

## **RESOURCES COMMITTEE**

(Devon and Somerset Fire and Rescue Authority)

14 May 2015

Present:-

Councillors Dyke (Chairman), Burridge-Clayton, Chugg, Greenslade, Singh and Yeomans

### **\*RC/18. Minutes**

**RESOLVED** that the Minutes of the meeting held on 10 February 2015 be signed as a correct record.

### **RC/19. Draft Financial Outturn 2014/15**

The Committee considered a report of the Treasurer to the Authority (RC/15/6) that set out details of the Authority's financial performance during the fourth quarter of 2014/15 as compared with the approved financial targets. The report also provided details of spending against the 2014-15 revenue budget with explanations of the major variations.

The Treasurer highlighted that net spending was £73.741m at the year-end in 2014/15 which was £2.051m less than the approved revenue budget of £75.794m (an amendment to the figure published in report RC/15/6 which had changed slightly from £2.053m). The saving of £2.051m was equivalent to 2.71% of the total budget. This figure was net of the transfer of funds to Reserves and Provisions as follows:

- A transfer of £0.141m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised;
- A transfer of £0.500m to Earmarked Reserves for 2014-15 Budget Carry Forwards to fund planned projects not completed by 31 March 2015;
- A transfer of £1.088m revenue underspend on Capital to Earmarked Reserve;
- Additional provisions relating to pension liabilities of £0.228m.

The Treasurer outlined the proposals for the utilisation of the underspend which it was anticipated would fund two further transfers into Earmarked Reserves as follows:

- Essential Spending Pressures (£0.506m);
- Comprehensive Spending Review (CSR) (£1.545m).

Reference was made to the Prudential Indicators and the point that external borrowing had exceeded the target of £22.582m with an outturn of £25.944m in Quarter 4 of 2014/15. This figure was lower than the previous quarter, however, due to further principal repayments and was not a cause of concern as this level of borrowing was well within the authorised limit for external debt of £31.120m. Whilst no further external borrowing was planned in the immediate future, it was noted that, given that the Authority may spend £25m on future projects over the next four years which would be part funded from revenue contributions to capital, the need to borrow further to fund this could not necessarily be avoided. This matter would be discussed with the Authority's Treasury Management Advisers, Capita, as appropriate. Councillor Greenslade requested a separate report on the anticipated levels of debt and borrowing requirements as compared with reserves in the next two to three years be submitted to this Committee for consideration. The Treasurer replied that this matter would be covered within the next Treasury Management report to this Committee.

The Chief Fire Officer referred to three points that had an impact on future borrowing namely:

- Fleet – the Service was moving away from the purchase of larger, more expensive Type B appliances to the Light Rescue Pumps with a cost reduction in the region of £50,000 per appliance;
- Estates – a project had been instigated to review the whole property portfolio working in conjunction with Industry to rationalise and free up capital assets where possible;
- The ratio of debt was historically set out as a percentage of the revenue budget and this may therefore increase as revenue funding for the Authority decreased in future years due to ongoing austerity measures.

The Treasurer added that the current debt ratio was 3.73% due to slippage on the capital programme, which had been anticipated. The Authority had a self-imposed target for debt of 5% of the total revenue budget - but this may need to be reviewed in the future if the level of revenue funding continued to decrease.

Reference was made at this point to the amount of £2m that had previously been set aside in a ring-fenced provision to fund future pension liabilities, including the liability from the Part Time Workers (Prevention of Less Favourable Treatment) Employment Tribunal. All employees eligible for the backdated pension were notified and – if they submitted an expression of interest – were supplied with an estimate of their pension. The Department for Communities and Local Government confirmed that any future liabilities arising from this would be met through employer’s pension contributions by using pension valuations in future years, rather than being repaid as a lump sum as originally anticipated. Consequently, it was anticipated that the Authority’s contribution rate towards pensions would be increased in future years. As a direct result of this, £1.525m of the original provision was no longer needed to repay immediate lump sums and therefore, it was recommended in this report that this sum be transferred to an Earmarked Reserve to fund future pension liabilities. Councillor Chugg enquired as to how many staff would be affected by this and the Treasurer indicated that he would provide this information separately to Members.

The Committee expressed thanks to both operational officers and budget holders for the laudable position that had been achieved on the outturn at the year end, whereupon:

Councillor Burridge-Clayton (seconded by Councillor Yeomans) **MOVED:**

“that the recommendations as set out within report RC/15/6 (subject to amendment to reflect the revised underspend of £2.051m on the 2014-15 revenue budget) be approved”.

This was **CARRIED** unanimously.

*N.B. Councillor Greenslade declared a personal but non-pecuniary interest in this matter, in so far as it related to Exeter Airport, by virtue of his being a non-remunerated, non-Executive Director at Exeter International Airport Ltd. appointed by Devon County Council as its representative.*

## **RESOLVED**

- (a) That the Fire and Rescue Authority, at its meeting on the 28 May 2015, be recommended to approve:
  - (i) That the provisional underspend against the 2014-15 revenue budget of £2.051m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 11.5 of report RC/15/6:
    - A. the transfer of £0.506m to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2015-16 base budget (Para 11.5(d));

- B. the transfer of the remaining £1.545m to the Comprehensive Spending Review (CSR) Reserve (Para 11.5(f));
- (ii) the reversal of £1.525m from the Provision originally set aside to fund the potential liability for Retained Pension Costs emanating from the Employment Tribunal relating to Part-Time Workers, and that this sum to transferred to a new Earmarked Reserve for Retained Pension Liability (Para 11.5(h));
- (iii) That following a review of Earmarked Reserve requirements, an amount of £0.079m be transferred from Earmarked Reserves to General Reserve (Para. 11.5i)
- (b) That, subject to (a) above, the following be noted:
  - (i) The draft position in respect of the 2014-15 Revenue and Capital Outturn position, as indicated in this report.
  - (ii) That the underspend figure of £2.051m is after;
    - A. A transfer of £0.141m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised (Para.11.5a)
    - B. A transfer of £0.500m to Earmarked Reserves for 2014-15 Budget Carry Forwards to fund planned projects not completed by 31 March 2015 (Para. 11.5b and 11.5c)
    - C. A transfer of £1.088m revenue underspend on Capital to Earmarked Reserve (Para. 11.5e)
    - D. Additional provisions relating to pension liabilities of £0.228m. (Para. 11.5j)

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

The meeting started at 10.00hours and finished at 11.15hours