescue-related risks, and how we will work with our partners and communities to reduce those risks. All of the feedback has been considered and, where appropriate, changes included in this plan.

Text added. *Explanation - addition to explain consultation stage and outcome.*

What you told us	Our response
The plan doesn't include a risk facing my local community or what you will do in my local area.	This is a high level, strategic plan and does not detail every local risk or activity such as retaining walls, narrow bridges and type of fire engine at individual stations. Specific local risks will be covered in local risk management plans we will develop for each station area. Local risk management plans have been added to the actions on pages 45 and 48 to make our intent clearer. We will refer to the local information provided when creating these plans. There is now greater reference to the Strategic Risk Analysis, which provides more detailed information about risk.
Rural communities were less likely to agree that all the risks have been identified and that the activities planned were appropriate than those in urban or coastal areas.	We recognise that large parts of our Service area are rural. Whilst not specifically mentioned as a risk in itself, rural communities are considered throughout the plan, and in the supporting Equality Impact Assessment and Strategic Risk Analysis. We talk frequently about tailoring our service for those most at risk. This includes geographic areas (including rural) as well as groups of people. Specific risks for rural communities will be picked up in the local risk management plans we plan to develop.
Young people and education were underrepresented in the draft plan.	We will continue to engage with young people through education programmes and activities including cadets, our firesetter intervention programme and partnership work. Our prevention activities on page 43 have been updated to reflect this.

What are the risks?

As a result of engaging and listening to the public, partners and our staff we have a much better understanding of the risks we need to manage. Like all fire and rescue services, we are required to look at the risks faced by our communities. This is so that we can make sure that we have the best plans in place to reduce the likelihood of those risks becoming incidents, while also having the right people, skills, equipment and tactics in place to respond if an incident happens.

Risk category	Identified risks
Fires	■ Dwelling fires ■ High-rise buildings ■ Large commercial, industrial and agricultural fires ■ Hospitals and residential care homes ■ Hotels and guest houses ■ Heritage property fires ■ Secondary fires ■ Fires on-board vessels ■ False alarms
Transport	■ Road traffic collisions
Specialist rescues	□ Rescues from height and confined space □ Rescues from water □ Animal rescues
Hazardous materials	■ Hazardous materials sites and incidents (including responding to collapsed structures and bomb or terrorist attacks)
Environment and climate change	□ Severe weather events including flooding response and water rescue
National risks	■ Major emergencies ■ Resilience and business continuity
Health and wellbeing	□ Medical response and health-related incidents

■ Core operational activities and statutory duties □ Other operational activities

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Some of the main risks are shown on the table opposite and more detail is provided on the pages that follow. Full data for each risk is available in the Strategic Risk Assessment available on our website.

The main focus of this plan is to outline what the risk is to our communities and what our action is to mitigate that risk. Action is delivered through departmental and individual plans that have been aligned with our Priority 1* (prevention and protection) and Priority 2* (emergency response) activity. A series of charts on the following pages provide more detail on these risks.

Whilst the external risks are outlined in some detail within this document, there are also some internal risks that we will need to continue to manage if we are able to respond effectively. For example, if our staff are not well trained or not provided with suitable equipment we will not be able to respond effectively. Similarly, if we have limited financial resources, we will need to continue to focus our resources on areas where this has the greatest impact. These risks are addressed in Priority 3* and 4*.

This plan provides a high level overview of the risks and our main effort to reduce these.

* See page 42 for more detail about our strategic priorities.

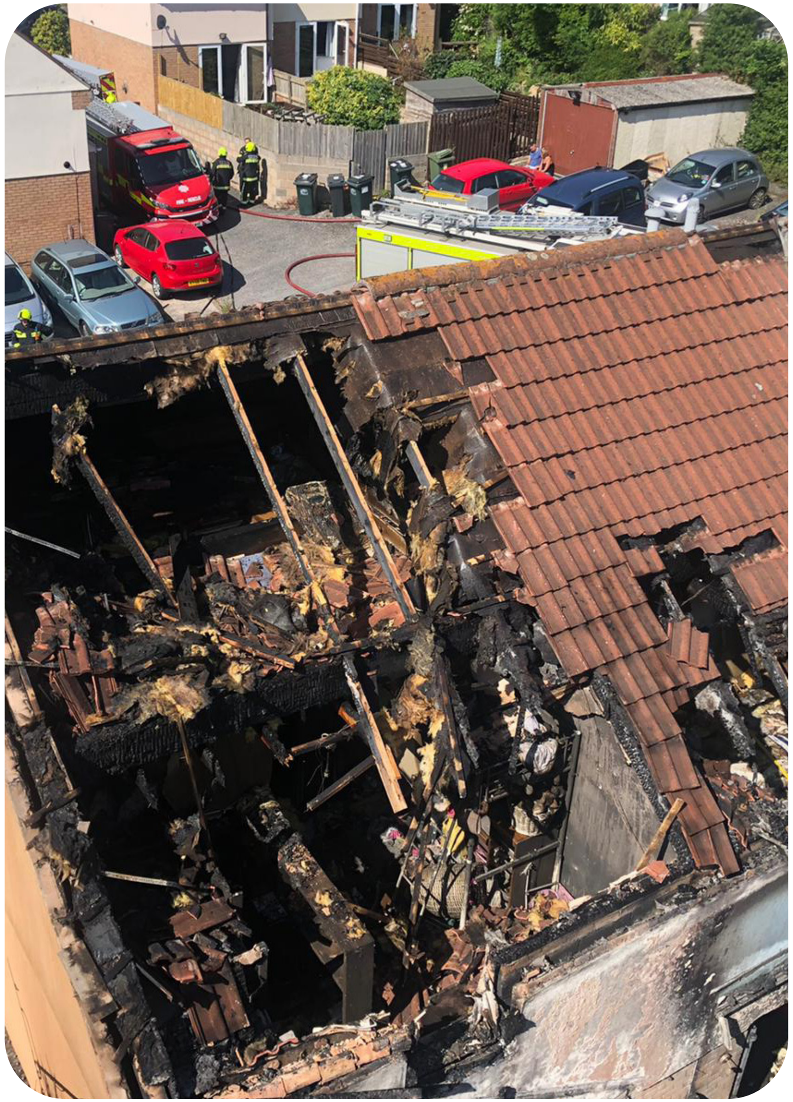
Looking forward - future risk

The expectations on fire and rescue services have increased as a result of the Grenfell Tower fire and Manchester Arena terrorist attack. Recommendations from these incidents will continue to be adopted in our own resilience and preparedness arrangements. The impacts of extreme events can be devastating and far-reaching, so we will work with our communities and partners to become more resilient.

We recognise the need to identify emerging and future risks and trends across our communities and to our staff. For example, electric vehicles and potential ‘self-drive’ vehicles, domestic and commercial battery energy storage systems, biomass fuel plants and the government’s agenda for renewable energy, modern building construction methods, future pandemics and an increasing use of e-cigarettes.

We also recognise that risks may change following the Covid-19 pandemic, for instance due to a shift in people’s working arrangements. We will monitor this through our annual review of this plan and make arrangements to deal with new and emerging risks should they arise.

To help us prepare we will link to national operational learning and review our position against national operational guidance. We will also collaborate with other fire and rescue services, the National Fire Chiefs Council and other blue light partners.



Text added. *Explanation - added in response to feedback that this was not represented.*

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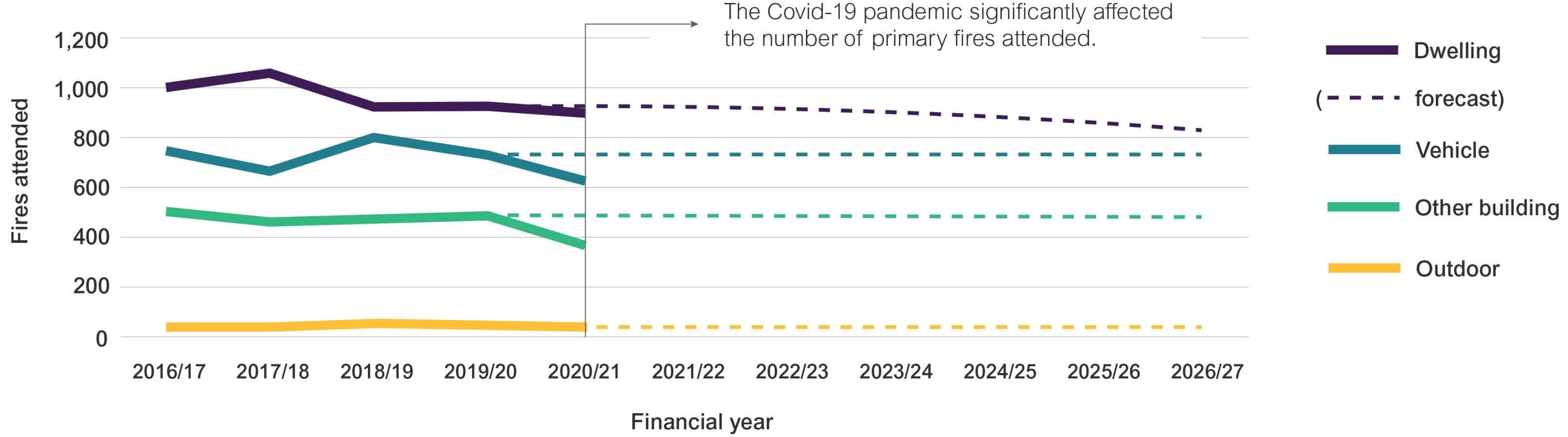
Fires

Fires in buildings, vehicles and outdoor structures are known as primary fires as they are most likely to involve a risk to life. The majority of outdoor fires, including grassland and refuse fires are known as secondary fires.

The following graphs show the number of fires we attend each year, the causes and the impact of fire on communities and individuals. They also indicate the trends we may expect by 2027 (based on the past being an effective indicator of the future). As indicated in the risk table presented earlier, fires continue to be a significant risk. The following chart shows the number of primary fires attended by type of fire. We have also developed a trend line to indicate a possible level of forecasted risk which can be used to anticipate demand.

Number of primary fires attended, including forecast to 2026/27

Pre-Covid-19 forecast based on the 11-year period from April 2009 to March 2020



The chart above shows data for the four high level categories of primary fire attended: dwelling, other building, road vehicle and outdoor location. The forecasts are based on 11 years of historic data, from April 2009 to March 2020. We have excluded the 2020/21 financial year from our calculations as the Covid-19 pandemic had an exceptional effect on some of our incident levels.

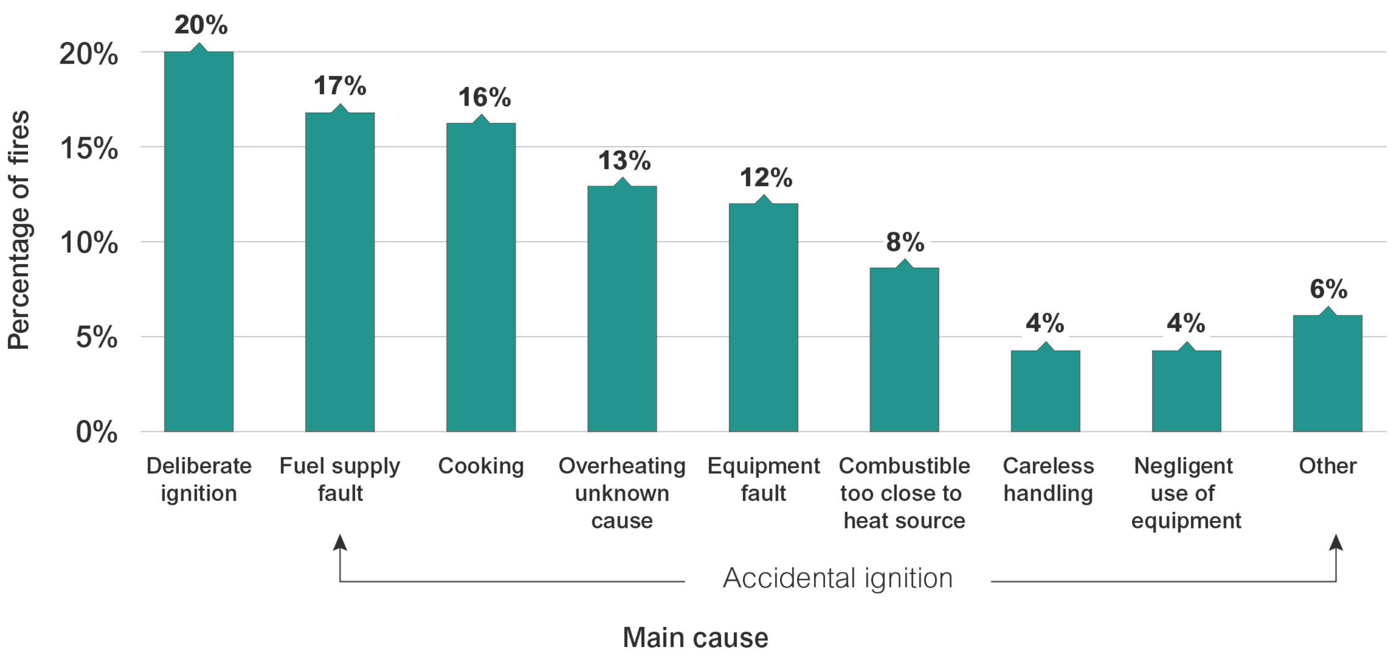
The forecasts indicate that we are likely to see a continuation of the downward trend in dwelling fires, while primary fires in other buildings, vehicles and outdoor locations are likely to remain at a relatively consistent level. This information helps us to understand what our future operational demand may look like.

The chart below shows the proportion of primary fires attended by the main cause of the fire for the period April 2016 to March 2021. Deliberate ignition, faulty fuel supply and cooking being the most prevalent. This type of data is used to inform our community safety messages.

Between April 2016 and March 2021, over three-quarters of primary fires (80%) started accidentally. Fuel supply fault (17%) and cooking (16%) were the most common accidental causes. We use this information as a focus for our communication campaigns. Other causes include overheating (cause unknown), equipment fault and combustibles placed too close to a heat source.

Proportion of primary fires attended by main cause, April 2016 to March 2021

Includes incidents where a specific main cause category has been identified



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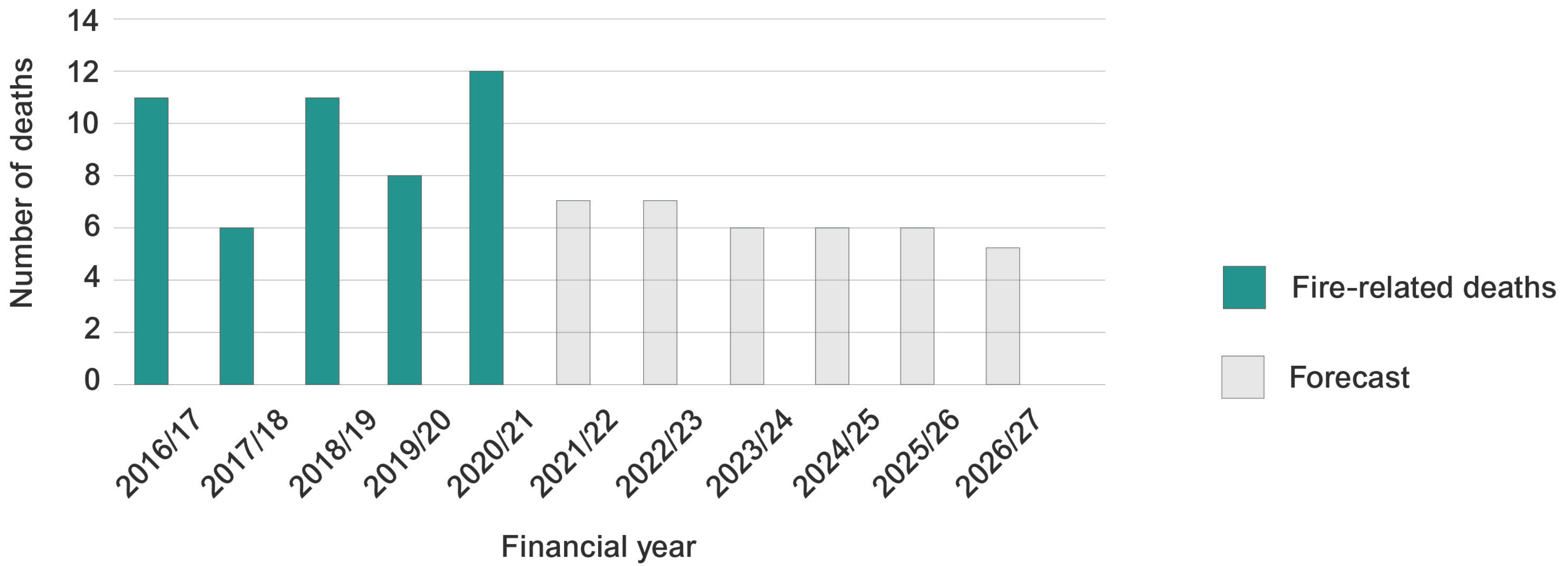
The chart below shows the number of fire-related deaths in our Service area for each financial year for the period 2016/17 to 2020/21. For the period 2021/22 to 2026/27 a forecast of fire-related deaths is shown. There are around 1.8 million people in our Service area. Any fire death is a tragedy for those affected and we are committed to reducing fire deaths and injuries.

Proportion of fire-related deaths in our area, including forecast to 2026/27

Pre-Covid-19 forecast based on 11 year period from April 2009 to March 2020



Primary fire risks in more detail

Dwelling fires: most fire-related deaths and injuries occur when there is a fire in a home, so we need to make sure that we are working effectively to reduce the number of fires and limit their severity when they do happen.

Evidence from national and local studies suggests that, while the overall risk of fire in the home is low, some people are at greater risk from fire than others. We undertake research and analysis to identify the lifestyle and environmental factors that are most commonly associated with fires and related deaths and injuries.

We understand from our recent survey that our communities are concerned about increases in housing stock. The Office for National Statistics estimates that by 2025 the population of Devon and Somerset will have increased by 5% and that by 2043 it will have increased by 14%[3]. We are expecting to see more than 78,000 new homes built in our two counties by 2031[4], with most of this development focused around urban areas.

The Home Office publication 'Detailed analysis of fires attended by fire and rescue services, England, April 2020 to March 2021' states "by combining Incident Recording System (IRS) and English Housing Survey data, Home Office statisticians have calculated that you are around eight times more likely to die in a fire if you do not have a working smoke alarm in your home."[5]

High-rise building fires: seventy-two people died after a fire engulfed Grenfell Tower, a west London residential high-rise building. More than 200 firefighters and 40 fire engines responded to the fire, and 151 homes were destroyed in the building and the surrounding area.

The fire has impacted nationally on fire services' prevention, protection and emergency response arrangements. It will continue to do so as lessons are learnt and recommendations from both the public inquiry and Independent Review of Building Regulations are implemented.

[3] Office for National Statistics mid-year population estimates.

[4] Office for National Statistics household projections for England.

[5] Detailed analysis of fires attended by fire and rescue services, England, April 2020 to March 2021 - GOV.UK.

Large commercial, industrial and agricultural fires: these incidents can pose significant societal, economic and environmental risks to our communities and can require large numbers of our resources, meaning that they may not be available to respond to other incidents. Whilst the life-risk at these incidents is generally lower than at dwelling fires, undertaking firefighting activity in large and often complex buildings can pose a high risk to our firefighters.

Hospitals and residential care home fires: while the likelihood of a significant fire in hospitals, residential homes and other health care acute services is low, the potential severity of an incident in a setting that accommodates many people with greater levels of vulnerability due to health and wellbeing issues is high. The buildings are often large and complex and our response can be too due to hazardous materials that may be present and the procedures that we need to follow.

Hotel and guest house fires: like hospitals and residential care homes, hotels and guest houses have the potential for significant loss of life in the event of fire. This is largely because many people are sleeping in an unfamiliar environment and are likely to be less aware of the layout of the building.

Heritage building fires: losing any historic building or landscape to fire, storm or flood would be a significant loss to local, and in some cases national or even international heritage. The effects can be far reaching, including loss of unique features and irreplaceable art, and the economic impact on local communities.

Fires on-board vessels: although the Service does not have an offshore firefighting responsibility, we do have a duty to respond to fires in vessels alongside (next to land). These incidents can be hazardous because of the way vessels are constructed. Getting in and getting out is difficult, and fire can spread easily by conduction through metal bulkheads and air handling machinery.

Flooding and wildfire: the impact of global warming on the environment can also be seen in the increase in wildfires globally. More locally, Devon and Somerset has two major national parks within our area and we need to ensure we have sufficient resources in place at the right time to minimise the impact on affected communities. At the same time, the Service has experience that it can use to support others who are charged with the responsibility for reducing the impact of flooding.

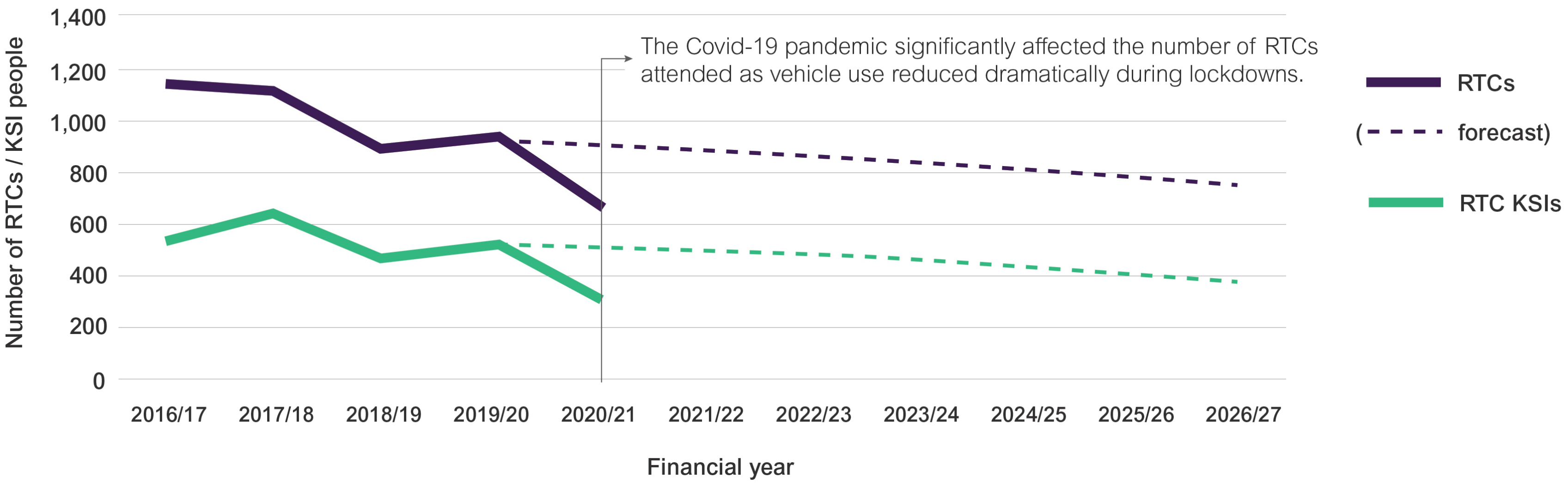
Road traffic collisions

More people are killed and seriously injured in road traffic collisions (RTCs) than in fires. While we do not need to attend every road traffic collision in our Service area, they do form a significant part of our emergency response.

Drawing from our main risk table, the chart below shows the number of collisions attended and the number of people killed and seriously injured per financial year. For the years 2016/17 to 2020/21 the actual number recorded is shown. A forecast is also shown. Road traffic collisions can result in a fire as a result of fuel coming into contact with an ignition source. Where vehicles catch fire but are not involved in a collision, we record these separately.

Number of RTCs attended and KSI[6] victims, including forecast to 2026/27

Pre-Covid-19 forecast based on 11-year period from April 2009 to March 2020

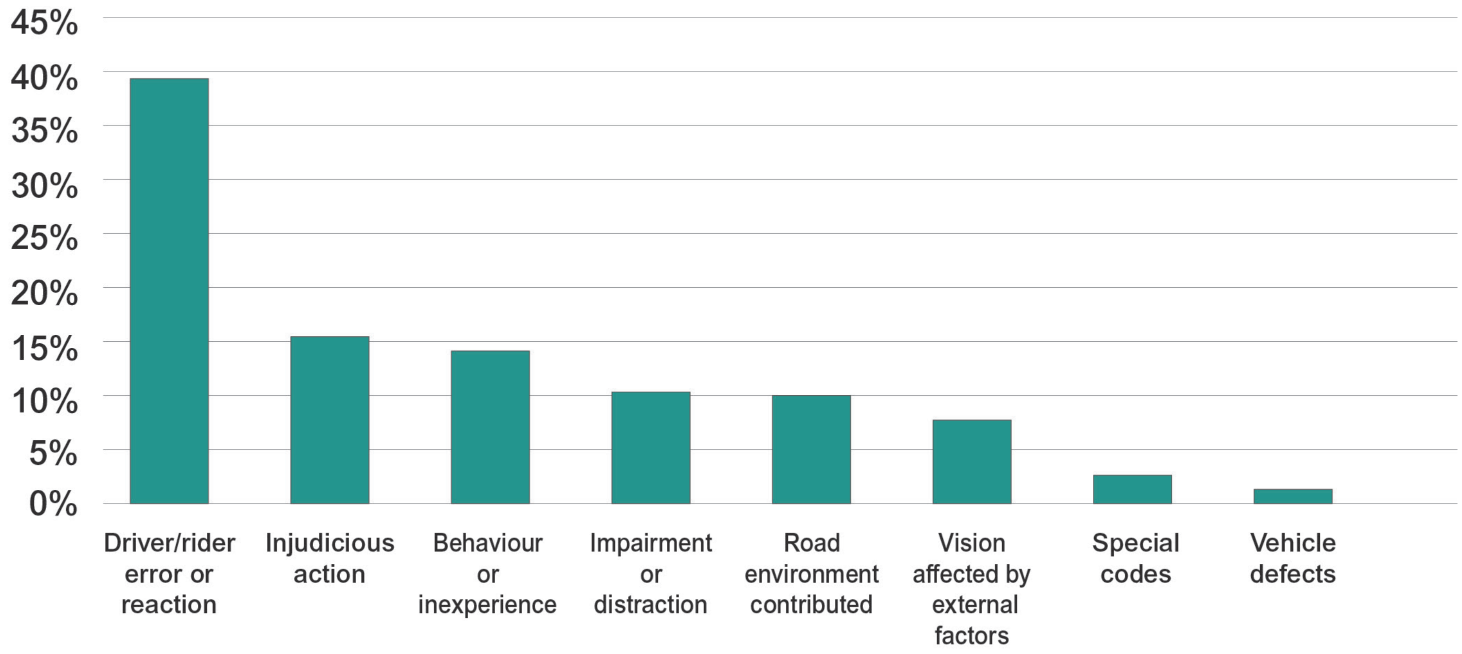


[6] Killed or seriously injured (requiring hospital treatment) victims at incidents we attended based on our understanding at the point the incident concluded.

The chart below shows that almost 40% of road traffic collisions have 'driver/rider error or reaction' as a contributory factor and about 15% have 'injudicious action' (meaning showing very poor judgement) as a contributory factor. Special codes relate to specific endorsement and 'penalty points'. The contributory factors present in more than 10% of collisions are 'behaviour or inexperience' and 'impairment or distraction'.

Proportion of RTCs by contributory factor, South West England, April 2015 to March 2020

Source: Department for Transport data table - RAS50012: Contributory factors for accidents by English region and country



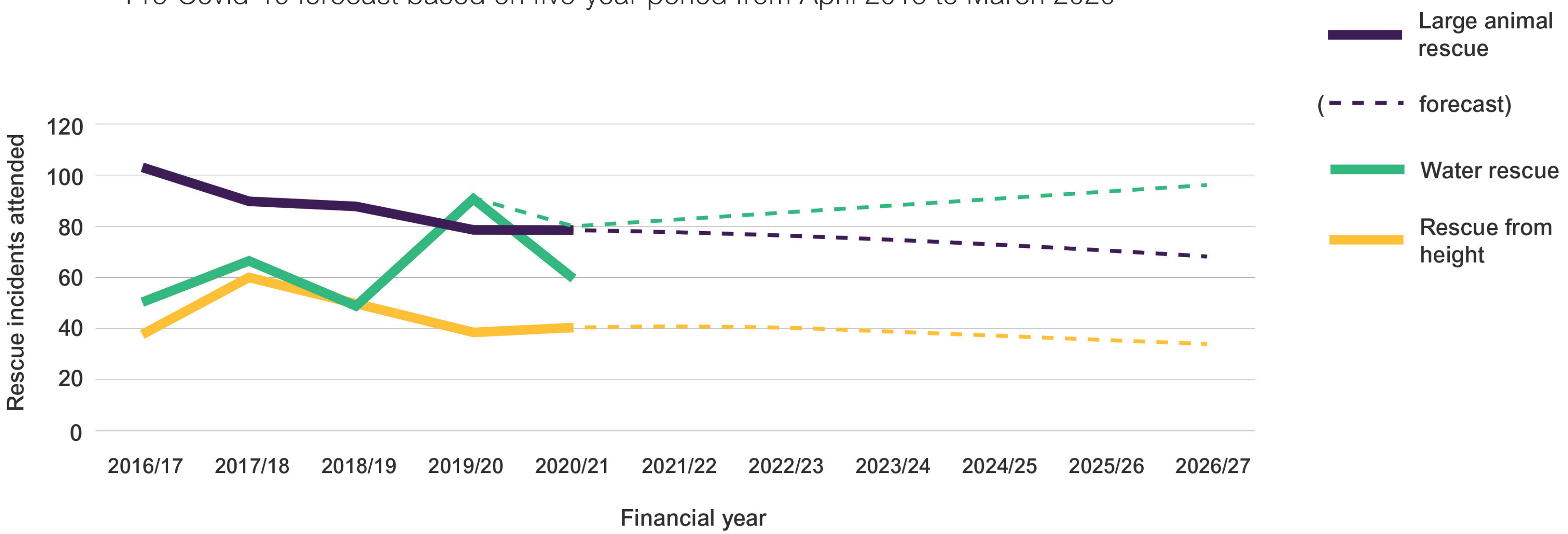
Specialist rescues

Specialist rescues are not statutory responsibilities for fire and rescue services, but there is an expectation and a need for our communities and partner agencies to be supported at these incidents. We also have legislative and regulative requirements that apply when attending statutory duty incidents involving flooding, confined space and working at height.

In the following chart, it can be seen that water rescue incidents have seen an upward trend from 50 incidents in 2016/17 to 90 incidents in 2019/20 (which was a very wet year). Water rescue activity is forecasted to continue due to the effect of climate change. Rescues from height incidents have generally seen a downward trend from 60 incidents in 2017/18 this is forecast to continue to fall to less than 40 incidents per year by 2026/27. Large animal rescue incidents have fallen from more than 100 in 2016/17 to 80 in 2020/21. This trend is forecasted to continue.

Number of specialist rescues incidents attended, including forecast to 2026/27

Pre-Covid-19 forecast based on five-year period from April 2015 to March 2020



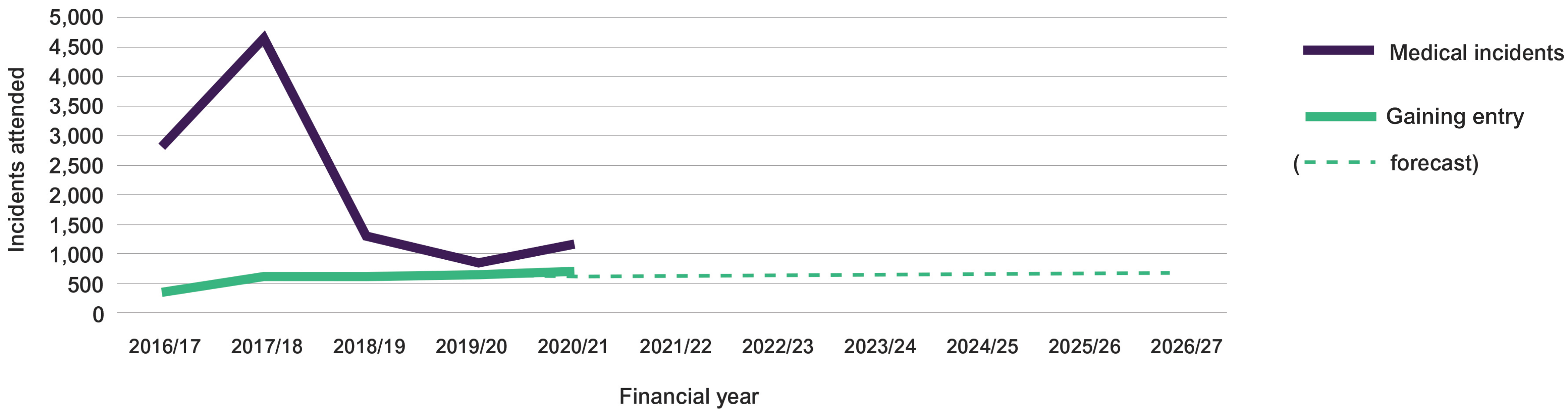
Medical incidents

As part of the wider emergency service community, to support our colleagues in the police and ambulance service, and to help keep our communities safe, we have 20 co-responder stations that have the capability to respond to medical emergencies. We also support the police and ambulance service to gain entry to properties where there may be a medical issue or risk to life.

Number of medical incidents attended, including forecast to 2026/27

Medical pre-Covid-19 forecast unavailable due to changes in policy

Gaining entry pre-Covid-19 forecast based on three-year period from April 2017 to March 2020



Equality impacts

Research and information indicates some additional considerations in relation to fire risk. 'An investigation into accidental fatal fires in the South West of England' Report (2013-17) identified eight characteristics which increase the likelihood of fire death: mental health issues, alcohol use, drug use, smoking, poor housekeeping, limited mobility, living alone and low income. Certain groups of people are more likely to face these challenges than others. For example, elderly people are more likely to have limited mobility and live alone – over half of victims in dwelling fires live alone.

Our Service area has a growing and ageing population, with one in four of the 1.8 million residents aged 65 years or over.[7] We expect to see greater numbers of older people living with some form of impairment, many of whom will be living alone and in relative isolation given the rural nature of much of our area. 54% of the victims of fires in the home live alone, making it the most common factor.

Over the next 20 years the population of Devon and Somerset is likely to change, with the Office for National Statistics estimating that by 2025 the population will have increased by 5% and that by 2043 it will have increased by 14%[8].

Communities look very different across our counties and includes complex patterns of urban and rural deprivation across our service area. We know that the 10% most deprived areas have rates of fire nearly six times higher than those in the least deprived areas.

Deprivation consists of more than just poverty. Poverty is not having enough money to get by on whereas deprivation refers to a general lack of resources and opportunities. Pay inequality, poorer health outcomes and unemployment are a good indicator of the level of risk of fire in the home. Those with a lower income tend to live in areas of deprivation, where the likelihood of a fire in their home is higher than those living in less deprived areas.

Low quality or older housing doesn't tend to have the same advantages as modern homes with fire safety features, such as fire doors and hard-wired alarm systems. Other factors such as rising house prices and the prevalence of second homes in some areas can increasingly push people on lower incomes into poorer quality housing.

[7] Office for National Statistics mid-year population estimates
[8] Office for National Statistics mid-year population estimates

Private rented homes are more likely to be damp, less likely to have at least one working smoke alarm and are more likely to contain hazards such as infestations and electrical dangers that pose a risk to life.

Poorer health outcomes from behaviours such as smoking or substance misuse also tend to be higher in these areas, leading to an increase in the causes of fire such as smoking in bed or leaving appliances unattended.

The most deprived areas in our Service are concentrated around Plymouth, Torbay and Sedgemoor[9].

Although we have a lot of information about how age or disability and fire risk are linked, certain characteristics like ethnic background, English as a second language, sexuality and religion, are not routinely captured within the data recorded and analysed by the Service. We need to capture and analyse more data and review our prevention, protection and response interventions to ensure that our services meet the needs of everyone and that no one is disadvantaged.

To ensure we serve all those in our communities and provide equal access to our services, we consider the make up of our communities when making decisions and developing prevention interventions and engagement opportunities.

An Equality Impact Assessment is published alongside this plan.

[9] gov.uk/government/statistics/english-indices-of-deprivation-2019

Action – what we will do to reduce the risks faced by our communities

The following high level actions will be undertaken to mitigate the risks anticipated until 2027 to better protect the public. These will be built into the annual planning cycles for each of the five years of this plan. In the section that follows, we link our activities to the risks identified earlier in the plan.

As part of the annual budget setting process, areas for investment will be identified and consideration given by the Authority. As well as setting the operating budget for the Service, the Authority also scrutinises performance of the Service (for example decisions made in 2020 following a specific public consultation on the Service Delivery Operating Model).

The Authority has agreed four strategic priorities which guide the Chief Fire Officer, Directors and Department Heads in everything they do.

Our targeted prevention and protection activities reduce the risks in our communities, improving health, safety and wellbeing and support the local economy.

Our operational resources provide an effective emergency response service to meet the local and national risks identified in our Community Risk Management Plan.

Our Service is recognised as a great place to work. Our staff feel valued, supported, safe and well trained to deliver a high performing fire and rescue service.

We are open and accountable and use our resources efficiently to deliver a high performing, sustainable service that demonstrates public value.

Priority 1: **Our targeted prevention and protection activities reduce the risks in our communities, improving health, safety and wellbeing, and supporting the local economy.**

We will continue to do the following

- Deliver home safety visits to those most at risk of fire, raising their awareness, developing escape plans, fitting smoke alarms and providing a range of other safety equipment including misting systems and sprinklers.
- Engage with residents to provide prevention advice and education and working with partners on safeguarding.
- Work with partnership organisations to raise awareness of the services we provide and reduce risks such as wildfire, road safety, water safety and fires on vessels.
- Engage in national projects looking at changes to fire safety legislation to ensure we deliver a protection service that is aligned to changing national standards.
- Work with business owners and responsible persons to ensure they comply with fire safety regulations by:
  - carrying out fire safety checks and audits
  - working with local authority partners and carrying out operational risk inspections at the highest risk sites
  - providing advice and guidance on the issues and measures they can take to prevent false alarms. During 2019/20 false alarms accounted for 38% of the incidents that we attended – having the potential to draw resources away from higher life risk incidents like fires and road traffic collisions
  - responding to concerns about fire safety in buildings from partner agencies, members of the public and operational firefighters.
- Use a range of data to identify high risk and high priority buildings and to inform our risk-based inspection programme, improving the accuracy of the information used.
- Engage with young people through education programmes and activities including cadets, firesetters and partnership work.

Text added. *Explanation - addition in response to feedback that the impact of mental health on people who use our services was underrepresented.*

Bullet point added. *Explanation - inserted following feedback from consultation that underrepresented.*

- Address the risks identified following the Grenfell Tower fire. We formed a specialist high rise building team in 2020, working closely with partners in local authorities and other housing providers to improve safety in these buildings, such as promoting the use of sprinklers.
- Continue to support national and local campaigns to raise awareness, provide advice and reduce risk.
- Act as a key consultee in building regulations applications.

What we plan to do

1.1 Further define our community safety campaigns to make sure we have a clear annual set of campaigns to influence people taking safer actions to prevent incidents, promote home fire safety visits, reinforce the benefits of smoke detectors, domestic sprinklers and mist suppression systems and provide advice about what to do during an incident.

1.2 Enhance our efforts to communicate road safety messages to those most at risk to reduce death and injury.

1.3 Review the effectiveness of our road safety education events and initiatives, delivered across Devon and Somerset in collaboration with partners including Learn to Live, Survive the Drive, Biker Down and My Red Thumb.

1.4 Increase communication campaigns to educate building owners about the impact of false alarms on the fire service and their business.

1.5 Work with those who are responsible for flood defence planning to support flood prevention efforts using our experience in responding to water rescue and flood incidents.

1.6 Engage closely with planning authorities to ensure that the housing growth includes domestic sprinklers or/water mist suppression systems in high risk housing to ensure that these buildings are safer for people.

1.7 Improve our use of data and intelligence to more effectively target those people most at risk of fire.

1.8 Improve our learning from serious incidents, including the Grenfell Tower fire, to identify how we can improve our prevention and protection work.

1.9 Increase our work with partners to help communities prepare themselves for major emergencies and severe weather events, by providing training and storage for equipment.

1.10 We will prepare for the impact of climate change on our communities (for example wildfire and flooding) and work with partners to reduce the impact.

1.11 We will develop local risk management plans for each station area, involving staff, partners and communities, to help us shape and improve the service we provide.

***Text added.** Explanation - to provide additional clarity following consultation feedback as mentioned on page 44.*

***Bullet added.** Explanation - added in response to feedback that the draft did not account for very specific local differences.*

Priority 2: **Our operational resources provide an effective emergency response to meet the local and national risks identified in this plan.**

What we will continue to do

- Ensure we have the right fire engines and equipment in the right place at the right time to match the risks faced by communities.
- Develop tactical plans specific to individual sites, which set out the right number and type of operational resources (such as water supplies), salvage plans and how we work with the owner (or custodian) and other emergency services to deal effectively with the incident.
- Invest in our fleet and equipment strategy ensuring that our fire engines, special appliances and equipment meet modern standards for efficiency and meet the risks identified in communities.
- Invest in our information and communications technology to ensure we are able to support the delivery of front line services.
- Increase our work with partners to provide life-saving water safety equipment at locations with a high number of drownings, similar to the work carried out at Exeter Quay in 2021 to provide reach poles and throw lines.
- Work with partners in local resilience forums to plan and co-ordinate multi-agency responses to major incidents, severe weather and national emergencies.
- Have a working at height and confined space capability at key stations located across our Service area.
- Continually review operational procedures in line with national guidance and best practice to improve and refine our response to commercial, industrial and agricultural fires.
- Develop our team of hazardous material and environmental protection advisers ensuring that they are trained and equipped to identify hazardous materials present at incidents, assess the risk posed by those materials and advise the incident commander.

- Investigate fires to identify probable causes and support police where arson is suspected.
- Support the provision of high volume pumping equipment for use in local and national flooding.
- Support the National Resilience Capabilities Programme which can provide support across the country in the case of a national emergency.
- Provide emergency medical response in support of the ambulance service to communities through our co-responding at stations.
- Improve our operational assurance process to ensure that we learn from incidents and continue to improve.
- Prepare for and respond to terrorist incidents.

***Image added.** Explanation - to include a more diverse range of images.*

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What we plan to do

2.1 Use our new Management of Risk Information system to better provide accurate, relevant and timely information to operational crews responding to incidents.

2.2 Review the location and type of specialist vehicles to ensure that they are correctly located and have the capacity and capability needed to deal with incidents effectively.

2.3 Improve our off-road capacity by introducing all-terrain vehicles with firefighting capability.

2.4 Review how we respond to gaining entry requests in support of the police and ambulance service to ensure that we are providing this service efficiently.

2.5 Review how we assist the ambulance service to move extremely overweight patients in emergency situations to ensure the best use of resources and the best outcome for patients.

2.6 Review and introduce new capabilities to deal with incidents in high-rise buildings. For example the smoke hoods we now carry on our fire engines to assist evacuation in smoke filled escape routes.

2.7 Review our flood response capability to ensure that our resources are matched to risk and need.

2.8 We will develop local risk management plans for each station area, involving staff, partners and communities, to help us shape and improve the service we provide.

Bullet text change. *Explanation - bullets 2.2, 2.3 and 2.5 consolidated into one to remove duplication.*

Bullet added. *Explanation - added in response to feedback that the draft did not account very specific local differences.*

Priority 3: **Devon and Somerset Fire and Rescue Service is recognised as a great place to work: our staff feel valued, supported, safe, and well-trained to deliver a high performing fire and rescue service.**

What we will continue to do

- Improve staff safety through continuous improvement.
- Provide staff with access to counselling and mental health support services.
- Carry out operational exercises to ensure that our staff are familiar with the risks and are able to practice procedures.
- Develop and train specialist responders for terrorist incidents.
- Train and exercise our operational crews and commanders to deal with large scale multi-agency incidents using the Joint Emergency Services Interoperability Programme principles.
- Develop our specialist officers (water incident managers) trained to deal with flood incident management.
- Carry out exercises to test our business continuity plans.

What we plan to do

3.1 Further develop our occupational health screening to support the wellbeing of staff.

3.2 Further develop our defusing service, which helps staff to mentally recover from traumatic incidents, to cover suicide-related incidents.

3.3 Evaluate the training of operational crews, who have an identified risk in their area, in maritime firefighting techniques and procedures.

3.4 We will enhance our 'Safe to' approach to encourage psychological safety so that we can learn from our experiences and generate a culture of constructive challenge at all levels.

3.5 Review, update and improve policies, procedures, training, specialist advice and equipment to support operational crews in successfully resolving hazardous materials incidents.

3.6 Create a more diverse workforce and engage with underrepresented communities to help us do this.

3.7 Develop our next people strategy to support us with developing our workforce.

3.8 Improve our on-call firefighter recruitment process to encourage more people to join us and support their local communities.'

Text added. *Explanation - added to provide additional clarity in response to comments about inclusion and diversity.*

Bullet added. *Explanation - additional action following internal feedback.*

Priority 4: **We are open and accountable, using our resources efficiently to deliver an effective, sustainable service that demonstrates improving public value.**

What we will continue to do

- Work in collaboration with partners in other public sector organisations and neighbouring services, to address multiple risks across legislative boundaries.
- We will continue to carry out operational risk inspections at the highest risk sites up to 15km cross-border.
- Tailor our approach to enable us to identify those most in need of our support and to deliver services that meet their needs effectively.
- Work in partnership with neighbouring fire services to cope with high numbers of calls through our Networked Fire Control agreement. For example during extreme flooding events.
- Continually review our business continuity plans to ensure minimum impact on the delivery of our services should a business continuity event happen.

What we plan to do

4.1 In addition to preparing for the community impact of climate change (such as wildfires or flooding), we will minimise our own impact. Our Environmental Strategy[10] sets out how we plan to reduce our impact on the environment. We aim to reduce our impact on the environment and deliver efficiency savings from improved practices.

4.2 Invest in our estate ensuring that our buildings meet modern standards for energy efficiency and have suitable training facilities for operational crews to maintain their competence.

4.3 Capture more data to inform our learning, enabling us to consider the impact on individuals and communities and to refine the range and depth of our services.

4.4 Engage more with community groups, businesses and through established networks. We will carry out effective and meaningful engagement activities with our staff, partners, wider stakeholders and communities by offering a range of opportunities for them to get actively involved, have their say and work with us to help shape and improve the service we provide.

4.5 Increase our focus on equality of access to our services, recognising the diversity of our communities.

4.6 Share resources widely with emergency, local authority and public health partners and seek to learn from commercial partners.

4.7 Following repeated attendance at unwanted fire alarms, we will explore options to reduce the costs to the Service.

4.8 We will review and evaluate our approach to reducing unwanted fire alarms.

4.9 We will be a partner in the Devon and Cornwall Serious Violence Prevention Partnership.

***Bullet added.** Explanation - addition following feedback from Devon and Cornwall Police.*

[10] dsfire.gov.uk/about-us/environmental-strategy

Summary table of our actions mapped against our risks (Note: these are in addition to the work we are currently undertaking).

Risk category	Identified risks	Proposed actions
Fires	Dwelling fires	**Action 1.1. Action 1.6. Action 1.7. Action 1.8. Action 2.1. Action 2.8. Action 3.6. Action 4.4. Action 4.5.**
	High rise buildings	**Action 1.1. Action 1.6. Action 1.8. Action 2.1. Action 2.6. Action 2.8. Action 4.4.**
	Large commercial, industrial and agricultural fires	**Action 1.1. Action 1.7. Action 1.8. Action 2.1. Action 2.8. Action 4.6.**
	Hotels and guest houses	**Action 1.1. Action 1.4. Action 1.7. Action 1.8. Action 2.1. Action 2.6. Action 2.8.**
	Hospitals and residential care homes	**Action 1.1. Action 1.4. Action 1.7. Action 1.8. Action 2.1. Action 2.8.**
	Heritage property fires	**Action 1.1. Action 1.6. Action 1.7. Action 1.8. Action 2.1. Action 2.8.**
	Secondary fires	**Action 1.1. Action 1.7. Action 1.10. Action 2.1. Action 2.4. Action 2.8.**
	Fires on board vessels	**Action 1.1. Action 1.7. Action 2.1. Action 2.8. Action 3.3.**
	False alarms	**Action 1.1. Action 1.4. Action 2.1. Action 2.8. Action 4.7. Action 4.8.**
Transport	Road traffic collisions	**Action 1.1. Action 1.2. Action 1.3. Action 2.1. Action 2.2. Action 2.8.**
Specialist rescues	Rescues from height and confined space	**Action 1.1. Action 2.1. Action 2.2. Action 2.8.**
	Rescues from water	**Action 1.1. Action 1.9.Action 1.10 Action 2.1. Action 2.2. Action 2.7. Action 2.8.**
	Animal rescues	**Action 1.1. Action 2.1. Action 2.2. Action 2.8.**
Hazardous materials	Hazardous materials sites and incidents (including responding to collapsed structures and bomb or terrorist attacks)	**Action 1.1. Action 1.7. Action 1.8. Action 2.1. Action 2.2. Action 2.8. Action 3.5.**
Environment and climate change	Severe weather events including flooding response and water rescue	**Action 1.1. Action 1.5. Action 1.9. Action 2.1. Action 2.2. Action 2.3. Action 2.7. Action 2.8. Action 4.1. Action 4.2.**
National risks	Major emergencies Resilience and business continuity	**Action 1.9. Action 2.1. Action 2.8. Action 3.7. Action 4.3.**
Health and wellbeing	Medical response and health-related incidents	**Action 1.1. Action 2.1. Action 2.4. Action 2.5. Action 2.8. Action 3.1. Action 3.2. Action 3.4.**

Resources available

The Service receives funding each year from a combination of local taxation business rates (NNDR) and council tax (precept) as well as receiving central government grants. This funding is used to pay for our day-to-day expenses such as our workforce, fuel, heat and light, and to provide the systems, resources and infrastructure needed to support our services.

Total funding as of 2021/22 of **£74.2 million** for the financial year 2021/22 from the following sources.

- Council tax **£54.8 million**
- Non-domestic business rates **£13.0 million**
- Central government grants **£6.4 million**

There are also financial reserves to help pay for specific projects and to reduce the amount we need to borrow.

The total net cost of running Devon and Somerset Fire and Rescue Service for the 2021/22 financial year is **£74.2 million**. These costs cover:

- Workforce **£66.2 million**
- Premises and fleet **£7.4 million**
- Other **£13.5 million***
- Income **£12.9 million****

*this includes: equipment and furniture (mostly equipment on appliances), information and communication technology, and loans and leases.

**such as Government grants for Covid-19, Fire Protection Grant, Mobile Communications, Urban Search and Rescue.

The Service continues to make affordable and sustainable capital investments, such as the re-development of our estate and fleet.

The Service is required to deliver a balanced budget meaning outgoings do not exceed income. We will use the resources available in the best way to minimise the impact of risk to our communities. Further information about our spending, including the medium term financial plan[11] is on our website.

Measuring and evaluating impact

The Service provides performance information on our website[12] and Authority committees scrutinise performance as does the fire service inspectorate. We have also agreed an evaluation framework that is based on established good practice (College of Policing) and this is built into commissioning and portfolio management arrangements.

[11] dsfire.gov.uk/about-us/what-we-spend

[12] dsfire.gov.uk/about-us/our-performance


FIRE

Glossary

Appliance - The general term used to describe all firefighting vehicles, including the standard fire engine or pumping appliance.

Community risk - The risk of unwanted events that might occur in the community, which Devon and Somerset Fire and Rescue Service aims to reduce. Includes fires, road traffic collisions and other incidents that the Service might respond to.

Co-responders - On-call firefighters who receive enhanced training and respond to medical emergencies in their communities in support of the ambulance service.

Emergency Response Standard - A risk-based target for response times and number of personnel to attend all relevant emergency incidents in Devon and Somerset.

Gaining entry - An initiative where firefighters assist the ambulance service to get into properties where they suspect there is an unconscious or unresponsive casualty inside.

Hazmat - Hazardous materials like chemicals, fuel spillages, substances that can cause harm to persons and or environment.

Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services - The body that independently assesses the effectiveness and efficiency of the police and fire service.

Incident - An event requiring fire service assistance.

National resilience - The National Resilience Programme was introduced in 2003 to strengthen the country's ability to handle emergencies and crises. The national resilience assets are owned by the fire and rescue services which host them. Servicing of the vehicles and procurement of equipment for them is managed centrally.

The programme delivers:

- mass decontamination
- urban search and rescue
- high volume pumping capacity
- operational logistics and support
- long term capability management.

Prevention - Activity associated with fire safety in the home and community.

Primary fire - Fires in buildings, vehicles and outdoor structures.

Protection - Sometimes referred to as 'Business Safety'. This activity is linked to the advice and guidance for regulated premises and enforcement of the Regulatory Reform Order 2005.

On-call - Firefighters recruited to be available on call close to their local fire station for a certain minimum number of hours per week, plus regular training. They carry an alerter to call them to the fire station when an incident happens in their area. Many have other employment or a lifestyle that enables them to commit a certain number of hours per week to be on call.

Operational risk - The risk of unwanted events that might occur to the Service while carrying out its operations. Includes firefighter occupational accidents or illness.

Resilience - The ability to respond to major or larger incidents whilst maintaining the core service provision. This is made possible through effective emergency planning and flexible resource arrangements.

Risk analysis - The process of examining in detail the risks that could affect the communities in Devon and Somerset.

Road Traffic Collision - An incident involving vehicles on the highway.

Secondary fire - The majority of outdoor fires, including grassland and refuse fires.

Wholetime - Operational staff immediately available while on duty.

DEVON & SOMERSET
FIRE & RESCUE SERVICE

REPORT REFERENCE NO.	**DSFRA/22/2**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**STRATEGIC POLICY OBJECTIVES 2022-23**
LEAD OFFICER	**CHIEF FIRE OFFICER**
RECOMMENDATIONS	***That the Strategic Policy Objectives for 2022-23 as appended to this report be determined.***
EXECUTIVE SUMMARY	In 2020 the Authority, supported by the Centre for Governance and Scrutiny, undertook an extensive review of its governance structure. Stemming from this, it was felt there would be considerable benefit to the Authority in approving set of clear Strategic Policy Objectives for each year against which the Authority could, using its Committee structure, scrutinise Service performance. The Strategic Policy Objectives for 2021-22 were approved by the Authority at its ordinary meeting on 29 June 2021 (Minute DSFRA/21/9 refers). These were developed following a series of Member workshops. The Strategic Policy Objectives approved for 2021-22 have been reviewed in the context of preparing both the Community Risk Management Plan and the 2022-23 budget, both of which feature elsewhere on the agenda for this meeting. No revisions are considered necessary at this time and consequently the Strategic Policy Objectives proposed for 2022-23 are now attached at Appendix A.
RESOURCE IMPLICATIONS	All resource implications for these Strategic Policy Objectives will be contained from within approved budgets (including reserves) for 2022-23.
EQUALITY RISKS AND BENEFITS ANALYSIS	The Strategic Policy Objectives are designed to be fully inclusive.
APPENDICES	Draft Strategic Policy Objectives 2022-23
BACKGROUND PAPERS	Nil.

LEE HOWELL
Chief Fire Officer

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Strategic Policy Objective 1 Our targeted prevention and protection activities will reduce the risks in our communities, Improving Health, Safety and wellbeing, supporting the local economy. Specifically, we will:			**Strategic Policy Objective 2** Our Operational resources will provide an effective emergency response to meet local and national risks. Specifically, we will:	
1a	Deliver interventions and education events to reduce the risk of fires in the community		2a	Provide response resources at times and in locations relevant to identified risks of fires and other emergencies
1b	Develop and deliver initiatives to support children and young people in making safe lifestyle choices		2b	Ensure that we continue to meet our obligations under the Civil Contingencies Act and the National Resilience Model and continue to develop plans and capability to respond to major emergencies in line with changing threat and risk levels
1c	Target risk-based inspection processes and enforcement activities towards the highest risk and ensure that they are effective and properly resourced		2c	Explore and develop opportunities to work with other agencies where the Service can add value to community outcomes

Strategic Policy Objective 3			Strategic Policy Objective 4	
The Service is recognised as a great place to work. Our staff feel valued, supported, safe and well trained to deliver a high performing fire and rescue service. Specifically, we will:			We are open and accountable, using our resources efficiently to deliver a high performing, sustainable service that demonstrates improving public value. Specifically, we will:	
3a	Ensure that the workforce is highly trained and has the capability and capacity to deliver services professionally, safely and effectively.		4a	Explore and develop opportunities for collaboration with other agencies, charities and volunteers to enhance our work and deliver efficient and economic services.
3b	Increase the diversity of the workforce to better reflect the communities we serve, promoting inclusion and developing strong and effective leaders who ensure that we have a fair place to work where our organisational values are a lived experience.		4b	Invest in technology that: supports new ways of working; improves information governance and data sharing; supports interoperability; improves safety and service outcomes; and provides flexibility and increased productivity.
3c	Recognise and maximise the value of all employees, particularly the commitment of on-call firefighters, improving recruitment and retention.		4c	Apply “best practice” methodology to planning, risk management and evaluation processes to provide a better understanding of productivity, benefits realisation and the impact on other expected outcomes.

REPORT REFERENCE NO.	**DSFRA/22/3**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**CAPITAL STRATEGY**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATION	***That, as recommended by the Resources Committee at its budget meeting on 8 February 2022, the Authority endorses the Capital Strategy as set out in this report.***
EXECUTIVE SUMMARY	The 2017 Prudential Code included the requirement for all Local Authorities to produce an annual capital strategy that is agreed by the Members. 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. The 2021/22 revised Prudential Code also requires the Treasurer to certify that none of the Authority's spending plans include the acquisition of assets primarily for yield. The contents of this report were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved to commend the Capital Strategy to the Authority for endorsement.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Nil.
BACKGROUND PAPERS	The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017

1. INTRODUCTION

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 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 Devon & Somerset Fire & Rescue Authority (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. The contents of this paper were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved (Minute RC/21/19 refers):

> that the Authority be recommended to endorse the Capital Strategy as set out in the 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 set-a-side an amount each year to reflect the usage of an asset (Minimum Revenue Provision – see Section 17 below). This amount is invested but cannot be used to fund future capital expenditure as it is required to pay off a loan on maturity.

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

3.3. Performance of the Treasury Management investments is reported to the Authority's 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 National Risk Register identifies emerging challenges such as the continued threat of terrorism, the impacts of climate change and impacts of an ageing population. These will be considered through the soon to be published Community Risk Management Plan (CRMP) for years 2022-2027, which replaces the Integrated Risk Management Plan, along with the requirements of the Fire and Rescue National Framework and local risks to Devon and Somerset.

4.2. The Authority currently has 83 fire stations across the counties of Devon and Somerset. During 2020/21 one was closed and one relocated to Service Headquarters as part of the Safer Together Programme.

4.3. At the commencement of the 2022-23 year, the Service will have 112 front-line fire engines, of which 53 have surpassed their recommended economic life, and 19 Special Appliances. 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 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
- the management case (that the requirement is achievable).

6. THE SERVICE CAPITAL PROGRAMME 2022-23 – 2026-27

6.1. The Service capital programme for 2022-23 – 2026-27 is considered annually and is set out in the table below.

Table 1

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
			Estate Development					
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
7,969	**3,655**		**Estates Sub Total**	**3,923**	**7,300**	**900**	**3,700**	**3,700**
			Fleet & Equipment					
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
7,324	**6,172**		**Fleet & Equipment Sub Total**	**4,931**	**10,500**	**4,600**	**1,800**	**2,700**
(2,600)	**0**	7	**Optimism bias Sub Total**	**(1,800)**	**(1,800)**	**2,500**	**1,100**	**0**
12,693	**9,827**		**Overall Capital Totals**	**7,054**	**16,000**	**8,000**	**6,600**	**6,400**
			Programme funding					
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
12,693	**9,827**		**Total Funding**	**7,054**	**16,000**	**8,000**	**6,600**	**6,400**

7. FUNDING THE CAPITAL PROGRAMME

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

8. REVENUE FUNDING

8.1. 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 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.

9.3. In line with the revised 2021/22 prudential Code, I can certify that the Authority's capital spending plans do not include the acquisition of assets primarily for yield

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 into a reserve to fund the future capital programme. The amount of Earmarked Reserve funding identified to fund the Capital programme is shown 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 2024-25 if the quantity and type of assets remain the same.

11. MONITORING CAPITAL EXPENDITURE

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

12. RISK MANAGEMENT

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

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

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

12.3. Every item will go through a rigorous justification process so that a greater scrutiny can be achieved over what is included within the capital programme. This will become even more critical if collated bids exceed the available funding. All investment will be aligned to the Integrated Risk Management Plan (this plan will soon be redesigned as the Community 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 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 placed 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 possible 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. 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;
- Community 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 Department for Levelling Up, Housing and Communities 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. The strategic objective within the medium-term financial plan is to ensure that revenue funds of at least £2m are included in the annual budget, which will increase as other capital costs fall as a result of reduced borrowing. This objective is based on affordability each year. For 2022/23, the amount available is £1.2m consisting of £0.900m revenue contribution and £0.300m income from Red One.

18.4. Historically, the Authority received a Central Government Capital Grant of up to £2m per year and also supported its capital programme using borrowing where required. However, it became apparent that the 5% indicator of affordability for borrowing would be breached and this with the cessation of Government Grant meant that alternative ways of addressing the Capital programme needed to be explored.

18.5. Several years ago the Service engaged staff and developed a range of smaller fire engines that whilst able to make better progress through congested cities as well as narrow country lanes, were also cheaper to procure. By ensuring that we have the right balance between large traditional fire engines and smaller, lighter fire engines we have been able to reduce the capital costs for the Service without compromising public safety. Not only is this a more efficient use of the financial resources we have available to us, it is also better for the environment.

The Authority’s strategy is to reduce borrowing

18.6. As at 31 March 2022 external debt will be £24.8m, down from £26.3m ten years ago.

18.7. 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 £36m over the next two years replacing and improving its assets without needing to borrow any more.

18.8. There are a large number of assets needing replacement or enhancement and the proposed programme totals £44.0m over the next five years. As only £36m of funding is available, officers will need to develop further plans to prioritise expenditure and avoid borrowing in the future.

18.9. The Safer Together programme has delivered a new Service Delivery Operating Model and provided a focus on the way Vehicles and Equipment are managed. Both of these work streams have presented reductions to the asset base which have fed into this iteration of the Capital Programme and Medium-Term Financial Plan.

SHAYNE SCOTT
Director of Finance, People & Estates (Treasurer)

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REPORT REFERENCE NO.	**DSFRA/22/4**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**2022-23 REVENUE BUDGET AND COUNCIL TAX LEVELS**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer) and Chief Fire Officer**
RECOMMENDATIONS	***(a). that, as recommended by the Resources Committee (Budget) meeting on 8 February 2022, 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 that accordingly a Net Revenue Budget Requirement for 2022-23 of £77,288,900 be approved;*** ***(b). that, as a consequence of the decision at (a) above:*** ***(i). the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £56,708,737, as detailed on Page 2 (Option B) of the respective budget booklet, be approved;*** ***(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*** ***(c). that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances', as set out at Appendix B to this report, be endorsed.***
EXECUTIVE SUMMARY	It is a legislative requirement that the Authority sets a level of revenue budget and Council Tax for the forthcoming financial year by the 11 March each year. The Secretary of State has announced that the Council Tax threshold to be applied in 2022-23 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 2022-23: OPTION A – Freeze Council Tax at 2021-22 level **(£90.00 for a Band D Property).** OPTION B – Increase Council Tax by 1.99% above 2021-22 **(increase of £1.79 pa to £91.79 for Band D Property).**

	The contents of this report were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved to recommend that the Authority approve Option B.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	A. Core Net Revenue Budget Requirement 2022-23. B. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.
BACKGROUND PAPERS	Nil.

1. FOREWORD AND INTRODUCTION

1.1. The draft budget for 2022-23 provides an opportunity to support reform of Devon & Somerset Fire & 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 Devon & Somerset Fire & Rescue Authority (the Authority) which better aligned 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 is more expensive and therefore savings released from the Service Delivery Operating Model have been re-invested in the On Call duty system.

1.2. Due to the economic impact of the Coronavirus pandemic on our communities and an increase in our operating costs, overall funding will not be sufficient to present a balanced budget for 2022-23 without the requirement to use reserves.

1.3. Legislation requires the Authority to set, before 1 March, a level of revenue budget and Council Tax for the forthcoming financial year to inform each of the fourteen Council Tax billing authorities within Devon and Somerset of the level of precept required by the Authority for 2022-23. 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.

1.4. 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.

1.5. On 17 December 2021, 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 2022-23. 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.

1.6. The contents of this report were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved (Minute RC/21/18 refers):

that the Authority be recommended:

(a). to set the level of Council Tax in 2022-23 for a Band D property at £91.79, as outlined in Option B of report RC/22/1, 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;

(b). that, as a consequence of this:

(i). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £56,708, 737, as detailed on page 2 of the respective budget booklet (Option B) be approved;

(ii). the council tax for each of the property bands A to H associated with the total precept as detailed in the budget booklet be approved; and

(c). 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 the report, be endorsed.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2022-23

2.1. The provisional Local Government Finance Settlement for 2022-23 was announced on 17 December 2021, which provided local authorities with individual settlement funding assessment figures for one year only.

2.2. Table 1 overleaf provides details of the Settlement Funding Assessment (SFA) for this Authority which results in an increase in 2022-23 of 0.88% over 2021-22 and an overall reduction of 23.33% since 2015-16:

TABLE 1 – SETTLEMENT FUNDING ASSESSMENT (SFA)			
	SFA	**SFA Reduction**	
	£m	**£m**	**%**
2015-16	29.413		
2016-17	26.873	-2.540	-8.64%
2017-18	23.883	-2.990	-11.13%
2018-19	22.618	-1.265	-5.30%
2019-20	21.961	-0.657	-2.91%
2020-21	22.319	0.358	1.63%
2021-22	22.354	0.035	0.16%
2022-23	22.551	0.197	0.88%
Reduction over 2015-16		**-6.862**	**-23.33%**

2.3. In addition to the settlement figures reported in Table 1 above, the Authority has been awarded a share of a Rural Services Delivery Grant which is only available to the most sparsely populated rural areas. The award is £0.445m for 2022-23.

2.4. There are other Section 31 grant funds, allocated to reduce the impact of the increase in social costs (National Insurance increases for employers) of £1.1m which is included within the revenue budget as income.

3. COUNCIL TAX AND BUDGET REQUIREMENT 2022-23

Council Tax

3.1. It is, of course, an Authority decision to set a level of Council Tax that is appropriate to its funding position. For 2022-23, this report considers two options A and B as below:

- **OPTION A** – Freeze Council Tax at 2021-22 level (£90.00 for a Band D Property);
- **OPTION B** – Increase Council Tax by 1.99% above 2021-22 - an increase of £1.79 pa (15p a month) to £91.79 for a Band D Property.

3.2. The Authority could decide to set any alternative level below 2%. Each 1% increase in Council Tax represents an 90p a year increase for a Band D property, and is equivalent to a £0.553m 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.

TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – FUNDING 2022-23

	OPTION A **Council Tax Freeze at £90.00** **£m**	**OPTION B** **Council Tax Increase of 1.99% to £91.79** **£m**
TOTAL FUNDING 2021-22	**74.222**	**74.222**
Increase in Formula Funding	0.197	0.197
Increase in Retained Business Rates from Business Rate Retention System*	0.414	0.414
Changes in Council Tax Precept		
- Increase in Council Tax Base	0.753	0.753
- resulting from an increase in Council Tax	-	1.106
- Increase in Share of Billing Authorities Council Tax Collection Funds	0.596	0.596
TOTAL FUNDING AVAILABLE 2022-23	**76.182**	**77.289**
NET CHANGE IN FUNDING	**1.961**	**3.068**

Council Tax Base

3.3. The total increase in government funding of £0.197m represents a 0.88% increase over the prior year and comes after significant reductions amounting to 23.0% since 2015-16. The Service had forecast a decrease in Council Tax receipts of 1.00% arising from the impact Covid has had on households. However, there has been an increase of just over 1.00%. The Authority's share of Council Tax collection fund surplus has increased by £0.589m (now in surplus and this figure reflects a three-year spread) which reflects a return to the pre-Covid level of Council Tax collection by districts.

Retained Business Rates

3.4. The funding available from business rates has fallen significantly due to the pandemic. It is assumed that a grant will cover the shortfall, although this figure is yet to be confirmed by Central Government.

Net Budget Requirement

3.5. Table 3 provides a summary of the Core Budget Requirement for 2022-23. A breakdown of the more detailed items included in this draft budget is included in Appendix A of this report.

TABLE 3 – SUMMARY OF REVENUE BUDGET REQUIREMENT 2022-23

	£m	£m
Net Revenue Budget 2021-22		**74.222**
PLUS Provision for pay and price increases (Pay award assumed 2%)	3.020	
PLUS funding adjustments	(4.537)	
PLUS Inescapable Commitments	0.138	
PLUS New Investment	3.947	
PLUS Reduction in Section 31 grant	1.139	
INCREASE in budget requirement over 2021-22		**3.707**
Core spending requirement 2022-23		**77.929**
Budget Management Savings – As in previous years the budget setting process has included the requirement for budget managers to scrutinise non-operational budget heads with a view to the identification of recurring savings. This includes cashable savings from the Safer Together programme	(0.641)	
Savings identified (£m)		(0.641)
Net spending requirement 2022-23		**77.289**

3.6. As outlined in the foreword to this paper, this budget is designed to support reform of the Service by increasing the total investment in the Pay for Availability system at £2.774m. To date, 90% of on-call Stations have transitioned over to the new payment model with on-going discussions with the remaining 10%

3.7. As reduced funding will be available for the coming financial year and there will likely be further restrictions in coming years, officers have restricted requests for investment opportunities to only business critical initiatives.

Balancing the budget

3.8. As is indicated in Table 3, the net Revenue Budget Requirement for 2022-23 has been assessed as £77.289m. This is more than the amount of funding available under Option A and therefore, if this Option were approved, cuts or additional funding need to be identified so as to set a balanced budget.

TABLE 4 – PROPOSALS TO BALANCE THE BUDGET 2022-23

PROPOSALS TO BALANCE THE REVENUE BUDGET	**OPTION A £m**	**OPTION B £m**
Funding Available	76.182	77.289
LESS Net spending requirement 2022-23*	77.289	77.289
Shortfall	**(1.106)**	**0.000**
Transfer from Reserves – to balance the budget, the budget smoothing/ General reserve will be used	1.106	0.000
Total	**0.000**	**0.000**

* A reduction of £0.5m to the revenue contribution to capital has already been factored into the net spending requirement)

3.9. Whilst the Service is confident that the budget can be balanced if Council Tax is increased, there will be a budget shortfall of £1.106m in the coming year if it is frozen. The recommendation is to utilise reserves to fund the gap in the short term until a budget efficiency plan is developed.

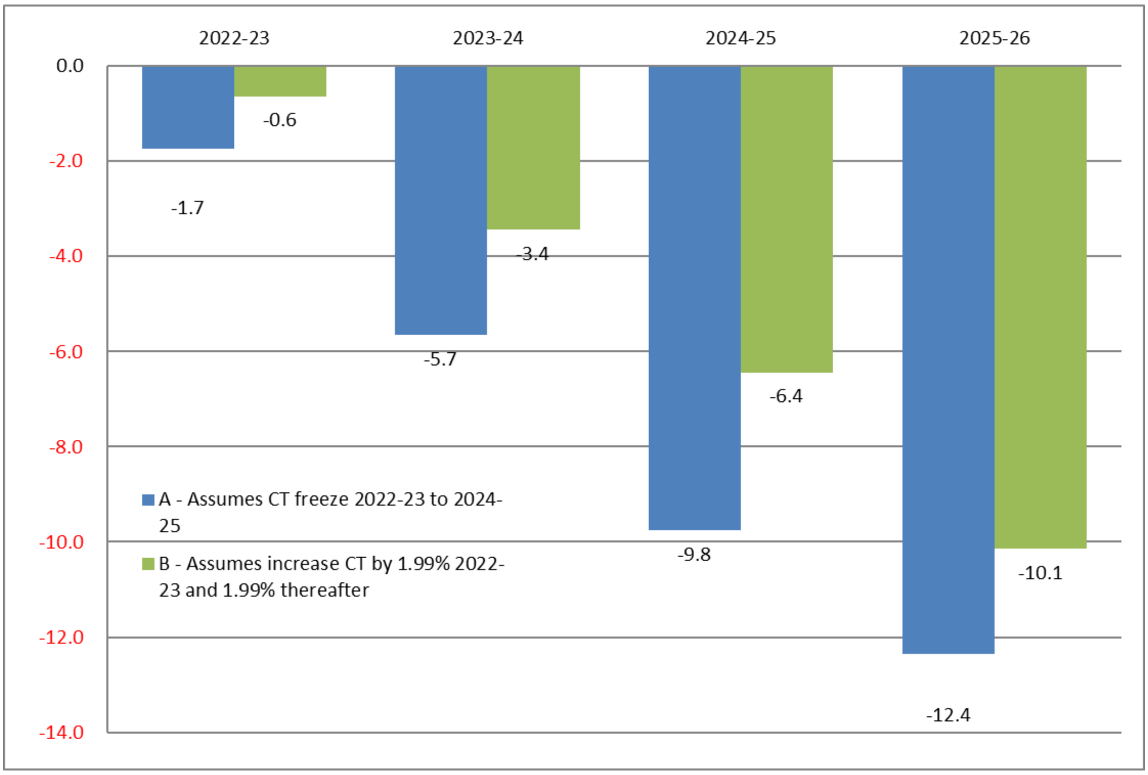
3.10. There is some risk attached to this strategy, as this proposal will fully exhaust the budget smoothing reserve, meaning it will not be available to meet future budget pressures.

4. MEDIUM TERM FINANCIAL PLAN (MTFP)

4.1. Given that the 2022-23 provisional Local Government Settlement is a one-year settlement, the future funding position is less certain. The impacts of the Coronavirus pandemic have been significant both in terms of costs and economic impact and therefore a considerable funding gap is likely. The approach taken to developing the plans and underlying assumptions are outlined in the MTFP document, which is elsewhere on the agenda.

4.2. The MTFP financial modelling tool has assessed a likely ‘base case’ scenario in terms of savings required over the period 2022-23 to 2025-26. Chart 1 provides an analysis of those forecast savings required in each year.

CHART 1 – FORECAST BUDGET SAVINGS REQUIREMENT (CUMULATIVE) 2022 TO 2026 (BASE CASE) - £MILLIONS



4.3. Chart 1 above illustrates that further savings will be required beyond 2022-23 to plan for a balanced budget over the next three years to 2025-26. Should the Authority decide to freeze Council Tax in 2022-23 (Option A) and the following three years then the MTFP forecasts that total savings of up to £12.4m need to be planned for.

Authority Plan 2022 onwards

4.4. This budget report proposes a balanced budget for the next financial year 2022-23 including proposals as to how budget savings can be achieved.

4.5. Looking beyond 2022-23, the Authority will need 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.

4.6. The strategic approach to deliver the required savings is being developed following and an efficiency review has been initiated and will focus on the following priority areas:

- How resources are being utilised; productivity of our staff and assets
- Digitising and streamlining services to make them more efficient; and
- Evidencing value for money of our services.

5. PRECEPT CONSULTATION 2022-23

5.1. Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on proposals for expenditure.

5.2. 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.

5.3. The consultation process ran throughout November and December 2021 and involved a telephone survey of 400 business and 401 residents.

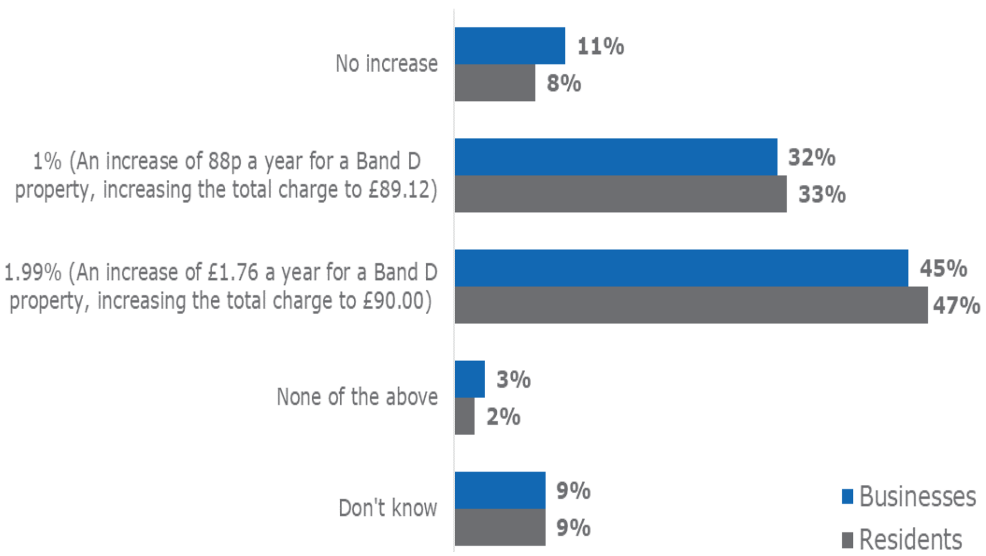
5.4. Due to the fact the Service was consulting on the Community Risk Management Plan for 2022-2027, it was not possible to also conduct an on-line survey regarding the 2022/23 Council Tax position.

Results from the Telephone Survey

5.5. 68% of businesses agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, while 10% disagreed that it is reasonable for them to do so, resulting in a net agreement of +58%.

5.6. 70% of residents agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, while 8% disagreed, giving a net agreement of +62%.

<u>Chart 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 2022-23)</u>

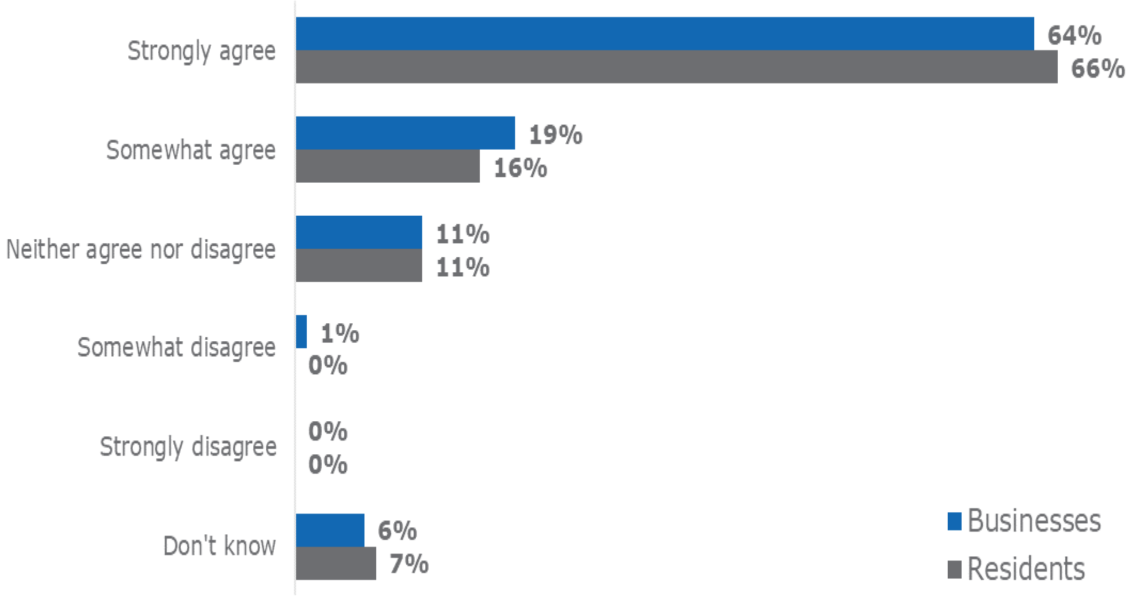


5.7. Of those respondents who agreed that a Council Tax increase would be reasonable, 45% of businesses and 47% residents would support an increase of 1.99% or above.

Providing Value for Money

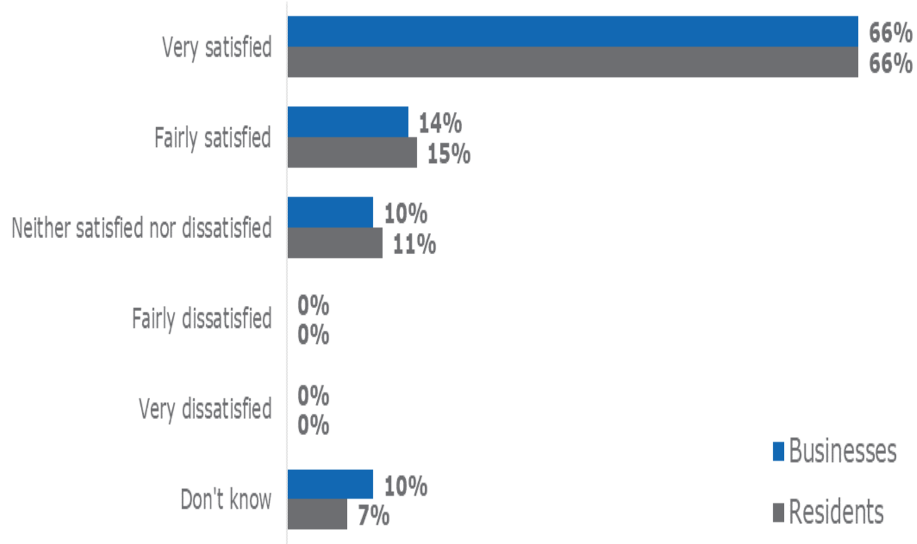
5.8. The consultation asked the responder if they felt the Service provided value for money. The results in Chart 3 indicate 64% of businesses and 66% of residents strongly agreed.

Chart 3: Question 1 Results of agreement to consider increasing the precept



5.9. The responses indicate that the public are either very satisfied or fairly satisfied with the services provided. 80% of businesses and 81% of residents felt this way.

Chart 4: Satisfaction with the service provided by DSFRS



Survey Conclusion

5.10. 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 2022-23. 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 1.99% or above.

5.11. Both businesses and residents agree that the Service provides value for money and were satisfied with the service provided.

6. STATEMENT ON ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE LEVELS OF RESERVES AND BALANCES

6.1. 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.

7. SUMMARY

7.1. The Authority is required to set its level of revenue budget and Council Tax for 2022-23 by 1 March so that it can meet its statutory obligation to advise each of the fifteen billing authorities in Devon and Somerset of the required level of precept. This report provides the Authority with the necessary background information to assist in deciding the appropriate levels.

7.2. The report considers two potential options, A (0% Council Tax increase) and B (1.99% Council Tax increase). The Authority is invited to approve Option B as recommended by the Resources Committee budget meeting held on 8 February 2022.

SHAYNE SCOTT	**LEE HOWELL**
Director of Finance, People & Estates (Treasurer)	**Chief Fire Officer**

APPENDIX A TO REPORT DSFRA/22/4

DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY
SUMMARY MEDIUM TERM FINANCIAL STRATEGY PROJECTIONS 2022-2027

	£'000	2022/23 £000	%
Approved Budget 2021-22		**74,222.0**	
Provision for pay and prices increase			
Grey Book Pay Award (1.5 % July 21, assume 2% from July 2022)	1,557		
Green Book Pay Award (Assume 1.5% April 21 and 2.0% April 22)	391		
Prices increases (assumed 3.2% CPI from August 2021)	625		
Increases in ER NI Contributions of 1.25%	375		
Pensions inflationary increase (tracks CPI - 3.2%)	73		
LGPS ER's increase of 1% (end of 3 year discount period)			
		3,020	4.1%
Funding Adjustments			
Revenue Contribution to Capital	-837		
Transfers from Reserves	-3,700		
		-4,537	
Inescapable Commitments			
Support Staff Increments	138		
Unforeseen budget requirements	273		
		410	
New Investment			
On Call Pay for availability	2,138		
12 x Development Fire Fighters	-415		
Operational staff including control	452		
Professional and Technical Staff (ICT agency/ contractors to deliver IT Health Check remediations)	1,475		
ICT Service Delivery (Office 365 licence)	280		
Professional subscriptions	16		
		3,946	
Income			
Decrease in investment interest	0		
Section 31 grants	1,139		
		1,139	
Anticipated savings			
Pensions - anticipate reduced Ill Health/ Injury leavers	-67		
£600k saving	-587		
Decrease in minumum revenue provision emanating from capital/leases p	-259		
		-913	
CORE BUDGET REQUIREMENT		**77,289.0**	

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 31st 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 www.dsfire.gov.uk.

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)

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REPORT REFERENCE NO.	**DSFRA/22/5**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2022-23 TO 2024-25**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATIONS	***That, as recommended by the Resources Committee (budget) meeting on 8 February 2022:*** ***(a). the draft Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators, as detailed in this report and summarised at Appendices A and B respectively, be approved; and*** ***(b). subject to (a) above, the forecast impact of the proposed Capital Programme (from 2025-26 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report be noted.***
EXECUTIVE SUMMARY	This report sets out the proposals for a three year Capital Programme covering the years 2022-23 to 2024-25 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. 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. The Authority has supported the Treasurer's recommendation it should seek alternative sources of funding other than external borrowing to support future capital investment. To inform longer term planning, the Prudential Indicator has been profiled for a further two years beyond 2024-25 based upon indicative capital programme levels for the years 2025-26 to 2026-27. The contents of this report were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved to commend the proposed Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators to the Authority for approval.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY RISKS AND BENEFITS ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.

APPENDICES	A. Summary of Proposed Capital Programme 2022-23 to 2024-25 (and indicative Capital Programme 2025-26 to 2026-27). B. Prudential Indicators 2022-23 to 2024-25 (and indicative Prudential Indicators 2025-26 to 2026-27).
BACKGROUND PAPERS	None

1. INTRODUCTION

1.1. Each year, the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Devon & Somerset Fire & Rescue Service (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 & Somerset Fire & Rescue Authority (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 has reduced some pressure on the proposed capital programme. However, due to the age of current fleet there are still ambitious plans to introduce new Medium Rescue Pumps (MRP, the largest fire appliances) into the fleet. The 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 2024/25.

1.5. The Authority has set a strategy to reduce reliance on external borrowing. The proposed Capital Programme 2022-23 to 2024-25 and indicative Capital Programme 2025-26 to 2026-27 show that, despite the reduced number of assets, the Authority will need to borrow up to £8.4m. 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. The contents of this report were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved (Minute RC/21/20 refers):

(a). that the Authority be recommended to approve the draft Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators as detailed in report RC/22/3; and (b). 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.

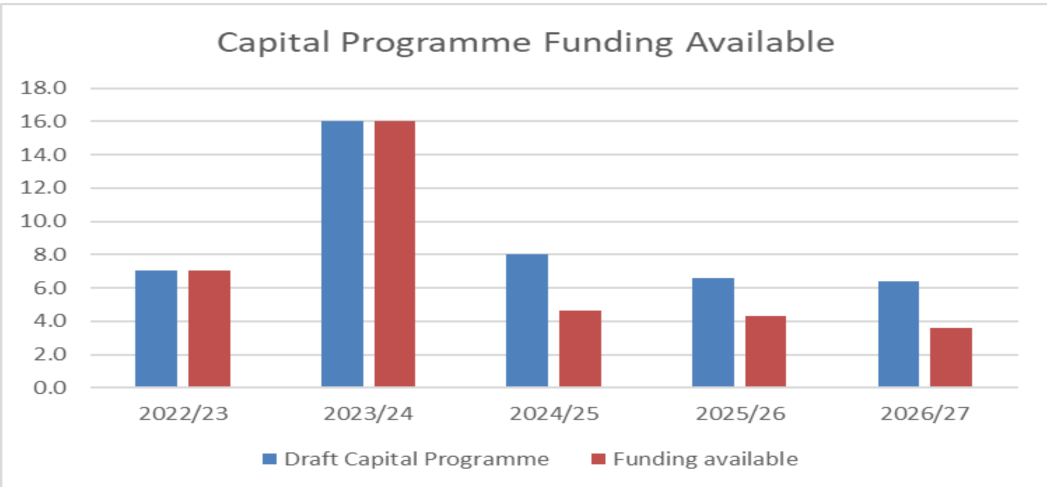
2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

2.1. The tests of affordability of future capital spending are measured by compliance with the Chartered Institute of Public Financial Accountants (CIPFA) Prudential Code for Capital Financing for Local Authorities. Under this code, the Authority is required to set a suite of indicators to provide assurance that capital spending is prudent, affordable and sustainable. The indicators are reviewed annually, although set for the three year period. They also include setting maximum borrowing limits to provide assurance around prudence and the setting of maximum debt ratios to provide assurances in relation to affordability and sustainability.

2.2. The proposed programme and funding, as contained in this report, increases the external borrowing requirement to £26.6m by 2024-25 from the current external borrowing of £24.8m as at 31 March 2022. The debt ratio remains below the 5% maximum limit throughout the planning period.

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 increased Revenue Contributions to Capital will be limited to the amount saved from reduced borrowing, therefore maintaining the overall cost envelope for the Capital Programme. However, significant pressures still remain and the chart below shows that a gap will emerge 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 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.

3. REVISED CAPITAL PROGRAMME FOR 2022-23 to 2024-25

3.1. Appendix A of this report provides an analysis of the proposed programme for the three years 2022-23 to 2024-25 as contained in this report. This programme represents a net increase in overall spending of £2.7m (before application of optimism bias) over the previously agreed indicative programme as illustrated in Figure 1 below:

Figure 1

	Estates	Fleet & Equipment	Total
	£m	£m	£m
Existing Programme			
2021-22	8.0	7.3	15.3
2022-23	3.6	7.4	11.0
2023-24 (provisional)	1.3	4.7	6.0
2024-25 (provisional)	3.5	3.5	7.0
Total 2021-22 to 2024-25	16.4	22.9	39.3
Proposed Programme			
2021-22 (forecast spending)	3.7	6.2	9.9
2022-23	3.9	4.9	8.8
2023-24 (provisional)	7.3	10.5	17.8
2024-25 (provisional)	0.9	4.6	5.5
Total 2021-22 to 2024-25	15.8	26.2	42.0
Proposed change	-0.6	3.3	2.7

Estates

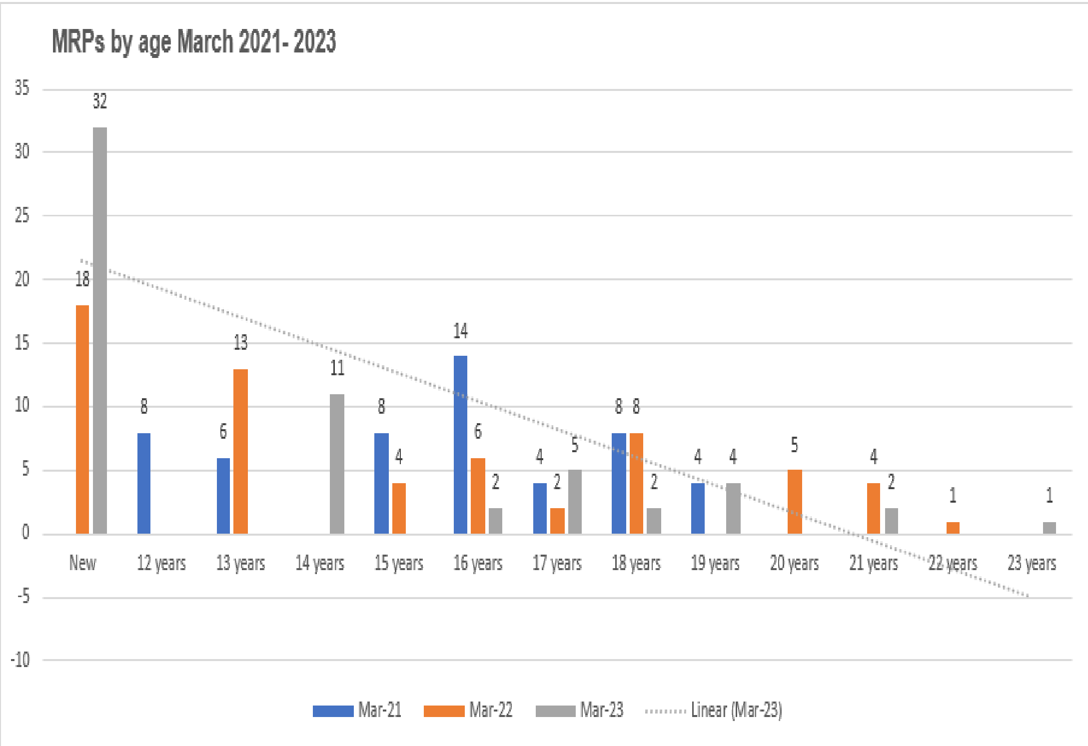
3.2. The Service is in the process of finalising the Estates Strategy and is planning to undertake a full condition survey of the Estate to inform a risk-based approach to future investments. The strategy will also look to maximise opportunities to reduce the footprint of buildings by new ways of working and to incorporate the Authority's Green Environmental Strategy.

3.3. Mindful of the need to review strategy, the programme for 2022-23 has been limited to existing projects, particularly the refurbishment project for Camels Head fire station, alongside works to ensure compliance such as improved sleeping accommodation and vehicle wash down facilities.

Operational Assets

3.4. The project to replace Medium Rescue Pumps (MRPs) which are beyond economic life 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 19 MRPs have been delivered to the Service, with 13 of these being delivered to their new stations. There are also 5 additional Rapid Intervention Vehicles (RIVs) that have been delivered, although these are not yet on the run. Moving forward, the Service has gone out to tender to replace Aerial Ladder platforms and some of the other specialist vehicles.

3.5. At the commencement of the year, the Service has a considerable number of assets due for replacement as they are beyond their recommended economic life, being expensive to service and repair, liable to more frequent reliability issues and increasingly difficult to source parts for. The MRP replacement programme has changed the age profile. The chart below shows the age profile of MRPs.



3.6. 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 better assess the whole life costs of our assets in the future.

3.7. The benefits of the Fleet Replacement Programme are:

- Economic benefits of new fleet;
- Standardisation of vehicles leading to reduced maintenance and training costs; and
- Environmental benefits from reduced emissions and savings on fuel consumption

3.8. The Fleet Replacement plan has replaced some of our oldest appliances with new MRPs and RIVs and cascade existing vehicles to the reserve and training fleet. Currently the Service has:

- MRP – 61 front-line appliances of which 37 are overdue replacement (more than 15 years old – 60%);
- MRP Reserves – 10 MRP reserve appliances of which 9 are overdue replacement (more than 15 years old – 90%);
- LRP – 38 front-line LRP appliances of which 7 become due replacement in 2025/26 based on 12 years expected life-cycle;
- LRP Reserves – 4 LRP Reserve appliances which are 7 years old;
- RIV – 13 front-line RIV appliances of which none will be due replacement until 2028/29 based on a ten-year life-cycle. (Note: these vehicles have not been in service long enough to accurately predict life-cycle so will rely on condition reporting);
- RIV Reserves – 2 RIV reserve appliances;
- RIV (New) – 5 new RIV appliances delivered and awaiting roll-out in the spring of 2022;
- Training Appliances – 6 MRP training appliances of which all are over 15 years old; and
- Driver Training Appliances – 2 x MRP driver training specific appliances which are 9 years old. 1 x MRP appliance (not driver training specific) which is 19 years old. 1 x LRP driver training specific appliance which is 5 years old.

4. FORECAST DEBT CHARGES

4.1. Appendix A of this report also provides indicative capital requirements beyond 2024-25 to 2026-27. The estimated debt charge emanating from this revised spending profile is illustrated in Figure 2 overleaf.

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

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Forecast Debt outstanding at year end	24.264	23.771	26.645	28.820	30.997
Base budget for capital financing costs and debt charges	3.300	3.185	3.215	3.589	3.382
Change over previous year		(0.115)	0.030	0.375	(0.207)
Debt ratio	4.19%	3.49%	3.54%	3.83%	3.58 %

4.2. The forecast figures for external debt and debt charges beyond 2024-25 are based upon the indicative programmes as included in Appendix A for the years 2025-26 to 2026-27. 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 of this report provides a summary of the Prudential Indicators associated with this level of spending over this period. It is forecast that the Capital Financing Requirement (excluding other long-term liabilities), which represents the underlying need to borrow to fund capital spending, will have increased from current levels of £24.3m to £31.0m (including the impact of proposed revenue contributions) by 2026-27.

5.2. Whilst the programme now presented maintains borrowing within 5% to 2026-27, 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 2024-25. The programme proposed in this report does not commit any spending beyond 2024-25. 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.

SHAYNE SCOTT
Director of Finance, People & Estates (Treasurer)

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**
			Estate Development					
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
7,969	**3,655**		**Estates Sub Total**	**3,923**	**7,300**	**900**	**3,700**	**3,700**
			Fleet & Equipment					
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
7,324	**6,172**		**Fleet & Equipment Sub Total**	**4,931**	**10,500**	**4,600**	**1,800**	**2,700**
(2,600)	**0**	7	**Optimism bias Sub Total**	**(1,800)**	**(1,800)**	**2,500**	**1,100**	**0**
12,693	**9,827**		**Overall Capital Totals**	**7,054**	**16,000**	**8,000**	**6,600**	**6,400**
			Programme funding					
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
12,693	**9,827**		**Total Funding**	**7,054**	**16,000**	**8,000**	**6,600**	**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 B TO REPORT DSFRA/22/5

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS	
	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
Capital Expenditure					
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
Ratio of financing costs to net revenue stream					
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%
Capital Financing Requirement as at 31 March	£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
Annual change in Capital Financing Requirement	£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
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£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
Operational Boundary for external debt	£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
Maximum Principal Sums Invested over 364 Days					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATOR	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%

REPORT REFERENCE NO.	**DSFRA/22/6**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL AND TREASURY INDICATORS) 2022-23 TO 2024-25**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATIONS	***That, as recommended by the Resources Committee at its budget meeting on 8 February 2022, the Authority approves:*** ***(a). the expansion of its approved counter parties to include subsidiary entities but that the terms and conditions of any such arrangement be reserved to the Authority;*** ***(b). the Treasury Management Strategy and the Annual Investment Strategy;*** ***(c). the Minimum Revenue Provision statement for 2022-23, as contained as Appendix B;***
EXECUTIVE SUMMARY	As agreed at the Authority meeting of 18 December 2017, there is a requirement for Resources Committee to review the Treasury Management Strategy for recommendation to the Authority. This report sets out a treasury management strategy and investment strategy for 2022/23, including the Prudential Indicators associated with the capital programme for 2022/23 to 2024-25 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2022/23 is also included for approval. The 2021/22 revised Prudential Code also requires the Treasurer to certify that none of the Authority's spending plans include the acquisition of assets primarily for yield. The contents of this report were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved to commend the Strategy and associated Prudential Indicators to the Authority for approval.
RESOURCE IMPLICATIONS	As indicated in this report
EQUALITY RISKS AND BENEFITS ANALYSIS	The contents of this report are considered compatible with existing human rights and equality legislation.

APPENDICES	A. Prudential and Treasury Management Indicators 2022/23 to 2023-25. B. Minimum Revenue Provision Statement 2022/23. C. Link Treasury Solutions economic report
BACKGROUND PAPERS	Local Government Act 2003. Chartered Institute of Public Finance Accountancy's (CIPFA) Prudential Code and CIPFA Treasury Management Code of Practice

1. INTRODUCTION

Background

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

1.2. The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, 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. CIPFA defines treasury management 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.

1.6. The contents of this report were considered by the Resources Committee at its budget meeting on 8 February 2022. The Committee resolved (Minute RC/21/21 refers:

that the Authority be recommended to approve:

(a). expansion of its approved counter-parties to include subsidiary entities, subject to the terms and conditions of any such arrangement being reserved to the Authority;

(b). the Treasury Management Strategy and Annual Investment Strategy 2022-23 as set out in report RC/22/4; and (c). the Minimum Revenue Provision Statement 2022-23 as appended to the report.

Statutory requirements

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

1.8. The Act therefore requires the Authority to set outs its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as Section 4 of this report); this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.9. MHCLG (now Department for Levelling Up, Housing and Communities - DLUHC) issued revised investment guidance which came into force from 1 April 2018. This guidance was captured within the revised Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code 2017.

CIPFA requirements

1.10. The CIPFA 2021/22 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability; and
- declare that the capital spends do not include the acquisition of assets primarily for yield.

1.11. The aim of this capital strategy is to ensure that all elected members on the full Authority fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management reporting

1.12. The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and Treasury Indicators and Treasury Strategy** (this report): The first, and most important report is forward looking and covers:

   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);

- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b. A Mid-year Treasury Management Report: This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

c. An Annual Treasury Report: This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.13. The above reports are required to be adequately scrutinised before being recommended to the Authority. This role is undertaken by the Resources Committee.

1.14. 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 polices to a named body - for the Authority the delegated body is Resources Committee.

Treasury Management Strategy for 2022/23

1.15. The suggested strategy for 2022/23 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 Group (Link).

1.16. The strategy for 2022/23 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

1.17. 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.

Treasury Management Advisors

1.18. The Authority uses Link Group, Treasury solutions as its external treasury management advisors.

1.19. 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.

1.20. 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.

2. CAPITAL PRUDENTIAL INDICATORS FOR 2022/23 TO 2023-24

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

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

Proposed Capital Expenditure	2021-22 (forecast spending)	2022-23	2023-24 (provisional)	2024-25 (provisional)
	£m	£m	£m	£m
Estates	3.655	3.123	6.600	2.200
Fleet & Equipment	6.172	3.931	9.400	5.800
Total	9.827	7.054	16.000	8.000

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

Capital Financing	2021-22 (forecast spending)	2022-23	2023-24 (provisional)	2024-25 (provisional)
	£m	£m	£m	£m
Capital receipts/ contributions	0.000	0.300	0.000	0.000
Capital grants	0.000	0.000	0.000	0.000
Capital reserves	5.766	4.189	12.417	0.998
Revenue	2.037	1.200	2.300	2.300
Existing borrowing	2.024	1.365	1.283	1.370
New borrowing	0.000	0.000	0.000	3.332
Total	9.827	7.054	16.000	8.000

The Authority's Borrowing Need (Capital Financing Requirement)

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

2.5. The CFR does not increase indefinitely, as the Minimum Revenue Provision is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

2.6. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility by the PFI via a public-private partnership lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £1.010m of such schemes within the CFR.

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

Capital Financing Requirement (CFR)	2022-23 (forecast spending)	2023-24	2024-25 (provisional)	2025-26 (provisional)
	£m	£m	£m	£m
Non-HRA expenditure	24.264	23.771	26.645	28.820
Other Long Term Liabilities	1.686	1.308	1.007	0.661
Total CFR	25.950	25.078	27.652	29.481
Movement in CFR	2.534	(3.026)	0.445	(0.641)
Less MRP	2.249	(2.155)	(2.129)	(2.471)
Net movement in CFR	0.285	(0.872)	2.573	1.829

Core funds and expected investment balances

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

Estimated Year end Resources	2022-23	2023-24	2024-25	2025-26
	£m	£m	£m	£m
Reserve Balances	16.996	27.090	13.901	9.529
Capital receipts/ contributions	0.300	0.000	1.250	0.250
Provisions	0.000	0.000	0.000	0.000
Other	8.899	10.903	12.432	14.455
Total core funds	26.195	37.993	27.583	24.234
Working capital*	1.000	1.000	1.000	1.000
Under/over borrowing	0.000	0.000	0.000	0.000
Expected investments	27.195	38.993	28.583	25.234

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

Minimum Revenue Provision Strategy

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

2.10. DLUCH (formally 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.

2.11. The Authority does not plan to make any Voluntary Revenue Provisions within the next three years.

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

The Asset Life Method

2.13. 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.

2.14. 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.

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

2.16. A draft Minimum Revenue Provision statement for 2022/23 is attached as Appendix B for approval.

2.17. The financing of the approved 2022/23 capital programme, and the resultant prudential indicators have been set on the basis of the content of this statement.

Prudential Indicators for Affordability

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

2.19. 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 2022/23 to 2022-23 based on current commitments and the proposed Capital Programme are shown below.

Financing costs as a % of net revenue	2022-23 (forecast spending)	2023-24	2024-25 (provisional)	2025-26 (provisional)
Annual cost	4.19%	3.49%	3.54%	3.83%

3. BORROWING

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

Current borrowing position

3.2. The Authority's treasury portfolio position at 31 March 2021 and the current position are summarised below.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.21	**31.3.21**	**31.12.21**	**31.12.21**
Treasury investments	£000	%	£000	%
banks	13,001	34%	30,151	79%
building societies - unrated		0%		0%
building societies - rated		0%		0%
local authorities	21,500	57%	6,500	17%
DMADF (H.M.Treasury)		0%		0%
money market funds	3,515	9%	1,510	4%
certificates of deposit		0%		0%
Total managed in house	**38,016**	**100%**	**38,161**	**100%**
bond funds		0%		0%
property funds		0%		0%
Total managed externally	**0**	**0%**	**0**	**0%**
Total treasury investments	**38,016**	**100%**	**38,161**	**100%**
Treasury external borrowing				
local authorities		0%		0%
PWLB	24,851	100%	24,804	100%
LOBOs		0%		0%
Total external borrowing	**24,851**	**100%**	**24,804**	**100%**

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

External Debt	2022-23 (forecast spending)	2023-24	2024-25	2025-26
	£m	£m	£m	£m
Debt at 1 April	24.264	23.771	26.645	28.820
Expected change in Debt	(0.493)	(0.493)	2.874	2.176
Other long-term liabilities (OLTL)	1.686	1.308	1.007	0.661
Expected change in OLTL	(0.378)	(0.301)	(0.346)	0.246
Actual gross debt at 31 March	25.079	24.285	30.179	31.903
CFR	25.950	25.078	27.652	29.481
Under/ Over borrowing	0.000	0.000	0.000	0.000

3.4. Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.5. The Authority complied with this prudential indicator in the current year and is not envisaging difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Limits to Borrowing Activity

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

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

Estimated Operational Boundary	2022-23	2023-24	2024-25	2025-26
	£m	£m	£m	£m
Non-HRA expenditure	24,857	24,364	27,203	29,014
Other Long Term Liabilities	1,689	2,186	1,808	1,507
Total	26,547	26,550	29,011	30,521

- **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 o 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.

3.7. The Authority is asked to approve the following authorised limit:

Estimated Authorised Limit	2022-23	2023-24	2024-25	2025-26
	£m	£m	£m	£m
Non-HRA expenditure	26,071	25,553	28,535	30,455
Other Long Term Liabilities	1,774	2,251	1,858	1,540
Total	27,844	27,804	30,393	31,995

Prospects for interest rates

3.8. The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The table overleaf and narrative within Appendix C of this report gives their view.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Borrowing strategy

3.9. As reported in the separate report on this agenda "Capital Programme 2022-23 to 2023-24", 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 (£0.9m in 2022/23).

3.10. This being the case there is no intention to take out any new borrowing during 2022/23 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

3.11. 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

3.12. Officers regularly engage with Link to review the PWLB loan portfolio and consider opportunities for early repayment, this is not currently economically viable due to the penalties applied.

3.13. Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

3.14. If rescheduling was done, it will be reported to this Committee, at the earliest meeting following its action.

4. ANNUAL INVESTMENT STRATEGY

Investment Policy

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

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

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

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

Creditworthiness Policy

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

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

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

4.7. This modelling approach combines credit ratings, credit watches, credit outlooks and 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.

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

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

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

4.11. Sole reliance will not be placed on the use of this external service. In addition 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

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

4.13. **Country Limits.** The Authority will apply a sovereign rating at least equal to that of the United Kingdom for any UK based counterparty. At the time of writing this was AA long term and F1+ short term. 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 Authority. 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-"

4.14. **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

4.15. 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.

4.16. 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 Group credit list on the date the investment is placed, but typically will be for no longer than 24 months. Where such investments are placed via the Secondary Market i.e. buying the remaining term of an existing instrument, then the term will be for 24 months.

4.17. 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 Table 13 below.

4.18. 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.

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

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

4.20. The Authority's detailed risk management policy is outlined in the Treasury Management Policy which is reviewed and considered on an annual basis.

4.21. The above criteria has been amended since last year to reflect the potential for a loan to be made to the Authority's subsidiary company, although this would be subject to terms and conditions as approved by the Authority.

Investment Strategy

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

4.23. Investment returns: Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

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

2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	
Later years	2.00%

4.25. **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Maximum principal sums invested > 365 days			
£m	**2022-23**	**2023-24**	**2024-25**
Principal sums invested > 365 days	£5m	£5m	£5m

End of year investment report

4.26. 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 and 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.

5. SUMMARY AND RECOMMENDATIONS

5.1. The Authority is required to consider and approve the treasury management strategy to be adopted prior to the start of the financial year. This strategy must also include proposed prudential indicators and a Minimum Revenue Provision statement. Approval of the strategy for 2022/23 as contained in this report will also incorporate the adoption of the revised CIPFA Treasury Management Code of Practice.

SHAYNE SCOTT
Director of Finance, People and Estates (Treasurer)

APPENDIX A TO REPORT DSFRA/22/6

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS	
	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
Capital Expenditure					
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
Ratio of financing costs to net revenue stream					
Non - HRA	4.19%	3.49%	3.54%	3.92%	3.66%
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	24,264	23,771	27,545	29,645	31,747
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	28,552	30,306	32,127
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	285	(872)	3,473	1,754	1,821
HRA (applies only to housing authorities)	0	0	0	0	0
Total	285	(872)	3,473	1,754	1,821
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,071	25,553	28,580	30,496	33,278
Other long term liabilities	1,774	2,251	1,858	1,540	1,180
Total	27,844	27,804	30,438	32,036	34,458
Operational Boundary for external debt	£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
Maximum Principal Sums Invested over 364 Days					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATOR	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%

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 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.

LINK TREASURY SOLUTIONS ECONOMIC REPORT

ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changers during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November 2021 rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What is now known is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations.

Rather than go for full lockdowns which heavily damages the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly hospitals will fill up and potentially be unable to cope.

In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home.

Growth will also be lower due to people being ill and not working, similar to the “pingdemic” in July 2021. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December 2021, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May 2022, dependent on how severe an impact there is from Omicron.

- If there are lockdowns in January 2022, this could pose a barrier for the Monetary Policy Committee (MPC) to putting Bank Rate up again as early as 3 February 2022.
- With inflation expected to peak at around 6% in April 2022, the MPC may want to be seen to be active in taking action to counter inflation on 5 May 2022, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May 2022 are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- Year end 0.25% increases have been added into Quarter 1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under Quantitative Easing (QE) ended in December 2021. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16 DECEMBER 2021

- The MPC voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of QE purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November 2021 meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December 2021 meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10 December 2021, it was learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November 2021 might have been marginally better. Nonetheless, at such low rates of growth, the government's “Plan B” COVID-19 restrictions could cause the economy to contract in December 2021.

- **On 14 December 2021, the labour market statistics** for the three months to October 2021 and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15 December 2021, the CPI inflation** figure for November 2021 was received which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it <u>would</u> raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February 2022 and that May 2022 is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3 February 2022. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November 2021, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Federal Bank (Fed) is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15 December 2021** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its 3 November 2021 meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

  The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts.

What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Quarter 1, Quarter 2 came in with strong growth of 2%. With Quarter 3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November 2021 inflation figures -** the breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November 2021, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November 2021, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the European Central Bank (ECB) concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16 December 2021 that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB’s target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December 2021 meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June 2022. In addition, Italy needs to elect a new president in January 2022 with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- **CHINA.** After a concerted effort to get on top of the virus outbreak in Quarter 1 of 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July 2021. New Prime Minister Kishida, having won the November 2021 general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is 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, and vice versa. This is likely to reduce world growth rates from those in prior decades.

SUPPLY SHORTAGES. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase

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REPORT REFERENCE NO.	**DSFRA/22/7**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**APPOINTMENT OF EXTERNAL AUDITORS**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATION	***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.***
EXECUTIVE SUMMARY	The contract relating to the appointment of our current external auditors, Grant Thornton, covers up to and including completion of the 2022-23 audit. The auditors are currently working under a contract originally let by the Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission. When the current transitional arrangements come to an end on 31 March 2023, the Authority will be able to move to the local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. This report outlines three potential options available to the Authority one of which is to continue to opt-in to a sector-wide procurement conducted by PSAA. A decision on the appointment of an external auditor must be taken by the full Authority – it cannot be delegated. If the Authority wishes to opt-in to the PSAA invitation, it needs to confirm this with PSAA by 11 March 2022.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	The Local Audit and Accountability Act 2014 The Local Audit (Appointing Person) Regulations 2015

1. INTRODUCTION

1.1. The requirements for the selection of external auditors for the financial statements of relevant authorities are set out in the Local Audit and Accountability Act 2014 (“the Act”) and the Local Audit (Appointing Person) Regulations 2015 (“the Regulations”) made under that Act. This Authority is a relevant authority for the purposes of the Act and the Regulations.

1.2. The relevant aspects of the Act for this Authority are:

(a). that it must appoint an auditor to audit its accounts by no later than 31 December in the preceding financial year (Section 7);

(b). that the decision on how to appoint an external auditor ***must*** be exercised by the full Authority (Schedule 3 to the Act) i.e. it cannot be delegated either to a Committee or an officer; and

(c). that there are three options open to the Authority for appointing an external auditor:

(i). direct appointment ***but*** in doing so the Authority ***must*** take into account advice from its auditor panel on the selection and appointment of the external auditor;

(ii). direct appointment taking account of advice from an auditor panel established ***jointly*** with another relevant authority (Schedule 4 to the Act provides for the establishment of such a joint panel); or

(iii). opt-in to any “appointing person” arrangements in place (as per the provisions of Section 17 of the Act and the Regulations) for the appointment of the external auditor.

1.3. The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards currently regulated by the Financial Reporting Council (FRC). These factors:

- apply to all local audits irrespective of which option is used to appoint the external auditor;
- are mandatory;
- shape the work auditors undertake; and
- have a bearing on the actual fees required.

The Authority is, therefore, unable to influence the scope of the audit – irrespective of the method of selection of external auditor - and the regulatory regime inhibits the Authority’s ability to affect quality.

1.4. Appointments made in accordance with option (c)(iii) above are only valid, however, for the “compulsory appointing period” i.e. the financial years as specified in any invitation to the relevant authority to opt-in to the appointing person arrangements. Thereafter, a relevant authority must again determine the external auditor appointment on the basis of the options as set out above.

1.5. At its meeting on 19 December 2016, the Authority considered this matter and resolved to opt-in to the Public Sector Audit Appointments (PSAA) (the "appointing person") arrangements for its financial statements for 2018-19 to 2022-23 (the "compulsory appointing period" as specified in the invitation to opt-in extended at that time by PSAA) i.e. option (c)(iii) above (Minute DSFRA/39 refers).

1.6. The Authority now needs to consider the arrangements for the external audit of its financial statements for the financial year 2023-24 onwards. PSAA has been confirmed by the Secretary of State in the role of "appointing person" for eligible principal bodies for the period commencing April 2023 and has written to this Authority inviting it to "opt in" to arrangements to appoint an external auditor for the five financial years 2023-24 to 2027-28. Should the Authority wish to opt-in, it is required to notify PSAA by 11 March 2022.

1.7. The remainder of this report explores the advantages and disadvantages to each of the options as identified in Paragraph 1.2(c)(i) to (iii) above along with other relevant considerations.

2. OPTION 1 - TO MAKE A STAND-ALONE APPOINTMENT

2.1 To exercise this option, the Authority would have to establish an auditor panel in accordance with Section 9 of the Act. Section 8 of the Act requires the Authority to consult and take account of the advice of the auditor panel on the selection and appointment of an external auditor. In effect, therefore, the auditor panel would be responsible for the selection of the external auditor.

2.2 Schedule 4 of the Act stipulates that the auditor panel must be constituted either wholly or by a majority of "independent members" and must be chaired by an independent member. "Independent member" is defined in Schedule 4, which stipulates that an independent member ***cannot***:

- be a member or officer of the authority (or any other relevant authority or entity with which the authority is connected at the time);
- have been a member or officer of the authority (or any other relevant authority or entity with which the authority is connected) within the previous five years; and
- be relative or close friend of a member or officer of the authority or any other relevant authority or entity with which the authority is connected at the time);
- have any beneficial interest in a current contract with the Authority for the provision of goods and services;
- be a current or prospective auditor for the authority; and
- have been employed, within the previous five years, with either a current or prospective auditor.

2.3 The effect of these constraints on auditor panel membership is that any Authority Members appointed to the auditor panel would not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Authority's external audit.

Advantages/benefits

2.4 Setting up an auditor panel allows the Authority to take maximum advantage of the new local appointment regime and have some, albeit highly limited, local input to the decision.

Disadvantages/risks

2.5 There will be costs associated with the recruitment and servicing of the auditor panel, running the bidding exercise and negotiating the contract; in addition, on-going expenses and allowances will be incurred.

2.6 The Authority will not be able to take advantage of any reduced fees that may be available through joint or national procurement contracts.

2.7 The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by Authority Members.

2.8 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise but would require management of any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

3. OPTION 2 - SET UP A JOINT AUDITOR PANEL/LOCAL JOINT PROCUREMENT ARRANGEMENTS

3.1. As previously referenced, Schedule 4 to the Act enables the Authority to establish a joint auditor panel with other relevant authorities. Again, though, such a Panel will need to be constituted either wholly or by a majority of independent members, with the same restrictions on being an independent member (as identified in paragraph 2.2 above) applying.

3.2. Additionally, if the Authority was minded to adopt this option:

- it would, in the first instance, need to assess the appetite of other relevant authorities to enter into such an arrangement; and
- further legal advice may be required on the exact constitution of such a panel, having regard to the obligations of each authority under the Act.

Advantages/benefits

3.3. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

3.4. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

3.5. The decision making body will be further removed from local input. There will be potentially no input from Authority Members where a wholly independent auditor panel is used or limited input in the event of this Authority appointing only one Member to the jointly constituted auditor panel.

3.6. The choice of auditor could be complicated where individual authorities have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work either for the Authority. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Authority, then a separate appointment, with all the attendant costs and loss of economies possible through joint procurement, may still be required.

3.7. As with Option 1, a local procurement exercise would seek tenders from the same nine eligible audit providers firms as the national procurement exercise but would require management of any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

3.8. This, together with Option 1 above, would be more resource-intensive to implement for the Authority and - without the bulk buying power of the sector-led procurement - would be likely to result in a more costly service.

3.9. This option also requires a willing partner or partners of sufficient size to give the exercise a chance of being financially favourable. Early indications are that most of the potential partners for this Authority are, though, opting for 3 below.

4. OPTION 3 - OPT-IN TO "APPOINTING PERSON" ARRANGEMENTS

4.1. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme, with any surplus distributed back to scheme members. As previously referenced, PSAA has been confirmed by the Secretary of State in the role of "appointing person", in accordance with the Regulations, for eligible principal bodies for the period commencing April 2023. PSAA has written to this Authority inviting it to "opt in" to arrangements to appoint an external auditor for the five financial years 2023-24 to 2027-28.

4.2. In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;

- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Authority the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

4.3. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:

- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
- continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
- continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned; and
- seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

Advantages/benefits

4.4. It is considered that there are a number of advantages and benefits to opting-in to the “Appointing Person” arrangements. These include:

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;

- it obviates the requirement for the Authority to establish its own auditor panel with an independent chair and either wholly, or a majority of, independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it represents the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAAs national procurement; and
- supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term.

Disadvantages/risks

4.5. Individual Authority Members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

4.6. For the sector-led body (i.e. PSAA) to be viable and to be placed in the strongest possible negotiating position, authorities are required to indicate their intention to opt-in before final contract prices are known.

5. OTHER CONSIDERATIONS

5.1. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time, the audit market was relatively stable, there had been few changes in audit requirements and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme, which attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

5.2. During 2018, however, a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government:

- Sir John Kingman’s review of the FRC, the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon’s review of the quality and effectiveness of audit; and
- Sir Tony Redmond’s review of local authority financial reporting and external audit.

5.3. The recommendations from these reviews are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator – the Audit, Reporting and Governance Authority (ARGA) - is to be established to replace the FRC and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

5.4. In particular, the Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018-19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible.

5.5. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

5.6. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with COVID-19 creating further significant pressure for finance and audit teams.

5.7. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

6. RISKS

6.1. The main risk for the Authority associated with this issue are:

- it fails to appoint an auditor in accordance with the requirements and timings specified in the Regulations. In this event, Regulation 12 would require the Authority to notify the Secretary of State immediately. The Secretary of State may then direct the Authority to appoint the auditor named in the direction or may appoint an external auditor on behalf of the Authority i.e. there would be no choice in the matter for the Authority; and
- the Authority fails to achieve value for money in the appointment process.

6.2. It is considered that both of these risks are best mitigated by opting-in to the sector led approach through PSAA.

7. FINANCIAL IMPLICATIONS

7.1. Current external fee levels are likely to increase when the current contracts conclude at the end of the 2022-23 financial year.

7.2. The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above would need to be estimated and included in the Authority's budget from 2022-23. This would include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and any agreed payments to Panel members.

7.3. Opting-in to the sector-led approach provides the maximum opportunity to limit the extent of any increases by entering into a large-scale collective procurement arrangement and would remove the costs of establishing an auditor panel. There will be no fee to join the sector led arrangements.

7.4. The audit fees that opted-in bodies will be charged by the sector led body will cover the costs of appointing auditors. The LGA believes that audit fees achieved through block contracts will be lower than the costs that individual authorities will be able to negotiate.

8. CONCLUSION

8.1. The Authority has until 31 December 2022 to make an audit appointment, (Section 7 Local Government and Accountability Act 2014). In practical terms, this means that one of the options outlined in this report will need to be determined by the full Authority by spring 2022 so that the contract negotiation process can be carried out during the remainder of the year.

8.2. Authorities wishing to opt-in to the sector-led PSAA arrangements need to have notified PSAA of this by 11 March 2022.

8.3. For the reasons outlined previously in this report, Option 2 is considered the least feasible as there are unlikely to be many partners with which to establish a joint auditor panel. This would point to a choice between Option 1 and Option 3. On balance, it is considered that the benefits of Option 3 outweigh Option 1. Additionally, early indications are that, should the Authority determine Option 3 (i.e. the sector-led PSAA arrangements), it would be consistent with most other bodies in Devon and Somerset and most other Fire and Rescue Authorities.

8.4. In light of the above, the Authority is invited to approve option 3 and opt-in to the sector-led PSAA arrangements for the appointment of an external auditor for the financial years 2023-24 to 2027-28.

SHAYNE SCOTT
Director of Finance, People & Estates (Treasurer)

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REPORT REFERENCE NO.	**DSFRA/22/8**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Budget)**
DATE OF MEETING	**18 FEBRUARY 2022**
SUBJECT OF REPORT	**PROCESS FOR APPOINTMENT OF AUTHORITY MEMBER NON-EXECUTIVE DIRECTORS TO THE BOARD OF RED ONE LTD.**
LEAD OFFICER	**Director of Governance & Digital Services**
RECOMMENDATIONS	***None.***
EXECUTIVE SUMMARY	In accordance with Standing Order 21, Councillor Dr. Buchan has asked that the Authority consider whether the process for appointing Authority-Member non-executive directors to the Board of Red One Ltd. is fair and represents good governance practice.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	N/A
APPENDICES	Nil.
BACKGROUND PAPERS	Agenda and Minutes of the Authority annual meeting held on 29 June 2021 Authority Standing Orders Officer Urgency Decision – Appointment of two Authority Member Non-Executive Directors to the Board of Red One Ltd. Articles of Association of Red One Ltd. The Devon & Somerset Fire & Rescue Authority (Combination Scheme) Order 2006 (as amended) (“the Order”) Local Government Act 1972 (“the Act”)

1. INTRODUCTION

1.1. In accordance with Standing Order 21, Councillor Dr. Buchan has asked that the Authority consider whether the process for appointing Authority-Member non-executive directors to the Board of Red One Ltd. is fair and represents good governance practice. In particular, Councillor Dr. Buchan would wish the following considered when debating this item. Officer comments are included below each question by way of additional context.

1. What is the current process, including criteria for nomination and appointment?

   Officer comment: The Authority has not set a prescribed process, it agrees the process to be used as each vacancy arises. Previous processes have required the Clerk to seek expressions of interest from Authority Members and appoint an agency specialising in the selection and recruitment of non-executive directors (NEDs) to assess expressions of interest and provide a suitability assessment for consideration when making the final appointments. The only criteria for nomination is to be a Member of the Authority (excluding the Authority Chair and Vice Chair). The appointments have previously been made either by the full Authority or delegated by the full Authority to a committee.

2. How is the independent advice arrived at and incorporated within the decision-making process?

   Officer comment: As set out under question 1, advice has previously been provided by specialist NED recruitment agencies in the form of a suitability assessment which is considered by the Authority (or committee) when making the final appointments. It is important to note that consideration of advice does not abrogate the right and responsibility of the decision maker to make the decision. Neither does it preclude the decision maker from taking account of other relevant considerations, nor from reaching a decision that may differ from the advice.

3. Is the process for independent advice good value for money as currently administered?

   Officer comment: The specialist agencies referred to earlier have previously been appointed following a proportionate, competitive procurement process. The cost of the last exercise was £5,000. The suitability assessment allows the decision maker to be cognisant of the strengths and weaknesses of each applicant but, as previously indicated, is not the only factor that may be taken into account when deciding appointments. It is for the Authority to determine whether this advice provides value for money.

4. Who comprises the appointment panel and are the Terms of Reference appropriate to ensure that the Authority can be confident in the decisions being made and that these are being made impartially?

   Officer comment: As set out in the comment under question 1, the Authority has previously determined the arrangements for each appointment process. In accordance with the provisions of the Act, decisions (whether by the full Authority or a Committee) are reached by a majority of Members present and voting. In the event of a tie in votes, the Chair has a second or casting vote. Decisions made by the Authority must be lawful, be within the recognised parameters of rationality and made in accordance with its constitution. There is no statutory requirement for impartiality and – given the legislative requirements and the political nature of local authorities – it is difficult to see how this could be achieved without fettering Members' independent judgment.

5. Does the Authority wish to make any changes to this process to improve it?

   Officer comment: As set out in the comment under question 1, the Authority has not to date set a prescribed process. This provides flexibility to enable the Authority to determine the process to be used as each vacancy arises.

2. <u>LEGISLATIVE AND CONSITUTIONAL CONSIDERATIONS</u>

2.1. The appointment and method of appointment of Authority Member Non-Executive Directors is a matter for the Authority to determine.

2.2. Historically, such appointments have been determined by the full Authority, which previously authorised the Clerk, each time the appointments fell due, to undertake the initial stages by inviting declarations of interest from eligible Members and commissioning, following a proportionate procurement process, an independent company with expertise in non-executive director appointments to consider applications and provide a suitability assessment for consideration when making the final appointments.

2.3. For the most recent appointments, the same process was followed albeit that the Authority delegated the decision on the final appointments to the Appointments & Disciplinary Committee. In this respect, it should be noted that:

1. Section 101(1) of the Act (which is expressly applied to this Authority by the Order) provides that, unless a statutory prescription exists, any function of the Authority may be delegated either to a Committee or to an Officer;
2. there is no statutory or constitutional prescription that prevents Authority Member non-executive director appointments being delegated either to a Committee or to an officer of the Authority;
3. by virtue of Paragraph 42 of Part 6, Schedule 12 to the Act (also expressly applied to this Authority by the Order), the Authority may make Standing Orders for the regulation of its proceedings; and

4. the Authority's current Standing Orders, specifically Standing Order 28, allows the Chief Fire Officer to exercise all rights, powers and duties of the Authority in cases of urgency, subject to consultation with the Authority Chair or Vice-Chair. A similar Standing Order (allowing Officers to exercise powers and duties in cases of urgency) is commonplace in the constitutions of local authorities.

2.4. It should also be noted that any advice received by the Authority - whether from an officer of the Authority or an external advisor - on any matter requiring a decision is just that i.e. advice. Receipt and consideration of the advice does not abrogate the right and responsibility of the decision maker (the Authority, Committee or officer, as the case may be) to make the decision. Neither does it preclude the decision maker from taking account of other relevant considerations, nor from reaching a decision that may differ from the advice.

2.5. For local authority decisions, the only requirement is that the decision was reached lawfully i.e. in accordance with:

- the legislation and associated constitutional framework for the authority; and
- the common law principles that:
    - the decision maker must have due regard to all relevant considerations and not have regard to irrelevant considerations ("the Wednesbury Rules" deriving from the Court of Appeal case of Associated Provincial Picture Houses Ltd. v Wednesbury Corporation (1947)); and
    - any and all decisions are both rational and reasonable (as otherwise the decision in question could be subject to challenge by judicial review).

3. CONCLUSION

3.1. The Authority is asked to consider the issue raised by Councillor Dr. Buchan together with the legislative and constitutional considerations as set out in this report.

MIKE PEARSON
Director of Governance & Digital Services

REPORT REFERENCE NO.	**DSFRA/22/9**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY**
DATE OF MEETING	**18 FEBRUARY 2022 (Budget Meeting)**
SUBJECT OF REPORT	**LOCALISM ACT 2011 – PAY POLICY STATEMENT 2022-23**
LEAD OFFICER	**Director of Governance & Digital Services**
RECOMMENDATIONS	***(a). That the Pay Policy Statement 2022-23 as appended to this report 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 publish a revised Statement, as necessary, on the Authority's website.***
EXECUTIVE SUMMARY	The Authority is required under the Localism Act 2011 to approve and publish a Pay Policy Statement, by 31 March of each year, to operate for the forthcoming financial year. This Statement sets out the Authority's policy towards a range of issues relating to the pay of its workforce and in particular the senior staff and the lowest paid employees. This paper provides further background information in relation to the requirements of the Localism Act and includes a draft Pay Policy Statement for the forthcoming (2022-23) financial year. The draft Pay Policy Statement for 2022-23 has been updated to reflect current levels of pay for senior officers and other employees but, other than that, is unchanged from the previous year and is recommended to the Authority for approval.
RESOURCE IMPLICATIONS	There are no resource implications associated with production of the Pay Policy Statement. Funding for staffing costs etc. are contained within the approved Authority revenue budget.
EQUALITY RISKS & BENEFITS ANALYSIS	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Draft Pay Policy Statement 2022-23
BACKGROUND PAPERS	1. Localism Act 2011 Sections 38 to 43. 2. "Pay Policy and Practice in Local Authorities: A Guide for Councillors" produced by the Local Government Association, published January 2013. 3. Local Government Transparency Code 2015.

	4. Fire and Rescue National Framework for England – May 2018

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 (as amended) 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 is a 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 the relationship between the highest (for this Authority, the Chief Fire Officer) and lowest pay point. This method has previously been used as a benchmark 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 ("Green Book" staff) in 2019-20. This 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 posts at Grade 1). The effect of this was that the pay multiple ratio between the Chief Fire Officer and the lowest paid employee decreased from 12.8 to 1 to 8.5 to 1 in that year. The lowest pay point is currently £18,933, giving a ratio of 8.6 to 1. It should be noted here, though, that the Green Book pay award for 2021-22 has, at the time if writing, still to be finalised. The current employers offer is for a 1.75% increase, which once finalised, would result in a change in the ratio to 8.4 to 1.

4. <u>RE-EMPLOYMENT OF OFFICERS</u>

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).

4.2 The LGA guidance contains a 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."

4.3 The covering letter to the LGA guidance suggested that this paragraph should be widened to incorporate retirements in addition to redundancies. This modification was incorporated into the Authority Pay Policy Statement 2014-15 and has been retained in subsequent Pay Policy Statements.

4.4 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".*

4.5 Principal Officers in this respect is defined as Area Managers and above, or those with comparable responsibilities to those roles.

4.6 The Authority's Pay Policy Statement sets out, in Section 8, controls approved by the Authority for the re-employment of former employees (whether through redundancy or retirement) which reflect the relevant contents of 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 2022-23

6.1 This is now the eleventh iteration of the Pay Policy Statement, the Authority having approved and published a Statement for each of the last ten consecutive years following introduction of the requirement by the Localism Act 2011.

6.2 The draft Pay Policy Statement to operate for the 2022-23 financial year is appended to this report. There are no substantial changes to the Pay Policy Statement as approved by the Authority for 2021-22 (as amended at the Authority annual meeting in June 2021 to reflect changes to Committee Terms of Reference and Scheme of Delegations).

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:

(a). to approve the Pay Policy Statement 2022-23 as appended to this report for publication on the Authority's website; and

(b). to authorise the Clerk to make any consequential amendments to the Statement as may be necessitated by the final 2021-22 pay award for "Green Book" staff and publish a revised Statement, as necessary, on the Authority's website.

MIKE PEARSON
Director of Governance & Digital Services

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DEVON & SOMERSET FIRE & RESCUE AUTHORITY

LOCALISM ACT 2011 – PAY POLICY STATEMENT 2022-23

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 eleventh 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 £130,187 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 £162,061.

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 £134,510. The current salary for an Assistant Chief Fire Officer is 121,543. 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	£101,287
3	£92,846
2	£84,407
1	£75,967

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 £18,933 to £19,698 for a 37 hour week and is usually subject to review from 1 April each year. For contextual purposes the salary level for a competent full-time firefighter is £32,244 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 £32,244). The second multiple is for the lowest pay point (currently £18,933). 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	8.6 : 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

Redundancy

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 People Committee will be required for the re-employment, following redundancy, of any former employee from Station Manager up to and including Area Manager level (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 Brigade Manager (including non-uniformed equivalent); and
- for both of the above two approval processes, the Authority may require the repayment of one 24th part of any redundancy payment made by the Authority for every month less than 24 months between the date of redundancy and the date of re-employment.

Retirement

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 ("the National Framework), 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 National Framework also states that fire and rescue authorities will "have regard to this principle when appointing at any level".

8.5 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.

8.6 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 below.

8.7 With this in mind and taking account of the National Framework provisions, the Authority has agreed the following approach in relation to requests for re-employment following retirement, subject in each case to an approved business case:

(a). the Chief Fire Officer has delegated authority to approve such requests up to and including Watch Manager level (or non-uniformed equivalent posts);

(b). the People Committee has delegated authority to approve such requests for Station Manager up to and including Area Manager level (or non-uniformed equivalent posts); and

(c). the approval of the full Authority is required for the re-employment, following retirement, of any post-holder at Brigade Manager (or equivalent non-uniformed) level i.e. any member of the Service Executive Board (the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officers, Director of Governance & Digital Services and Director of Finance and Resourcing). Such approval will only be granted in exceptional circumstances where the re-appointment is necessary in the interests of public safety. The rationale for the decision (together with any alternative approaches considered but deemed not appropriate) must be published.

9. <u>THE PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS</u>

9.1 In order to make this information in relation to the Pay Policy Statement accessible to members of the public, the statement will be published on the Authority website.

10. <u>REVIEW OF THE PAY POLICY STATEMENT</u>

10.1 This document will be reviewed at least annually by the Authority.