

RESOURCES COMMITTEE

(Budget Meeting)

(Devon and Somerset Fire and Rescue Authority)

4 February 2013

Present:-

Councillors Gordon (Chair), Mrs Bakewell MBE, Hughes OBE, D Smith, Woodman and Yeomans.

Also in attendance:-

Councillor Healey

***RC/13. Minutes**

RESOLVED that the Minutes of the meeting held on 19 October 2012 be signed as a correct record.

RC/14. Financial Performance Report 2012-13: Quarter 3

The Committee considered a report of the Treasurer to the Authority (RC/13/1) on financial performance to the third quarter against those agreed targets and measures for the current (2012-13) financial year.

In terms of the revenue budget, spending was at this stage predicted to be £1.564m (1.98%) less than the approved budget. The report set out explanations for the major variations, with the underspend being largely attributable to positive management action by budget holders with the aim of securing £1m savings by the end of the current financial year as part of the overall strategy to build reserve balances to offset some of the effects of grant reductions in future years. Retained pay costs were also underspent, in part because of the volatility of this budget line but also because of positive efforts over recent years to promote prevention works and thereby reduce the number of operational incidents. The outcome of negotiations on pensions issues related to the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 was, however, still awaited which could have a significant financial impact on the Authority.

Capital Spending of £5.884m was projected against a total programme of £10.663m. It was not, however, proposed to carry forward all the slippage and elsewhere on the agenda for the meeting was a paper setting out the proposed Capital Programme for 2013-14 to 2015-16. Although the current level of external borrowing to fund the capital programme was in excess of projected expenditure, it was still well within the authorised limit for external debt. The report also indicated that, on the basis of the projected performance for the 2012-13 approved Capital Programme, there would be no breach of the associated Prudential Indicators.

The report also identified a virement in excess of £150,000 (thereby requiring Authority approval) purely to address an accounting issue to capitalise a sum of £0.490m included in the approved 2012-13 revenue budget to fund refurbishment of the Fire Control building at Service Headquarters.

RESOLVED

- (a) that the Authority be recommended to approve the following virement as detailed in paragraph 10.1 of report RC/13/1;

| Budget Line | From £m | To £m |
|---|---------|-------|
| Premises Related Costs – repair and maintenance | (0.490) | |
| Revenue contribution to capital spending | | 0.490 |

(b)

That, subject to (a) above, the monitoring position in relation to projected spending against the 2012-2013 revenue and capital budgets and performance against the 2012-13 financial targets, as set out in the report, be noted.

(SEE ALSO MINUTES RC/16 AND RC/17 BELOW)

***RC/15. Treasury Management Performance 2012-13 - Quarter 3**

The Committee received for information a report of the Treasurer to the Authority (RC/13/2), together with a presentation from Mr. Adam Burleton (for Sector, the Authority's Treasury Management advisor), on treasury management activities up to Quarter 3 of the current financial year (2012-13), in accordance with the Authority's approved Treasury Management Strategy for that year and in compliance with the Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice on Treasury Management.

The report concluded that none of the Prudential Indicators had been breached and that a prudent approach had been adopted for investment decisions taken so far, with priority being given to liquidity and security over yield. While investment returns were still low because of the fall in interest rates, it was still anticipated that returns on investment for the Authority would be greater than originally budgeted.

RC/16. Draft Capital Programme 2013-14 To 2015-16

The Committee considered a joint report of the Director of Service Support and the Treasurer to the Authority (RC/13/03) on a proposed Capital Programme for the Authority for 2013-14 to 2015-16. The report identified the difficulties in meeting the full capital expenditure requirement for the Authority, a position exacerbated by a 30% reduction in central government grant for capital funding in 2013-14 (to £1.4m) and the failure of the Authority bid to central government (as part of its revised capital funding mechanism) for £4.760m to support the introduction of Light Rescue Pumps throughout the Devon & Somerset Fire & Rescue Service (the Service).

The proposed programme, separated between Estates work and Operational Assets, had been constructed on the basis of keeping the debt ratio within the 5% limit (approved by the Authority in 2008) at least until 2015/16 and potentially beyond. Previous capital programmes had seen a priority given to estates work over fleet replacement. Consequently, the proposed programme included a twelve-month moratorium on major new estates work during which time a comprehensive review of the Service's property portfolio would be undertaken which would include an assessment of professional and commercial opportunities that may exist to be developed into the medium to longer term plan. Revenue funding for essential maintenance work would be retained, however, and it was proposed that slippage from the previous year would be used to complete projects already committed including the Service's Carbon Management Programme, essential work to Hartland fire station and the shared use of Axminster fire station with the Devon & Cornwall Constabulary.

Work would also be progressed on development of the new Training Academy facility at Exeter Airport (including reinstatement of the previously deleted features of an additional appliance bay for all training vehicles, a training tower and confined space training facility – all of which should enhance the commercial potential for the project) and to complete Phase 2 of improvements to the Service Headquarters Fire Control building for which funding was available both from the Authority's 2012-13 revenue budget and from central government funding made available following cancellation of the Regional Control Centre (RCC) project.

For Operational Assets, the proposed programme focussed on the introduction of Light Rescue Pumps which played a key part in the modernisation proposals contained within the draft Corporate Plan currently subject to consultation. Funding would also be used to complete specialist vehicle replacement commenced in the current financial year and aligned to the Service Tiered Approach initiative. Initial proposals for harmonisation of breathing apparatus (BA) would be "slipped" to 2014/15, partly as a result of financial constraints but also to provide greater time for "4G" technological advancements supporting use of telemetry to mature.

The report indicated that the focus on the introduction of Light Rescue Pumps against a backdrop of a reducing revenue budget meant that whilst the proposed programme would remain within the 5% debt ratio to 2015-16, there was a risk that this ratio could be breached from 2016-17 onwards. In light of this, the report also exemplified an indicative programme for 2016-17 to 2018-19. It was hoped, however, that income from commercial trading activities would mitigate this. The Treasurer commented that, by 2015-16, the 5% debt ratio would have been maintained for some seven years – in itself a considerable achievement - and that, even were the ratio to be breached, the extent of the breach would not be significant given the size of the Authority's capital investment needs. The Authority would, however, need to continue to ensure that debt charges committed to the revenue budget from capital investment decisions were affordable against a shrinking revenue budget over the next six years.

The draft Capital Programme as set out in the report had been considered by the Capital Programme Working Party at a meeting on 21 January 2013 when the Working Party had acknowledged the implications for the 5% debt ratio but had nonetheless commended the draft Programme for approval.

In debating the report, Members commented on the costs, particularly fuel costs, associated with operating a sizeable appliance fleet over a largely rural area and whether any assistance might be afforded to the Authority to off-set such costs. The Chief Fire Officer commented that the Authority did not pay VAT but that, as with many authorities, a move had been made away from bulk storage of fuel (thereby facilitating economy of scale benefits/discounts) to use of a "bunker card" system at public filling stations. Given recent issues of fuel costs and availability, however, consideration might need to be given to moving back to a system of bulk storage. Additionally, it was felt that there could be merit in seeking to lobby the government for improved financial assistance in meeting the true costs of running a largely rural service, particularly in relation to fuel costs.

RESOLVED

- (a) that the report and specifically the potential impact of the proposed Capital Programme, from 2016-17 onwards, on the 5% debt ratio Prudential Indicator be acknowledged;
- (b) that, nonetheless, the full Authority be recommended:

- (i) to approve the draft Capital Programme 2013-14 to 2015-16 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to these minutes; and
- (ii) to approve in principle the indicative Capital Programme 2016-17 to 2018-19 and associated Prudential Indicators, again as as summarised in Appendices A and B to these minutes;
- (c) that the Treasurer be asked to benchmark costs associated with fuelling a large appliance fleet in a rural compared to a metropolitan/urban area and to use the information compiled to lobby the government to implement measures to redress any financial detriment as appropriate.

(SEE ALSO MINUTE RC/14 ABOVE).

RC/17. 2013-14 Revenue Budget and Council Tax Level

The Committee considered a joint report of the Treasurer to the Authority and the Chief Fire Officer (RC/13/4) on options for the Authority revenue budget and associated council tax level in 2013-14. It was a legislative requirement for the Authority to set a balanced budget and determine an associated council tax level prior to 1 March each year.

The report set out the background of 2010 Comprehensive Spending Review (CSR) reductions in government grants of 25% by 2014-15, which for fire and rescue services had been backloaded to 2013-14 and 2014-15 to allow time to implement change without affecting the quality and breadth of service to local communities.

In December 2012 the government had announced the provisional local government finance settlement for 2013-14 and 2014-15. For this Authority, this would mean a reduction in funding of -10.3% in 2013-14 and a further -7.3% in 2014-15, or -17.6% (-£5.5m) over the two year period. Appended to the report was a copy of the letter sent to the government by the Treasurer, on behalf of the Authority, expressing disappointment at this draft settlement. While it was unlikely these representations would change the draft settlement for the next two financial years, it was hoped they could have a bearing on future settlements.

Linked to the draft local government finance settlement, the report also identified the “principles” agreed by the government under the provisions of the Localism Act 2011 and relating to increases in council tax. For 2013-14, the government had indicated that the requirement to hold a public referendum would be triggered by any council tax increase in excess of 2%. The costs of such a referendum for this Authority had, however, been estimated as in excess of £2.3m. Consequently, the report did not propose a council tax increase in excess of 2%.

The report identified the net revenue budget requirement for the Authority and funding sources for the budget which, in addition to the “formula funding” from central government and council tax, now featured – under new funding arrangements - Council Tax Support Grant. The core budget requirement and proposed “invest to save” initiatives were identified as were indicative budget savings in the sum of £1.668m, achieved largely as a result of positive action by budget managers.

The report identified the following three options in relation to level of council tax for 2013-14:

- Option A: Accept the government Council Tax Reward Grant (£0.459m) and freeze council tax at the 2012-13 level (£73.92 for a Band D property). This option would, however, result in a further base budget reduction from 2015/16 onwards, with the removal of the Council Tax Reward Grant;
- Option B: Increase Council Tax by 1% above the 2012-13 level (to £74.66 for a Band D Property);
- Option C: Increase Council Tax by 2% above the 2012-13 level (to £75.40 for a Band D Property).

In relation to Option C, the Treasurer reported that further consideration of the figures indicated that, should the Authority be minded to consider an increase above 1%, this should be no higher than 1.99% (to £75.39 for a Band D property) to minimise the risk of breaching the requirement for a referendum.

The report also indicated the outcome of consultations on the level of increase in council tax. The Authority was required to consult the business community but had determined to extend this to the public. Of those responding to the consultation, 53% of businesses and 50% of the public agreed that it was reasonable for the Authority to consider increasing the level of council tax. Of those that did agree, 69% of the public and 65% of business also responded in favour of a 2% increase.

The Treasurer indicated that the report indicated only draft budgetary requirements and associated funding and it was likely that these figures would change by the full Authority budget meeting to reflect, amongst other things, variations in billing authority council tax bases.

Following debate on the report, Councillor Yeomans **MOVED**, with Councillor Mrs. Bakewell MBE seconding:

“that, so as to safeguard the base budget of the Authority as far as practicable going forward and facilitate delivery of those options contained in the draft Corporate Plan, this Committee recommend to the Authority for 2013-14 an increase in council tax of 1.99% above the 2012-13 level (to £75.39 for a Band D property)”.

The Motion was then debated following which it was, by 5 votes for to 1 vote against, **RESOLVED** that, so as to safeguard the base budget of the Authority as far as practicable going forward and facilitate delivery of those options contained in the draft Corporate Plan, the Authority be recommended to approve for 2013-14 an increase in council tax of 1.99% above the 2012-13 level (to £75.39 for a Band D property).

(SEE ALSO MINUTE RC/14 ABOVE).

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

The meeting started at 10.00hours and finished at 12.10hours

**APPENDIX A TO THE MINUTES OF THE RESOURCES COMMITTEE (Budget) MEETING HELD
ON 4 FEBRUARY 2013**

| Capital Programme (2013/14 to 2017/18) | | | PROPOSED PROGRAMME 2013-14 TO 2015-16 | | | INDICATIVE PROGRAMME 2016-17 TO 2018-19 | | |
|---|---|---|--|-------------------|-------------------|--|-------------------|-------------------|
| 2012/2013 Revised Programme (£000) | 2012/2013 Predicted outturn (£000) | Item PROJECT | 2013/14 (£000) | 2014/15 (£000) | 2015/16 (£000) | 2016/17 (£000) | 2017/18 (£000) | 2018/19 (£000) |
| | | Estate Development | | | | | | |
| 92 | 77 | SHQ major building works | 15 | | | | | |
| 3,284 | 2,184 | Major Projects - Training Facility at Exeter Airport | 1,100 | | | | | |
| | | Minor improvements & structural maintenance | 300 | 2,050 | 1,750 | 1,750 | 1,750 | 1,750 |
| 15 | 15 | Welfare Facilities | | | | | | |
| 105 | 105 | USAR works | | | | | | |
| 343 | 343 | Minor Works slippage from 2010-11 | | | | | | |
| 1,674 | 1,063 | Minor Works slippage from 2011-12 | 566 | | | | | |
| 2,140 | 530 | Minor Works slippage from 2012-13 | 530 | | | | | |
| 52 | 52 | STC ship structure | | | | | | |
| 7,705 | 4,369 | Estates Sub Total | 2,511 | 2,050 | 1,750 | 1,750 | 1,750 | 1,750 |
| | | Fleet & Equipment | | | | | | |
| | | Appliance replacement | 1,015 | 2,480 | 3,125 | 2,480 | 2,480 | 1,395 |
| | | Specialist Operational Vehicles | | | | 400 | 400 | |
| 177 | 177 | Vehicles funded from revenue | | | | | | |
| 242 | 91 | Equipment | 451 | 1,184 | 300 | 300 | 300 | 200 |
| 889 | 648 | Appliance & Specialist Operational Vehicle slippage 2011-12 | | | | | | |
| 1,620 | 599 | Appliance & Specialist Operational Vehicle slippage 2012-13 | 1,021 | | | | | |
| 2,928 | 1,515 | Fleet & Equipment Sub Total | 2,487 | 3,664 | 3,425 | 3,180 | 3,180 | 1,595 |
| 10,633 | 5,884 | SPENDING TOTALS | 4,998 | 5,714 | 5,175 | 4,930 | 4,930 | 3,345 |
| | | Programme funding | | | | | | |
| 4,179 | 602 | Main programme | 2,428 | 4,316 | 5,175 | 4,930 | 4,930 | 3,345 |
| 4,433 | 3,261 | Revenue funds | 1,172 | | | | | |
| 2,021 | 2,021 | Grants | 1,398 | 1,398 | | | | |
| 10,633 | 5,884 | FUNDING TOTALS | 4,998 | 5,714 | 5,175 | 4,930 | 4,930 | 3,345 |

**APPENDIX B TO THE MINUTES OF THE RESOURCES COMMITTEE (Budget) MEETING HELD
ON 4 FEBRUARY 2013**

| PRUDENTIAL INDICATORS | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| | £m | £m | £m | £m | £m | £m |
| | estimate | estimate | estimate | estimate | estimate | estimate |
| Capital Expenditure | | | | | | |
| Non - HRA | 4.998 | 5.714 | 5.175 | 4.930 | 4.930 | 3.345 |
| HRA (applies only to housing authorities) | | | | | | |
| Total | <u>4.998</u> | <u>5.714</u> | <u>5.175</u> | <u>4.930</u> | <u>4.930</u> | <u>3.345</u> |
| Ratio of financing costs to net revenue stream | | | | | | |
| Non - HRA | 3.76% | 3.81% | 4.43% | 5.08% | 5.65% | 6.17% |
| HRA (applies only to housing authorities) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Capital Financing Requirement as at 31 March | | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Non - HRA | 25,395 | 27,873 | 30,940 | 33,462 | 35,734 | 36,153 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 1,532 | 1,509 | 1,444 | 1,374 | 1,299 | 1,209 |
| Total | <u>26,927</u> | <u>29,382</u> | <u>32,384</u> | <u>34,836</u> | <u>37,033</u> | <u>37,362</u> |
| Annual change in Capital Financing Requirement | | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Non - HRA | 537 | 2,455 | 3,002 | 2,450 | 2,195 | 327 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | <u>537</u> | <u>2,455</u> | <u>3,002</u> | <u>2,450</u> | <u>2,195</u> | <u>327</u> |
| Incremental impact of capital investment decisions | | | | | | |
| | £ p | £ p | £ p | £ p | £ p | £ p |
| Increase/(decrease) in council tax (band D) per annum | -£0.49 | -£1.27 | -£1.04 | N/A | N/A | N/A |
| PRUDENTIAL INDICATORS - TREASURY MANAGEMENT | | | | | | |
| Authorised Limit for external debt | | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Borrowing | 32,210 | 34,856 | 37,281 | 37,826 | 38,890 | 39,697 |
| Other long term liabilities | 1,521 | 1,449 | 1,371 | 1,278 | 1,177 | 1,070 |
| Total | <u>33,731</u> | <u>36,305</u> | <u>38,652</u> | <u>39,104</u> | <u>40,067</u> | <u>40,767</u> |
| Operational Boundary for external debt | | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Borrowing | 30,940 | 33,462 | 35,734 | 36,153 | 37,103 | 37,889 |
| Other long term liabilities | 1,444 | 1,374 | 1,299 | 1,209 | 1,112 | 1,010 |
| Total | <u>32,384</u> | <u>34,836</u> | <u>37,033</u> | <u>37,362</u> | <u>38,215</u> | <u>38,899</u> |

| 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 2012/13 | | |
| 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% |