

# DEVON & SOMERSET FIRE & RESCUE AUTHORITY

(Devon & Somerset Fire & Rescue Authority)

16 February 2024

## Present:

Councillors Cook-Woodman (Chair), Biederman (Vice-Chair), Brazil, Carter, Chesterton, Clayton, Coles, Gilmour, Kendall, Kerley, Patel, Randall-Johnson, Peart, Power, Radford, Roome, Sellis, Slade, Sproston, Sully and Trail BEM

## Apologies:

Councillors Atkinson, Best, Fellows and Hendy

## **DSFRA/23/30 Minutes**

**RESOLVED** that the Minutes of the meeting held on 11 December 2023 be signed as a correct record.

## **DSFRA/23/31 Minutes of Committees**

### a **Audit & Governance Committee**

The Chair of the Committee, Councillor Coles, **MOVED** the Minutes of the meeting held on 22 January 2024 which had considered, amongst other things:

- A revised forward plan of items for consideration by the Committee during the 2023-24 municipal year;
- An external audit progress report;
- The Annual Audit Report 2023-24 on the Authority's Value for Money arrangements;
- An update report on the Corporate Risk Register; and
- A report on progress against Action Plan to address those Areas for Improvement falling within the remit of the Committee and as identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) following its last inspection of the Service.

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

### b **People Committee**

The Chair of the Committee, Councillor Clayton, **MOVED** the Minutes of the meeting held on 24 January 2024 which had considered, amongst other things:

- A report on performance as at Quarter 2 of the current (2023-24) financial year against those Key Performance Indicators relating to the three Strategic Priorities approved by the Authority and falling within the remit of this Committee;

- A report on progress with the Action Plans to address both the Cause for Concern and Areas for Improvement falling within the remit of this Committee and as identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) following its last inspection of the Service; and
- A report on progress made against the 35 recommendations made by HMICFRS in its published report into values and culture in the fire and rescue service.

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

c **Community Safety Committee**

In the absence of the Chair, the Committee Vice-Chair, Councillor Chesterton, **MOVED** the Minutes of the meeting held on 31 January 2024 which had considered, amongst other things:

- A report on performance in the third quarter of the current (2023-24) financial year against those Key Performance Indicators falling within the remit of this Committee and aligned to the Authority approved Strategic Priorities 1 and 2;
- A report on progress against the Action Plan to address those Areas for Improvement within the remit of this Committee and as identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) following its last inspection of the Service; and
- A report on recent changes to fire safety legislation stemming mainly from the Grenfell tragedy.

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

d **Resources Committee**

The Chair of the Committee, Councillor Peart, **MOVED** the Minutes of the budget meeting held on 5 February 2024 which had considered, amongst other things:

- A report on the proposed 2024-25 budget and Council Tax levels;
- A report on the proposed Capital Strategy for the Authority;
- A report on the proposed Capital Programme 2024-25 to 2026-27 and associated Prudential Indicators;
- A report on the proposed Treasury Management Strategy (including Prudential and Treasury Management Indicators) 2024-25 to 2026-27;
- A report on Treasury Management performance as at Quarter 3 of the current (2023-24) financial year;
- A report on performance against agreed financial targets for the 2023-24 budget as at Quarter 3 of the current financial year;

- A report on progress against the Action Plan to address those Areas for Improvement falling within the remit of this Committee and as identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) following its last inspection of the Service; and
- A report on the financial performance of Red One Ltd. In the third quarter of the current financial year.

## **RESOLVED**

(i). That the recommendations in relation to:

- The Capital Strategy;
- The 2024-25 Revenue Budget and Council Tax levels;
- The Capital Programme 2024-25 to 2026-27 and associated Prudential Indicators; and
- The Treasury Management Strategy (including Prudential and Treasury Management Indicators) 2024-25 to 2026-27

be considered in conjunction with Minutes DSFRA/23/33 and DSFRA/23/34 (a) to (c) inclusive and respectively below;

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

***(See also Minutes DSFRA/23/33 and DSFRA/23/34 (a) to (c) inclusive below).***

### **DSFRA/23/32     Medium Term Financial Plan**

The Authority considered a report of the Director of Finance & Corporate Services (DSFRA/24/1) setting out the Medium-Term Financial Plan for Authority funding, income and expenditure forecasts for the next five years, as required by the Fire & Rescue National Framework for England.

**RESOLVED** that the Medium-Term Financial Plan as detailed in report DSFRA/24/1, be endorsed.

***(See also Minutes DSFRA/23/34(a) to (c), inclusive, below)***

### **DSFRA/23/33     Capital Strategy**

The Authority considered a report of the Director of Finance & Corporate Services (DSFRA/24/2) setting out a proposed capital strategy for the Authority, as required by the Chartered Institute of Public Finance and Accountancy Prudential Code (as revised).

The Strategy provided a high-level overview of how capital expenditure (and the way it is financed) contributes 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.

In debating this item, Members commented on the potential opportunities that might be afforded by the use of emerging Artificial Intelligence (AI) technologies in support of promoting efficiency and effectiveness in the overall use of resources.

The Resources Committee, at its budget meeting on 5 February 2024, had considered the strategy and resolved to commend it to the Authority for endorsement (Minute RC/23/16 refers).

**RESOLVED** that, as recommended by the Resources Committee budget meeting on 5 February 2024, the Capital Strategy as set out in report DSFRA/24/2 be approved.

*(See also Minutes DSFRA/23/31(d) above and Minutes DSFRA/23/34(a) to (c) (inclusive) below)*

## **DSFRA/23/34 REVENUE AND CAPITAL BUDGETS**

### **a 2024-25 Revenue Budget and Council Tax Levels**

The Authority considered a joint report of the Director of Finance & Corporate Services (Treasurer) and the Chief Fire Officer (DSFRA/24/3) on the draft 2024-25 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 2024-25 for a Band D property be set at £96.79, as outlined in Option A, representing no increase over 2023-24 and representing a Net Revenue Budget Requirement for 2024-25 of £90.781m; or

Option B: that the level of council tax in 2023-24 for a Band D property be set at £96.79, as outlined in Option B, representing a 2.99% increase over 2023-24 and representing a Net Revenue Budget Requirement for 2024-25 of £92.622m.

A provisional, one year only, Local Government Finance Settlement for 2024-25 had been announced on 18 December 2023. A subsequent announcement of further additional grant funding was released on 24 January 2024 which was confirmed on the 5 February 2024.

This 2024-25 Settlement Funding Assessment for the Authority was £28.243m, an increase of 21.09% over the 2023-24 figure but representing an overall reduction of 0.27% since 2015-16. Since 2019-20, the Authority had received a separate grant of £3.9m to cover the majority of the increase in employer's pensions contributions following an actuarial review by the Government Actuarial Department (GAD). This grant was now included in the Revenue Support Grant and had increased the Settlement Funding Assessment by that amount.

On 18 December 2023, the Department for Levelling Up, Housing and Communities (DLUCH) announced, as part of the provisional Local Government Settlement, the Council Tax limit to be applied in 2024-25. Despite requests from the sector to extend the option to increase by up to £5 again for 2024-25, the limit was set at a 2.99% maximum increase. If exceeded, this would trigger the need to hold a referendum, the indicative administrative costs for which for the Authority were estimated in excess of £2.3m. As such, it was not proposed to exceed the maximum increase of 2.99%

The Authority had also received a £0.575m share of the Rural Services Delivery Grant for 2024-25 together with £0.111m Section 31 grant funding to reduce the impact of the increase in social costs. These sums were included as income in the proposed revenue budget.

A Funding Guarantee Grant of £1.752m, provided to ensure the Settlement Funding Assessment was increased by 4% (it was 3% [£0.955m] in the provisional settlement) before any Council Tax rises, had also been awarded in the additional funding announcement on 24 January 2024.

The Authority was advised that, should budget option A be selected, then the net spending requirement exceeded available funding by £1.841m. This shortfall could be met by removing the proposed contribution to capital expenditure (£0.669m) with the capital reserve used to fund the residual gap in the short-term pending development of additional spending reductions across all areas of the Service. This carried significant risk of being unable to meet future capital programme requirements and the scale of efficiencies required would likely see reductions made to front line services. Option B, however, would not require any contribution from reserves.

The Medium-Term Financial Plan identified a requirement for further savings beyond 2024-25 to ensure that balanced budgets could be set in each year of the Spending Review period. The strategic approach to deliver the required savings in future years was underway and outlined in the Service Targeted Operating Model. Spending reductions totalling £1.8m were considered by the Authority at its meeting in December 2023 and were reflected in the proposed budget. These savings represented the first tranche of what would be an on-going programme of transformation.

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:

- 64% of businesses agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2024-25, while 16% disagreed that it is reasonable for them to do so, resulting in a net agreement of +48%;
- 74% of residents agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2024-25, while 13% disagreed, giving a net agreement of +61%.

Of those respondents who agreed that a Council Tax increase would be reasonable, 61% of businesses and 49% residents indicated they would support an increase of 2.99% or above.

Additionally, the consultation results indicated that:

- 52% of businesses and 58% of residents agreed strongly that the Service provided good value for money; and
- 68% of businesses and 69% 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.

The Treasurer added that the budget proposals circulated were predicated upon a Grey Book pay award of 5% being agreed under the national arrangements. Should this figure be increased above 5%, then this would impact on the budget presented. Consequently, the Authority was recommended to grant the Treasurer delegated authority to meet from reserves any shortfall in budget arising as a result of any pay award which exceeded the 5% assumed in the figures outlined in the report.

The Resources Committee, at its budget meeting on 5 February 2024, had considered an earlier version of the report alongside revised figures (subsequently incorporated into this report) reflecting the updated position on National Non-Domestic Rates. The Committee had resolved to recommend that the Authority approve Option B (Minute RC/23/15 refers).

In debating this item, Members commented on the considerable budgetary pressures faced by the Authority and the issue of responding to incidents – specifically, flooding, for which the Authority currently did not receive any direct grant funding. In response, the Chief Fire Officer referenced the recently-published response to the Government White Paper on reforming the fire and rescue service. The National Fire Chiefs' Council (NFCC), in considering this response, had made representations to the Government for response to flooding to be made a statutory duty and funded accordingly.

Councillor Biederman **MOVED**, with Councillor Randall Johnson seconding, that the recommendations in report DSFRA/24/3 be approved.

Councillor Sellis **MOVED** that this be amended by the addition of the following:

“that the Clerk be authorised to make further representations to the Government pressing for responses to flooding incidents to be made a statutory duty and funded accordingly, and that English fire and rescue authorities be invited to make similar representations”

Councillors Biederman and Randall Johnson – with the consent of the Authority signified without discussion in accordance with Standing Order 22 (16) – agreed to accept this alteration to their original motion.

The amended Motion was then put to the vote and declared **CARRIED**, unanimously, whereupon it was

## RESOLVED

- (i). That, as recommended by the Resources Committee at its budget meeting on 5 February 2024, the level of council tax in 2024-25 for a Band D property be set at £99.68, as outlined in Option B of report DSFRA/24/3, and that accordingly a Net Revenue Budget Requirement for 2024-25 of £92,908,400 be approved;
- (ii). That, as a consequence of (i) above:
- a) The tax base for payment purposes required from each billing authority for payment of a total precept of £63,492,754 (Option B), as detailed on page 3 of the respective budget booklet (circulated separately with the agenda for the meeting) and reproduced in the following table, be approved;

Billing Authority	Tax Base Used for Collection	Surplus/ (Deficit) for 2023-24 £	Precepts due in 2024-25 £	Total due in 2024-25 £
East Devon	62,447.00	38,036	6,224,717	6,262,753
Exeter	39,045.00	70,197	3,892,006	3,962,203
Mid Devon	30,222.10	(15,304)	3,012,539	2,997,235
North Devon	35,433.43	75,380	3,532,004	3,607,384
Plymouth City	75,389.00	106,000	7,514,775	7,620,775
Somerset Council	208,797.71	343,962	20,812,956	21,156,918
South Hams	40,528.94	21,000	4,039,925	4,060,925
Teignbridge	50,939.00	84,930	5,077,600	5,162,530
Torbay	47,374.08	59,029	4,722,248	4,781,277
Torridge	25,277.34	31,761	2,519,645	2,551,406
West Devon	21,512.23	41,000	2,144,339	2,185,339
	<b>636,965.83</b>	<b>855,991</b>	<b>63,492,754</b>	<b>64,348,745</b>

- b) The council tax for each of the property bands A to H associated with a total precept of £63,492,754 (Option B), as detailed on page 3 of the respective budget booklet and reproduced in the following table, be approved;

Valuation Band	Ratio	Government Multiplier %	Council Tax £ p
A	6/9	0.667	66.45
B	7/9	0.778	77.53
C	8/9	0.889	88.60
<b>D</b>	<b>1</b>	<b>1.000</b>	<b>99.68</b>
E	11/9	1.222	121.83
F	13/9	1.444	143.98
G	15/9	1.667	166.13
H	18/9	2.000	199.36

- (iii). That the Treasurer's Statement on the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves Balances, as set out in Appendix B to report DSFRA/24/3 and attached at Appendix A to these Minutes, be endorsed; and
- (iv). That, as the budget is subject to variations in the pay for operational staff:
  - a) The Treasurer be delegated authority to draw on reserves to a maximum of £3m to balance the budget in the event that the final pay award settlement for 2024-25 exceeds the budgeted amount for the year (5%); and
  - b) That any use of reserves so required be reported for information to the next appropriate meeting of the Resources Committee.
- (v). that the Clerk be authorised to make further representations to the Government pressing for responses to flooding incidents to be made a statutory duty and funded accordingly, and that English fire and rescue authorities be invited to make similar representations.

***(See also Minutes DSFRA/23/31(d) and DSFRA/23/32 above)***

**b Draft Capital Programme 2024-25 to 2026-27**

The Authority considered a report of the Director of Finance & Corporate Services (Treasurer) (DSFRA/24/4) on the proposed Authority Capital Programme 2024-25 to 2026-27 and associated Prudential Indicators.

While the proposed programme and funding would increase the external borrowing requirement from the current level of £23.8million to £28million by 2026-27, 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 (2027-28 and 2028-29).

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 the revenue budget contribution to capital would be maintained in future years but, unless capital assets were further rationalised, there would be a need for external borrowing in 2026-27. Decisions on further spending would be subject to annual review based on the financial position of the Authority.

The Resources Committee, at its budget meeting on 5 February 2024, had previously considered a version of this report and resolved to recommend that the Authority approve the Capital Programme 2024-25 to 2026-27 and associated Prudential Indicators (Minute RC/23/17 refers).

## **RESOLVED**

- (i). that, as recommended by the Resources Committee, the Capital Programme 2024-25 to 2026-27 and associated Prudential Indicators, as summarised in Appendices A and B respectively of report DSFRA/24/4 and set out at Appendices B and C of these Minutes, be approved;
- (ii). that, subject to (i) above, the forecast impact on the proposed Capital Programme (from 2027-28 onwards) on the 5% debt ratio Prudential Indicator, as indicated in the report, be noted.

***(See also Minutes DSFRA/23/31(d) and DSFR/23/33 above and Minute DSFRA/23/34(c) below).***

### **c Treasury Management Strategy (Including Prudential and Treasury Indicators) 2024-25 to 2026-27**

The Authority considered a report of the Director of Finance & Corporate Services (Treasurer) (DSFRA/24/5) detailing:

- the proposed Treasury Management Strategy (including Prudential Indicators) and investment strategy for 2023-24;
- Prudential Indicators associated with the proposed Capital Programme 2023-24 to 2025-26;
- a Minimum Revenue Provision Statement 2023-24; 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.

The Resources Committee, at its budget meeting on 5 February 2024, had considered a version of this report and resolved to recommend that the Authority approve the Treasury Management and Annual Investment Strategy together with the Minimum Revenue Provision Statement (Minute RC/23/18 refers).

**RESOLVED** that, as recommended by the Resources Committee:

- (i). the Treasury Management Strategy and Annual Investment Strategy 2024-25 (including the Capital Financing Requirement and Estimated Authorised Borrowing Limit) as set out in report DSFRA/24/5 be approved;
- (ii). the Prudential Indicators and Treasury Management Indicators as appended to the report and attached as Appendix C to these Minutes be approved; and
- (iii). the Minimum Revenue Provision Statement 2024-25 as appended to the report and attached as Appendix D to these Minutes be approved.

***(See also Minutes DSFRA/23/31(d), DSFR/23/33 and DSFRA/23/34(b)).***

### **DSFRA/23/35 Extraordinary Authority Meeting - 25 March 2024**

The Authority considered a report of the Clerk and Monitoring Officer (DSFRA/24/6) on the requirement for an extraordinary Authority meeting to consider, amongst other things:

- Issues relating to the forthcoming departure of the existing Treasurer on 5 April 2024;
- A Pay Policy Statement for the Authority for 2024-25; and
- Ongoing work relating to the Red One Ltd. governance review.

**RESOLVED** that an Extraordinary Authority meeting be held on Monday 25 March 2024, commencing at 14.00hours.

***(See also Minute DSFRA/23/36 below).***

### **DSFRA/23/36 Red One Limited - Review of Governance**

(Councillors Brazil and Radford each declared a non-pecuniary interest in this item by virtue of their being Authority appointed non-executive directors on the Board of Red One Ltd. Both Councillors spoke to this item but took no part in the voting thereon, in accordance with the dispensation granted by the Authority at its Annual Meeting on 8 June 2018 (Minute DSFRA/5 (a) refers)).

The Authority considered a joint report of the Director of Finance & Corporate Services and the Monitoring Officer (DSFRA/24/7) on the outcome of a review, conducted by the Devon Audit Partnership (DAP) of the governance arrangements for Red One Ltd. (the company), the Authority's commercial trading arm.

The report outlined the background to the establishment of the company. The review had been undertaken in the context of compliance with the good practice guide for local authority owned companies published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The report outlined recommendations made by DAP following its review and relating to relationships, documentation, behaviours and senior leadership with proposals in relation to these recommendations. In particular, establishment of a Shareholder Committee was recommended to provide the necessary oversight (from a Shareholder perspective) and affording a formal route for the Authority and – where necessary – Statutory Officers of the Authority to have an active, strategic role in the direction of the company and provide proportionate oversight and scrutiny of its affairs.

#### **RESOLVED**

- (a). That a Shareholder Committee comprising seven Authority Members (to include both the Authority and Resources Committee Chair) be established with Terms of Reference as set out at Appendix B to report DSFRA/24/7;
- (b). That the amendments to the Terms of Reference to the Audit & Governance Committee as set out at paragraph 8.6 of the report (and reflected at Appendix C to the report) be approved;

- (c). That the Clerk and Monitoring Officer be authorised to:
  - (i). make consequential amendments to the Terms of Reference of the Resources Committee (i.e. in relation to the transfer of responsibility for monitoring the financial and performance of Red One Ltd. from that Committee to the newly established Shareholder Committee); and
  - (ii). make consequential amendments to other Authority constitutional framework documents as may be necessary;
- (d). that a further report be submitted to the Extraordinary Authority meeting arranged for 25 March 2024 on:
  - (i). the appointment of a Chair and Members to the Shareholder Committee;
  - (ii). Revised Articles of Association and any written special resolution thereon received from the Board of Red One Ltd.; and
  - (iii). The re-appointment of an Independent Chair of the Board of Red One Ltd.

***(See also Minute DSFRA/23/35 above)***

#### **DSFRA/23/37 Appointments to Committees**

The Authority considered a report of the Clerk and Monitoring Officer (DSFRA/24/8) on proposed changes to Authority Committee memberships for the current (2023-24) municipal year prompted by changes in overall Authority membership and the consequential effect on political proportionality.

**RESOLVED** that the following changes be made to committee memberships until the Authority annual meeting in 2024:

- (a). Audit & Governance Committee: Councillor Biederman (Ind) to replace Councillor Cook-Woodman (Con);
- (b). Community Safety Committee: Councillor Best (LD) to replace Councillor Power (Con);
- (c). People Committee: Councillor Carter (LD) to be appointed to the vacancy. Councillor Coles (LD) to replace Councillor Biederman (Ind); and
- (d). Resources Committee: Councillor Carter (LD) to replace Councillor Fellows (Con).

#### **DSFRA/23/38 Appointment of Chief Fire Officer**

The Authority considered a report of the Clerk and Monitoring Officer (DSFRA/24/9) on a proposed process for the appointment of substantive Chief Fire Officer following the forthcoming retirement of the current incumbent on 13 September 2024.

**RESOLVED** that, in accordance with Standing Order 46, the Appointments & Disciplinary Committee undertake the shortlisting and interview candidates for the post of Chief Fire Officer and make a recommendation on appointment to the Authority.

**DSFRA/23/39 Reappointment of Independent Member of the Local Pension Board**

The Authority considered a report of the Clerk and Monitoring Officer (DSFRA/24/10) on the proposed re-appointment of an independent member as a Scheme Manager representative on the Authority Local Pension Board.

**RESOLVED** that Satnam Singh Rai be reappointed as an independent Scheme Manager representative on the Authority Local Pension Board for a four year term of office commencing 19 December 2023.

**APPENDIX A TO THE MINUTES OF THE AUTHORITY BUDGET MEETING 16  
FEBRUARY 2024**

**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 2024-25 BUDGET**

The net revenue budget requirement for 2024-25 has been assessed as £92.622m (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 Community Risk Management Plan. It should be emphasised that these assessments are being made for a period up to the 31 March 2025, 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 potential pay awards for colleagues which are yet to be agreed. 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 and energy are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 overleaf, along with details of the action taken to mitigate each of these identified risks.

Local government and the fire sector are entering a period of significant uncertainty over funding and cost pressures such as pay awards, going forward. Unfunded pension schemes and legal challenges over pension terms represent a significant risk to the Authority. 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 2024-25 to 2028-29. 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 2024-25 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO CHANGE**

Budget Head	Budget Provision 2024-25 £m	RISK AND IMPACT	MITIGATION
Service Delivery staff costs	67.8	There is a high level of uncertainty around 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 £0.590m of additional pressure on the revenue budget.	Funding decisions for this model will need to be considered for future years.
Fire-fighter's Pensions	2.6	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	1.0	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 increased to take into account the rising cost of fuel. The Service is investing in new ways of working associated with the environmental strategy so have introduced electric vehicles during 2023-24 with more on order for 2024-25.	General Reserve
Treasury Management Income	(1.2)	As a result of the uncertainty, bank base rates have increased to the highest levels since 2008. This has resulted in an increase in investment returns. This has resulted in an increase in the budget of £0.675m. The markets are anticipating a interest rate reduction during Q3 2024 so rates will start to reduce in year.	The target income has been set at a level consistent with the returns achieved during 2023. Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Income	(0.8)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.8m of external income. Due to economic uncertainty this budget line may be at risk.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible. A modest provision for doubtful debts is available to protect the Authority from potential losses.
Capital Programme	7.2	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.

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

Total Reserve balances for the Authority as at April 2023 was £27.0m made up of Earmarked Reserves (committed) of £22.8m, and General Reserve (uncommitted) of £4.28m. 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 £4.1m is equivalent to 5.0% of the total revenue budget for 2023-24 or 18 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.

The Authority used an element of the general reserve during 2021-22 however, the pleasing note is there was no requirement to call on them for 2022-23 or 2023-24 to fund emergency spending. The strategy remains to increase the general reserve to ensure the 5% level is maintained as a minimum. 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](http://www.dsfire.gov.uk).

## **CONCLUSION**

It is considered that the budget proposed for 2024-25 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 and Corporate Services (Treasurer)**

**APPENDIX B TO THE MINUTES OF THE AUTHORITY BUDGET MEETING 16  
FEBRUARY 2024**

Capital Programme 2024/25 to 2028/29								
2023/24 £000 Budget	2023/24 £000 Forecast Outturn	Item	PROJECT	2024/25 £000 Budget	2025/26 £000 Budget	2026/27 £000 Budget	2027/28 £000 Indicative Budget	2028/29 £000 Indicative Budget
			<b>Estate Development</b>					
1,919	15	1	Site re/new build	520	3,884	500	0	0
5,009	955	2	Improvements & structural maintenance	4,293	2,075	8,122	3,430	855
<b>6,928</b>	<b>970</b>		<b>Estates Sub Total</b>	<b>4,813</b>	<b>5,959</b>	<b>8,622</b>	<b>3,430</b>	<b>855</b>
			<b>Fleet &amp; Equipment</b>					
4,522	3,150	3	Appliance replacement	1,489	2,119	2,180	1,430	1,460
2,266	1,913	4	Specialist Operational Vehicles	1,944	455	0	920	505
570	235	5	ICT Department	0	0	0	0	0
<b>7,358</b>	<b>5,298</b>		<b>Fleet &amp; Equipment Sub Total</b>	<b>3,433</b>	<b>2,574</b>	<b>2,180</b>	<b>2,350</b>	<b>1,965</b>
<b>(1,200)</b>	<b>0</b>	6	<b>Optimism bias Sub Total</b>	<b>(1,000)</b>	<b>(200)</b>	<b>(500)</b>	<b>1,000</b>	<b>700</b>
<b>13,086</b>	<b>6,268</b>		<b>Overall Capital Totals</b>	<b>7,246</b>	<b>8,333</b>	<b>10,302</b>	<b>6,780</b>	<b>3,520</b>
			<b>Programme funding</b>					
11,753	4,563	7	Earmarked Reserves:	4,716	4,480	1,918	0	0
50	22	8	Revenue funds:	719	2,050	2,050	2,050	2,050
0	400	9	Capital receipts:	0	0	0	0	0
1,283	1,283	10	Borrowing - internal	1,382	1,803	0	1,229	1,470
0	0	11	Borrowing - external	0	0	6,334	3,501	
0	0	12	Contributions:	429	0	0	0	0
<b>13,086</b>	<b>6,268</b>		<b>Total Funding</b>	<b>7,246</b>	<b>8,333</b>	<b>10,302</b>	<b>6,780</b>	<b>3,520</b>

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

**APPENDIX C TO THE MINUTES OF THE AUTHORITY BUDGET MEETING 16  
FEBRUARY 2024**

<b>PRUDENTIAL INDICATORS</b>	<b>INDICATIVE INDICATORS</b>				
	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate	2027/28 £m Estimate	2028/29 £m Estimate
<b>Capital Expenditure</b>					
Non - HRA	7.246	8.333	10.302	6.780	3.520
HRA (applies only to housing authorities)					
<b>Total</b>	<b>7.246</b>	<b>8.333</b>	<b>10.302</b>	<b>6.780</b>	<b>3.520</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	3.03%	3.28%	3.17%	3.42%	3.06%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>	£000	£000	£000	£000	£000
Non - HRA	23,312	23,220	27,985	30,893	30,339
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	4,120	3,150	2,163	1,137	362
<b>Total</b>	<b>27,432</b>	<b>26,370</b>	<b>30,148</b>	<b>32,030</b>	<b>30,701</b>
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000
Non - HRA	3,005	(1,062)	3,778	1,882	(1,329)
HRA (applies only to housing authorities)	0	0	0	0	0
<b>Total</b>	<b>3,005</b>	<b>(1,062)</b>	<b>3,778</b>	<b>1,882</b>	<b>(1,329)</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000
Borrowing	26,037	25,574	33,078	34,131	33,510
Other long term liabilities	4,825	4,777	3,758	2,719	1,655
<b>Total</b>	<b>30,862</b>	<b>30,351</b>	<b>36,836</b>	<b>36,850</b>	<b>35,165</b>
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000
Borrowing	24,871	24,413	31,678	32,586	31,993
Other long term liabilities	4,620	4,620	3,650	2,663	1,637
<b>Total</b>	<b>29,490</b>	<b>29,032</b>	<b>35,328</b>	<b>35,249</b>	<b>33,630</b>
<b>Maximum Principal Sums Invested over 364 Days</b>					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

<b>TREASURY MANAGEMENT INDICATOR</b>	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2024/25		
Under 12 months	30%	2%
12 months and within 24 months	30%	11%
24 months and within 5 years	50%	3%
5 years and within 10 years	75%	5%
10 years and above	100%	79%

**APPENDIX D TO THE MINUTES OF THE AUTHORITY BUDGET MEETING 16  
FEBRUARY 2024**

**MINIMUM REVENUE STATEMENT 2024-25**

***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 DLUHC 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 2023 the total Voluntary Revenue Provision overpayments were £nil.

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