

## **RESOURCES COMMITTEE**

(Devon and Somerset Fire and Rescue Authority)

1 September 2014

### Present:

Councillors Brooksbank, Burridge-Clayton, Chugg, Dyke, Greenslade and Yeomans.

### Apologies:

Councillor Singh.

### Attending in accordance with Standing Order 36:

Councillor Eastman.

#### **\*RC/1. Election of Chair**

**RESOLVED** that Councillor Dyke be elected Chair of the Committee until its first meeting following the Authority annual meeting in 2015.

#### **\*RC/2. Minutes**

**RESOLVED** that the Minutes of the meeting held on 16 May 2014 be signed as a correct record.

#### **\*RC/3. Election of Vice Chair**

**RESOLVED** that Councillor Yeomans be elected Vice-Chair of the Committee until its first meeting following the Authority annual meeting in 2015.

#### **\*RC/4. Treasury Management Performance 2014-15: Quarter 1**

The Committee received, for information, a report of the Treasurer (RC/14/10) on the treasury management activities of the Authority for the first quarter of the current (2014-15) financial year, to June 2015. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management advocated that public authorities should receive a report on treasury management activities at least twice a year and preferably quarterly.

Performance during the first quarter of the current financial year demonstrated a prudent approach to investment decisions, with priority being given to liquidity and security over yield. No Prudential Indicators had been breached and, while investment returns were still low as a consequence of the fall in interest rates, it was still anticipated that the Authority would realise returns from its investments over the budget target.

In debating the report, Members commented in particular on the ongoing uncertainties facing the financial markets and of the need for the Authority, wherever practicable, to seek reductions in its level of external debt.

#### **\*RC/5. Financial Performance 2014-15: Quarter 1**

The Committee received for information a report of the Treasurer to the Authority (RC/14/11) on financial performance for the first quarter (April to June) as against those agreed targets for the current (2014-15) financial year.

At this stage it was anticipated that revenue spending would be some £2.062m (2.72%) less than the agreed budget figure. This aligned to the approved strategy to deliver in-year savings wherever possible to enhance reserve balances, with the underspend being largely attributable to savings on staffing costs arising primarily from continued implementation of Corporate Plan proposals approved in July 2013. These proposals were anticipated to deliver ongoing annual savings of £6.8m once fully implemented.

The report highlighted the most significant variations from the budget and estimated the position for both reserves and provisions at the end of the financial year. Earmarked reserves were projected to be some £7.9m, with general reserves estimated to be some £5.2m (6.85% of the net revenue budget). Provisions were estimated to be some £2.3m, the bulk of which related to funding set aside to meet costs retained firefighter pension costs associated with the legal ruling on application of the Part-time Workers (Less than Favourable Working Conditions) Regulations 2000.

In relation to the capital programme 2014-15, the latest projection was for spending to be some £6.891m against an initial, proposed revised programme of £9.093m – an indicative “slippage” of £2.202m. The initial, proposed revised programme additions totalling £1.266m were as a result of:

- inclusion of a further £1.046m slippage on the 2013-14 capital programme, additional to that reported to the Authority at its meeting on 29 May 2014 as part of the budget outturn position for the last financial year (Minute DSFRA/9 refers);
- £0.200m to fund additional works at some stations to comply with Water Regulations, as approved by the Authority at its meeting on 29 May 2014 (Minute DSFRA/9 refers); and
- £0.020m to fund works to the training tower at Appledore (to be funded from revenue contributions).

None of the additions identified above required any increase in the external borrowing requirement.

Given the total indicative slippage of £2.202m against the 2014-15 capital programme, which it was felt could not be addressed during the current financial year, it was intended to adjust the three year programme 2014-15 to 2016-17 by moving an amount of £2m from 2014-15 to 2015-16 (giving a final, proposed revised programme for 2014-15 of £7.094m). This reflected a change in project delivery rather than a change to the overall programme, was permissible under the Prudential Code and would have a positive impact on debt charges in deferring external borrowing requirements by a year.

The report also set out performance to date against other financial performance indicators, notably debt analysis and payment of invoices within 30 days.

The report identified that, while it was still early in the financial year, consideration would need to be given in due course to utilisation of any year-end savings and that these considerations would be influenced by a number of factors such as meeting the liability on retained pension costs (once finally clarified), supporting capital spending plans and thereby reducing debt exposure and maintaining sufficient reserve balances during the austerity period, now anticipated to last until at least 2017-18.

***(SEE ALSO MINUTE RC/6 BELOW)***

**RC/6. Revision to Capital Programme 2014-15 to 2016-17**

The Committee considered a report of the Director of Operations and Treasurer to the Authority (RC/14/12) on proposed revisions to the approved capital programme 2014-15 to 2016-17. The proposed revisions were as a result of:

- inclusion of a further £1.046m slippage on the 2013-14 capital programme, additional to that reported to the Authority at its meeting on 29 May 2014 as part of the budget outturn position for the last financial year (Minute DSFRA/9 refers). The carry-forward of this additional slippage reflected a change to the timing of the spend only rather than an increase in funding requirements;
- an increase of £0.200m in 2014-15 to fund additional works at some stations to comply with Water Regulations, to be met from the underspend against the 2013-14 revenue budget and as approved by the Authority at its meeting on 29 May 2014 (Minute DSFRA/9 refers); and
- an increase of £0.020m in 2014-15 to fund works to the training tower at Appledore (to be funded from revenue contributions);
- given the indication that slippage against the 2014-15 capital programme would be in the region of £2.202m (see Minute \*RC/5 above), a proposal to transfer an amount of £2m from 2014-15 to 2015-16 reflecting, again, changes in the timing of spend rather than an increase in funding requirements.

The proposed revised capital programme 2014-15 to 2016-17 was summarised at Appendix B to the report, with Appendix C setting out revised prudential indicators associated with the revised programme.

The report also identified that, looking ahead, the affordability of future capital spending would come under more pressure given a reducing revenue budget and that consideration would ultimately need to be given to the identification of an alternative funding source to external borrowing.

**RESOLVED** that the Devon & Somerset Fire & Rescue Authority be recommended to approve the revised capital programme and associated prudential indicators for 2014-15 to 2016-17 as detailed in report RC/14/12 and summarised at Appendices A and B to these Minutes.

***(SEE ALSO MINUTE \*RC/5 ABOVE)***

**\*RC/7. Disposal of Six End of Life Service Vehicles**

The Committee considered a report of the Director of Corporate Services (RC/14/13) on a proposal to donate six, "end of operational life" Land Rovers to the Dartmoor Rescue Groups.

The Groups were valuable, voluntary sector partners fully reliant upon charitable donations to operate. Donating the vehicles as proposed would accord with the aims of the approved Corporate Strategy in forging an integrated response framework inclusive of the community and voluntary sector and enable the Service to utilise the access, navigation and topographical skills of the Groups, thereby supporting the Service in responding to emergencies. This, in turn, would reduce the number of times when the Service may be required to request support from national assets.

If the donation was approved, an appropriate agreement to transfer ownership of the vehicles and all future liabilities would be drafted between the Authority and the Dartmoor Rescue Groups and each vehicle would be liveried to highlight and promote the working partnership between the Service and the Groups.

The normal disposal route for such vehicles would be via local auctions and could, depending on market conditions, realise a receipt of between £26,000 and £30,000. Financial Regulations required Committee approval for the disposal of any material asset (either individual or cumulative amounts of the same item) valued between £25,000 and £50,000.

**RESOLVED** that, in accordance with Financial Regulations, the donation of six 'end-of-life' Land Rovers to the four Dartmoor Rescue Groups, as set out in report RC/14/13, be approved.

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

The meeting started at 10.00hours and finished at 11.15hours.

**APPENDIX A TO THE MINUTES OF THE MEETING OF THE RESOURCES COMMITTEE HELD  
ON 1 SEPTEMBER 2014**

Revised Capital Programme (2014/15 to 2019/20)			PROPOSED PROGRAMME 2014-15 TO 2016-17			INDICATIVE PROGRAMME 2017-18 TO 2019-20		
2013/2014 Revised Programme (£000)	2013/2014 Outturn (£000)	Item PROJECT	2014/15 (£000)	2015/16 (£000)	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)	2019/20 (£000)
		<b>Estate Development</b>						
79	21	SHQ major building works	58					
1,544	1,247	Major Projects - Training Facility at Exeter Airport	320	100				
		Minor improvements & structural maintenance	1,062	2,400	1,500	1,750	1,750	1,750
255	187	USAR works	83					
1,288	603	Minor Works slippage from earlier years	680					
108	96	Projects funded from Revenue	195					
<b>3,274</b>	<b>2,136</b>	<b>Estates Sub Total</b>	<b>2,398</b>	<b>2,500</b>	<b>1,500</b>	<b>1,750</b>	<b>1,750</b>	<b>1,750</b>
		<b>Fleet &amp; Equipment</b>						
		Appliance replacement	2,557	3,202	2,557	2,557	1,438	2,119
		Specialist Operational Vehicles	50		400	400		
60	60	Vehicles and equipment funded from revenue						
		Equipment	1,070	384	320	320	380	200
100	-	USAR Vehicles	100					
481	200	Equipment slippage from earlier years	415					
2,883	1,457	Appliance & Specialist Operational Vehicle slippage from earlier years	504	936				
<b>3,524</b>	<b>1,717</b>	<b>Fleet &amp; Equipment Sub Total</b>	<b>4,696</b>	<b>4,522</b>	<b>3,277</b>	<b>3,277</b>	<b>1,818</b>	<b>2,319</b>
<b>6,798</b>	<b>3,853</b>	<b>SPENDING TOTALS</b>	<b>7,094</b>	<b>7,022</b>	<b>4,777</b>	<b>5,027</b>	<b>3,568</b>	<b>4,069</b>
<b>Programme Funding</b>								
1,596		Main programme	850	5,726	4,777	5,027	3,568	4,069
3,361	2,225	Revenue funds	4,468	1,296				
355	188	Earmarked Reserves	378					
1,440	1,440	Grants	1,398					
<b>6,752</b>	<b>3,853</b>	<b>FUNDING TOTALS</b>	<b>7,094</b>	<b>7,022</b>	<b>4,777</b>	<b>5,027</b>	<b>3,568</b>	<b>4,069</b>

**APPENDIX B TO THE MINUTES OF THE MEETING OF THE RESOURCES COMMITTEE HELD  
ON 1 SEPTEMBER 2014**

<b>PRUDENTIAL INDICATORS</b>	<b>INDICATIVE INDICATORS 2017/18 to 2019/20</b>					
	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate	2019/20 £m estimate
<b>Capital Expenditure</b>						
Non - HRA	7.094	7.022	4.777	5.027	3.568	4.069
HRA (applies only to housing authorities)						
<b>Total</b>	<b>7.094</b>	<b>7.022</b>	<b>4.777</b>	<b>5.027</b>	<b>3.568</b>	<b>4.069</b>
<b>Ratio of financing costs to net revenue stream</b>						
Non - HRA	3.65%	3.87%	4.67%	5.25%	5.82%	6.21%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>	£000	£000	£000	£000	£000	£000
Non - HRA	23,430	27,351	29,948	32,545	33,406	34,544
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,509	1,443	1,374	1,299	1,209	1,112
<b>Total</b>	<b>24,939</b>	<b>28,794</b>	<b>31,322</b>	<b>33,844</b>	<b>34,615</b>	<b>35,656</b>
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000	£000
Non - HRA	-975	3,855	2,528	2,522	771	1,041
HRA (applies only to housing authorities)	0	0	0	0	0	0
<b>Total</b>	<b>-975</b>	<b>3,855</b>	<b>2,528</b>	<b>2,522</b>	<b>771</b>	<b>1,041</b>
<b>Incremental impact of capital investment decisions</b>	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.42	-£1.03	-£0.62	N/A	N/A	N/A
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>						
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000	£000
Borrowing	31,120	33,913	34,903	36,171	37,188	38,027
Other long term liabilities	1,449	1,371	1,278	1,177	1,070	963
<b>Total</b>	<b>32,569</b>	<b>35,284</b>	<b>36,181</b>	<b>37,348</b>	<b>38,258</b>	<b>38,991</b>
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000	£000
Borrowing	29,948	32,545	33,406	34,544	35,518	36,300
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
<b>Total</b>	<b>31,322</b>	<b>33,844</b>	<b>34,615</b>	<b>35,656</b>	<b>36,528</b>	<b>37,208</b>

<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 2014/15		
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%