

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

(Budget Meeting)

18 February 2020

Present:

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

Apologies:

Councillors Best and Radford.

DSFRA/33 Minutes

The Minutes of the meeting held on 8 November 2019 and the extraordinary meeting held on 10 January 2020 were signed as correct records.

DSFRA/34 Questions from Members of the Authority

In accordance with Standing Order 14, Councillor Hannaford asked the Authority Chair and received written responses to a number of questions linked to the Bolton student flats fire and the Grenfell fire.

The questions and responses dealt with, amongst other things:

- the number of student flats known to the Devon & Somerset Fire & Rescue Service (“the Service”) in the area served by the Authority, including those currently under construction or in the planning phase;
- the Authority’s Integrated Risk Management Plan cycle which accounted for significant changes in the built environment, population density and prevention, protection and response measures to mitigate any risk identified;
- the Service dynamic, risk-based inspection programme which was informed by changes to local risk together with national guidance and local intelligence;
- Ongoing liaison by the Service with local authority housing teams and the Ministry for Communities, Housing and Local Government in relation to fire safety issues stemming from the Grenfell Enquiry;
- Ongoing work via the National Fire Chiefs Council to address issues stemming from the Grenfell Enquiry.

DSFRA/35 Minutes of Committees

a Human Resources Management & Development Committee

The Committee Chair, Councillor Hannaford, **MOVED** the Minutes of the meeting of the Committee held on 5 November 2019 which had considered, amongst other things:

- a report on absence management for the Devon & Somerset Fire & Rescue Service;
- a report on the Service approach to addressing employee health, safety and welfare;
- a report on the Service People Strategy;
- a report on workforce culture, diversity and inclusion; and
- requests for retirement and re-employment submitted in accordance with the Authority's approved Pay Policy Statement.

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

b Audit & Performance Review Committee

The Committee Chair, Councillor Healey MBE, **MOVED** the Minutes of the Committee meeting held on 13 November 2019 which had considered, amongst other things:

- a request from the Authority's external auditor for a late audit for the Authority's 2019-20 financial statements;
- an external audit progress report and sector update;
- the Authority's annual audit letter for the year ended 31 March 2019;
- a report on progress against the approved internal audit plan for 2019-20;
- a Corporate Risk register report; and
- a report on performance by the Devon & Somerset Fire & Rescue Service between April and September 2020.

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

c Resources Committee

The Committee Chair, Councillor Drean, **MOVED** the Minutes of the meetings of the Committee held on 21 November 2019 and 13 February 2020 which had considered, amongst other things:

21 November 2019

- a report on Treasury Management Performance as at the second quarter of the current (2019-20) financial year;
- a report on financial performance as at the second quarter of the current (2019-20) financial year; and
- a report on the financial performance of Red One Ltd. as at the second quarter of the current (2019-20) financial year.

13 February 2019

- a report on the proposed Revenue Budget and associated Council Tax levels for 2020-21;

- a report on the proposed Capital Programme 2020-21 to 2022-23
- reports on the Authority's Capital Strategy and Medium Term Financial Plan;
- a report on the proposed Treasury Management Strategy (including Prudential and Treasury Management Indicators) for 2020-21;
- a report on Treasury Management Performance as at the third quarter of the current (2019-20) financial year;
- a report on financial performance as at the third quarter of the current (2019-20) financial year; and
- a report on the financial performance of Red One Ltd. as at the third quarter of the current (2019-20) financial year.

RESOLVED

- (i). that the recommendations from the Resources Committee (Budget) meeting on 13 February 2020 relating to:

- the Capital Strategy;
- the Medium Term Financial Plan;
- the 2020-21 Revenue Budget and Council Tax levels;
- the Capital Programme 2020-21 to 2022-23; and
- the Treasury Management Strategy (including Prudential and Treasury Indicators) 2020-21 to 2022-23

be considered in conjunction with the reports elsewhere on the agenda for this Authority meeting;

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

(SEE ALSO MINUTES DSFRA/36 TO DSFRA/38(c) INCLUSIVE AND DSFRA/44 BELOW).

d Appraisals & Disciplinary Committee

The Committee Chair, Councillor Randall Johnson, **MOVED** the Minutes of the Committee meeting held on 7 February 2020 which had undertaken an appraisal of Chief Fire Officer Lee Howell.

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

DSFRA/36

Medium Term Financial Plan

The Authority considered a report of the Director of Finance and Resourcing (Treasurer) (DSFRA/20/2) on the Authority's Medium Term Financial Plan outlining funding, income and expenditure forecasts for the Authority for the next five financial years (to 2024-25).

The Plan identified how the financial forecasts were constructed (including funding sources and expenditure/costs pressures) together with savings targets over the period covered and the change and improvement programme (Safer Together) which would be the principal vehicle for delivering the changes.

The Plan had been considered by the Resources Committee (budget) meeting on 13 February 2020 which had resolved to commend the Plan to the Authority for endorsement.

RESOLVED that, as recommended by the Resources Committee at its budget meeting on 13 February 2020, the Medium Term Financial Plan as appended to report DSFRA/20/2 be endorsed.

(SEE ALSO MINUTE DSFRA/35(c) ABOVE).

DSFRA/37 Capital Strategy

The Authority considered a report of the Director of Finance and Resourcing (Treasurer) (DSFRA/20/3) on the Authority's Capital Strategy produced in accordance with the requirements of the 2017 Prudential Code. The Strategy formed part of the Authority's financial planning arrangements and provided a high-level overview of how capital expenditure and the way it was financed contributed to the provision of services along with an overview of how associated risk was managed and the implications for future financial sustainability.

The Capital Strategy had been considered by the Resources Committee (budget) meeting on 13 February 2020 which had resolved to commend the Strategy to the Authority for endorsement.

RESOLVED that, as recommended by the Resources Committee at its budget meeting on 13 February 2020, the Capital Strategy as appended to report DSFRA/20/3 be endorsed.

(SEE ALSO MINUTE DSFRA/35(c) ABOVE).

DSFRA/38 REVENUE AND CAPITAL BUDGETS

a 2020-21 Revenue Budget and Council Tax Levels

The Authority considered a joint report of the Director of Finance & Resourcing (Treasurer) and the Chief Fire Officer on the proposed 2020-21 revenue budget and associated Council Tax levels.

The provisional local government finance settlement announced on 19 December 2019 indicated an increase in Settlement Funding Assessment (SFA) for this Authority of 1.61% over 2019-20 (from £21.961m to £22.319m). There had, however, been an overall reduction of 24.12% since 2015-16 (from £29.413m to £22.319m). Additionally, the Ministry for Housing, Communities and Local Government had reduced the threshold for increases in Council Tax beyond which it would be necessary to hold a referendum from 3% to 2% for the 2020-21 financial year. The Authority had previously made representations for a fixed increase of £5. While these had not proven successful to date, representations would continue to be made to seek to alter future funding settlements.

Two budgetary options were presented for consideration by the Authority:

- Option A, representing no increase in Council Tax over 2019-20; and
- Option B, representing a 1.99% increase in Council Tax over 2019-20.

The Core Budget Requirement for 2020-21 (which included provision for pay and inflation, inescapable commitments and new investment linked to the Safer Together programme) had been identified at £80.343m, representing an increase of £5.201m (6.92%) over the budget for 2019-20. This amount exceeded the funding available under both Options A and B and consequently the report identified revenue budget savings totalling £1.323m to be achieved during 2020-21, with the remaining budget shortfall being met from reserves (£1.167m) and a reduction in the revenue contribution to capital (£1.634m for Option A; £0.577m for Option B).

In accordance with the Local Government Finance Act 1992, non-domestic rate payers had been consulted on expenditure proposals for 2020-21. Additionally, telephone and on-line surveys of businesses and residents had been undertaken.

The detailed survey results were appended to the report but in summary the majority of respondents felt it would be reasonable for the Authority to consider increasing its precept for 2020-21, with those who agreed being predominantly in favour of an increase of 2.99% or above. Both businesses and residents agreed that the Service provided value for money and were satisfied with the services provided.

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

The proposed revenue budget and associated Council Tax levels had been considered by the Resources Committee (budget) meeting on 13 February 2020 which had resolved to recommend that the Authority approve Option B (Minute RC/14 refers).

RESOLVED

- (i). that, as recommended by the Resources Committee (budget) meeting on 13 February 2020, the level of Council Tax in 2020-21 for a Band D property be set at £88.24, as outlined in Option B of report DSFRA/20/4, representing a 1.99% increase over 2019-20;
- (ii). that, accordingly, a Net Revenue Budget Requirement for 2020-21 of £77.276m be approved;
- (iii). that, as a consequence of the decisions at (i) and (ii) above:
 - (A). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £54,212,834 (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 2019-20 £	Precepts due in 2020-21 £	Total due 2020-21 £
East Devon	60,141.00	50,274	5,306,842	5,357,116
Exeter	37,348.00	61,190	3,295,588	3,356,778
Mendip	40,978.57	75,739	3,615,949	3,691,688
Mid Devon	29,040.56	36,810	2,562,539	2,599,349
North Devon	34,569.45	26,763	3,050,408	3,077,171
Plymouth City	74,603.00	63,635	6,582,969	6,646,604
Sedgemoor	41,435.78	32,357	3,656,293	3,688,650
Somerset West & Taunton	56,449.87	(28,047)	4,981,137	4,953,090
South Hams	38,508.49	22,000	3,397,989	3,419,989
South Somerset	60,710.78	(11,753)	5,357,119	5,345,369
Teignbridge	49,714.00	22,497	4,386,763	4,409,260
Torbay	46,274.88	125,000	4,083,295	4,208,295
Torridge	24,333.26	15,176	2,147,167	2,162,343
West Devon	20,271.71	19,000	1,788,776	1,807,776
	614,379.35	181,673	54,212,834	54,723,478

(B). that the Council Tax for each property band A to H associated with the total precept of £54,212,834 (Option B), as detailed on page 3 of the respective budget booklet and reproduced in the table below, be approved:

Valuation Band	Ratio	Government Multiplier %	Council Tax (£.p)
A	6/9	0.667	58.83
B	7/9	0.778	68.63
C	8/9	0.889	78.44
D	1	1.000	88.24
E	11/9	1.222	107.85
F	13/9	1.444	127.46
G	15/9	1.667	147.07
H	18/9	2.000	176.48

(iv). that the Treasurer's "Statement on the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances", as set out at Appendix A to report DSFRA/20/4 and reproduced at Appendix A to these Minutes, be approved.

(SEE ALSO MINUTE DSFRA/35(c) ABOVE).

b Capital Programme 2020-21 to 2022-23

The Authority considered a report of the Director of Finance & Resourcing (Treasurer) (DSFRA/20/5) on the proposed Capital Programme 2020-21 to 2022-23 for estates and operational assets (fleet and equipment). The report identified the funding requirement for capital expenditure over the five year period of the Medium Term Financial Plan (MTFP) and indicated that, for the proposed programme, the approach approved by the Authority to reduce reliance on external borrowing for capital funding, maintaining the ratio of finance costs to the net revenue stream to within 5%, was proving successful. The report also detailed Prudential Indicators for the programme to 2022-23 along with profiled indicators for a further two years to 2024-25 (based on indicative capital programme levels) to inform longer term planning. While the programme presented maintained borrowing within 5% to 2024-25, this would only be possible with an appropriate annual revenue contribution to maintain an affordable and sustainable capital programme. The programme proposed did not commit any spending beyond 2022-23 and decisions on further spending would be subject to annual review based on the financial position of the Authority.

An earlier version of the report had been considered by the Resources Committee (budget) meeting on 13 February 2020 which had resolved to commend the Capital Programme 2020-21 to 2022-23 and associated Prudential Indicators to the Authority for approval.

RESOLVED

- (i). that, as recommended by the Resources Committee (budget) meeting on 13 February 2020, the draft Capital Programme 2020-21 to 2022-23 and associated Prudential Indicators, as detailed in this report and summarised in Appendices B and C respectively to these Minutes, be approved;
- (ii). that, subject to (i) above, the forecast impact of the proposed Capital Programme from 2023-24 onwards on the 5% debt ratio Prudential Indicator, as indicated in the report, be noted.

(SEE ALSO MINUTE DSFRA/35(c) ABOVE).

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

The Authority considered a report of the Director of Finance & Resourcing (Treasurer) (DSFRA/20/6) on the Treasury Management Strategy and Annual Investment Strategy for 2020-21, Treasury Management Indicators, Prudential Indicators associated with the proposed Capital Programme 2020-21 to 2022-23 and a Minimum Revenue Provision Statement for 2020-21 as required by relevant legislation and regulations.

An earlier version of this report had been considered by the Resources Committee (budget) meeting on 13 February 2020 which had resolved to commend the Treasury Management Strategy and Annual Investment Strategy and Minimum Revenue Provision Statement for 2020-21 to the Authority for approval.

RESOLVED that, as recommended by the Resources Committee (budget) meeting on 13 February 2020:

- (i). the Treasury Management Strategy and Annual Investment Strategy for 2020-21, as detailed in report DSFRA/20/6, be approved;
- (ii). the Prudential Indicators and Treasury Management Indicators as detailed in the report and set out at Appendix C to these Minutes be approved; and
- (iii). the Minimum Revenue Provision (MRP) Statement as set out in the report and attached at Appendix D to these Minutes be approved.

(SEE ALSO MINUTES DSFRA/35(c) AND DSFRA/38(b) ABOVE).

DSFRA/39

Principal Officer Considerations

(The Vice-Chair, Councillor Wheeler, in the Chair for this item).

The Authority considered a report of the Chief Fire Officer (DSFRA/20/7) on proposals to address vacancies that would arise with the forthcoming retirement of both the Deputy Chief Fire Officer and Assistant Chief Fire Officer (Service Delivery).

The Clerk advised of a minor, clarifying, revision to the recommendation as set out in the report (to replace, in recommendation (a), the word “on” with “because of the forthcoming”).

Councillor Vijeh **MOVED**, with Councillor Hannaford seconding, that the recommendations in report DSFRA/20/7 (amended as indicated by the Clerk) be approved.

Councillor Thomas proposed that these be amended to add the words “for up to 24 months” after the words “...be held vacant” in recommendation (d)(i) of the report.

Councillors Vijeh and Hannaford indicated their acceptance of this and the altered motion was accepted in accordance with Standing Order 21(5), whereupon it was

RESOLVED

- (a). that, because of the forthcoming retirement of the current post-holder, a national, open competitive process be undertaken for the post of Deputy Chief Fire Officer;
- (b). that, in accordance with its existing Terms of Reference, the appointments process be undertaken by the Appraisals & Disciplinary Committee (acting as the Appointments Panel), with the Committee delegated authority to confirm an appointment following the appointments process;
- (c). that, on retirement of the current Assistant Chief Fire Officer (Service Delivery) the substantive post of Assistant Chief Fire Officer (Service Delivery) be held vacant for up to 24 months with the resultant budget used to temporarily promote existing staff to Assistant Chief Fire Officer on a developmental basis with the Chief Fire Officer delegated authority to effect any such temporary promotion;

- (d). that the Authority places on record its appreciation for the contributions made by the Deputy Chief Fire Officer and Assistant Chief Fire Officer (Service Delivery) to the effective and efficient operation of the Devon & Somerset Fire & Rescue Service.

DSFRA/40 Devon & Somerset Fire & Rescue Authority Approved Scheme of Members Allowances 2020-21

(Councillor Randall Johnson resumed the Chair from this point and for the remainder of the meeting).

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/20/8) to which was appended a review, conducted by an independent consultant, on the level of Members' allowances to be payable from the 2020-21 financial year (including a mechanism for automatically uprating these allowances for the following three financial years up to and including 2024-25). The review had examined, amongst other things, allowances payable by other combined fire and rescue authorities and allowances currently payable by Devon and Somerset County Councils, Plymouth City Council and Torbay Council (the constituent authorities which appointed to the Devon & Somerset Fire & Rescue Authority).

The Clerk advised that, when published, the new Scheme of Allowances would also refer to those allowances previously approved by the Authority for Independent Persons on the Standards Committee and the co-optee appointed as an independent Employers (Scheme Manager) representative on the Local Pensions Board (Minutes DSFRA/7(c) and DSFRA/9 of the Authority Ordinary Meeting held on 7 June 2019 refer).

In debating the review and recommendations, Members commented:

- on the significance of the role undertaken by Committee Chairs both in supporting the Authority Chair and managing the business of the Authority; and
- the additional time commitments involved for those Members involved in Standards Committee hearings.

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

- that the recommendations as set out in the Independent Consultant's report be approved;
- specifically, that the recommendations at (iii)(b) (relating to the Authority Vice-Chair's Special Responsibility Allowance) and (iv)(b) (relating to the Committee Chair's allowance) be approved; and
- that the Clerk be asked to review the position in relation to a special responsibility allowance for Members of the Standards Committee and report back on this to a future meeting.

Councillor Thomas proposed, with Councillor Trail seconding, that the Motion be **AMENDED** in respect of recommendations (iii)(b) and (iv)(b) by the deletion of all words after "...Allowance be..." and the insertion of the words "set at £6,915 (for (iii)(b)) and £4,100 (for (iv)(b))."

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

There being no further amendments proposed, it was **RESOLVED**:

- (a). that the Basic Allowance for the 2020-21 financial year be set at £2,786;
- (b). that the multiplier for the Authority Chair's Special Responsibility Allowance remain at 5 x Basic Allowance, giving an Authority Chair's Special Responsibility Allowance of £13,930 for the 2020-21 financial year;
- (c). that the Authority Vice-Chair Special Responsibility Allowance be set at £6,915 for the 2020-21 financial year;
- (d). that the Committee Chairs Special Responsibility Allowance be set at £4,100 for the 2020-21 financial year;
- (e). that non-executive directors appointed to the Board of Red One Ltd. by the Authority should continue to receive a Special Responsibility Allowance of £6,305 for the 2020-21 financial year, with the Authority to review this to inform the allowance payable from 2021-22;
- (f). that a Special Responsibility Allowance of 0.15 x Basic Allowance (£418 for the 2020-21 financial year) be introduced, payable to any Member appointed by the Authority to serve on its Local Pensions Board
- (g). that the Authority policy of allowing individual Members to receive only one Special Responsibility Allowance in addition to the Basic Allowance be continued and extended to discontinue the former practice of Authority- appointed non-executive directors on the Board of Red One Ltd. also being able to claim the Special Responsibility Allowance associated with that appointment in addition to any other Special Responsibility Allowance for which they may be eligible;
- (h). that both Basic and Special Responsibility Allowances should continue to be uprated automatically in line with pay increases agreed by the National Joint Council for Local Government Services, but that this uprating only be applied from 1 April 2021;
- (i). that the rates payable for reimbursement of travel expenses be linked to rates published by Her Majesty's Revenue and Customs and amended (as required) accordingly;
- (j). that the rates for the reimbursement of subsistence expenses be linked to the employees scheme and amended (as required) accordingly;
- (k). that the Authority continue to support Member development;
- (l). that the Clerk be authorised:

- (i). to amend the Authority Approved Scheme of Members' Allowances to reflect the decisions taken at (a) to (j), inclusive, above;
 - (ii). in accordance with the relevant Regulations, to arrange for publication, as soon as practicable, of the Scheme of Members' Allowances to apply for the 2020-21 financial year; and
 - (iii). to commission an independent review to inform the Scheme of Allowances to apply from the 2025-26 financial year;
- (m). that the Clerk review the position on payment of a Special Responsibility Allowance for Members of the Standards Committee and submit a report on this to a future meeting.

DSFRA/41 Localism Act 2011 - Pay Policy Statement 2020-21

The Authority considered a report of the Director of Governance & Digital Services (DSFRA/20/9) to which was attached the proposed Pay Policy Statement to operate for the Authority for the forthcoming (2020-21) financial year. The Localism Act 2011 required such a statement, setting out the Authority's policy towards a range of issues relating to the pay of its workforce (particularly senior staff and the lowest paid employees), to be approved prior to the commencement of each financial year and published, as a minimum, on the Authority's website.

The proposed Pay Policy Statement for 2020-21 had been updated to reflect current pay levels of senior officers but other than that was unchanged from the previous year. The Director of Governance & Digital Services also advised the Authority of a required amendment to the salary levels associated with the four point grading structure for non-uniformed positions on the Executive Board, as shown at paragraph 3.6 of the proposed Pay Policy Statement.

RESOLVED that, subject to incorporation of the amendment as indicated by the Director of Governance & Digital Services, the Pay Policy Statement for the 2020-21 financial year, as appended to report DSFRA/20/9, be approved.

DSFRA/42 Report of Urgent Action

The Authority received for information a report (DSFRA/20/10) of the urgent action taken by the Chief Fire Officer, following consultation with the Chair and in accordance with Standing Order 27, in temporarily promoting an Area Manager to serve as temporary Assistant Chief Fire Officer (Service Improvement) during the period of incapacity of the substantive post-holder to secure, amongst other things, maintenance of an effective Principal Officer rota.

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

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

DSFRA/44 **Resources Committee - Exempt Minutes**

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

(Councillors Saywell and Thomas each declared a personal, 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 left the room during the determination of this item).

The Chair of the Committee, Councillor Drean, **MOVED** the restricted Minutes of the meetings of the Resources Committee held on 21 November 2019 and 13 February 2020, which had considered reports on the financial performance of Red One Ltd.

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

The Meeting started at 10.00 am and finished at 12.58 pm

**APPENDIX A TO THE MINUTES OF THE AUTHORITY (Budget) MEETING HELD ON 18
FEBRUARY 2020**

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

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

THE ROBUSTNESS OF THE 2020-21 BUDGET

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

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

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

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

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

THE ADEQUACY OF THE LEVEL OF RESERVES

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

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

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

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

CONCLUSION

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

**APPENDIX B TO THE MINUTES OF THE AUTHORITY (Budget) MEETING HELD ON 18
FEBRUARY 2020**

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

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

**APPENDIX C TO THE MINUTES OF THE AUTHORITY (Budget) MEETING HELD ON 18
FEBRUARY 2020**

PRUDENTIAL INDICATORS			INDICATIVE INDICATORS 2022/23 to 2023/24		
	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
Capital Expenditure					
Non - HRA	10.674	12.700	9.300	9.400	7.900
HRA (applies only to housing authorities)					
Total	10.674	12.700	9.300	9.400	7.900
Ratio of financing costs to net revenue stream					
Non - HRA	4.61%	4.46%	3.77%	3.62%	4.09%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000
Non - HRA	24,851	24,757	24,264	29,723	33,456
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	2,481	1,834	1,425	1,148	900
Total	27,332	26,592	25,690	30,870	34,356
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	776	(741)	(902)	5,181	3,486
HRA (applies only to housing authorities)	0	0	0	0	0
Total	776	(741)	(902)	5,181	3,486
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,787	26,189	26,071	31,802	35,687
Other long term liabilities	3,298	2,573	1,906	1,482	1,193
Total	30,085	28,762	27,976	33,285	36,880
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	25,544	24,951	24,857	30,316	34,014
Other long term liabilities	3,174	2,481	1,834	1,425	1,148
Total	28,718	27,432	26,692	31,741	35,162
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 2020/21		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

**APPENDIX D TO THE MINUTES OF THE AUTHORITY (Budget) MEETING HELD ON 18
FEBRUARY 2020**

MINIMUM REVENUE PROVISION STATEMENT 2020-21

Supported Borrowing

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

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

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

Finance Lease and PFI

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

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

Minimum Revenue Provision Overpayments

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