

**M. Pearson
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the
Resources Committee**

(see below)

**SERVICE HEADQUARTERS
THE KNOWLE
CLYST ST GEORGE
EXETER
DEVON
EX3 0NW**

Your ref :
Our ref :
Website : www.dsfire.gov.uk

Date : 10 May 2011
Please ask for : Steve Yates
Email : syates@dsfire.gov.uk

Telephone : 01392 872200
Fax : 01392 872300
Direct Telephone : 01392 872329

RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

Wednesday 18 May 2011

A meeting of the Resources Committee will be held on the above date, **commencing at 10:00 hours in Conference Room B in Somerset House, Service Headquarters** to consider the following matters.

M. Pearson
Clerk to the Authority

AGENDA

1. **Apologies**
2. **Minutes** of the previous meeting of the Committee held on 28 January 2011 attached (Page 1).
3. **Items Requiring Urgent Attention**

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

4. **Declarations of Interest**

Members are asked to consider whether they have any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and declare any such interests at this time. *Please refer to the Note 2 at the end of this agenda for guidance on interests.*

PART 1 – OPEN COMMITTEE

5. Financial Performance Report 2010-11

Report of the Treasurer to the Authority (RC/11/5) attached (Page 5).

6. Capital Programme 2011/12 to 2013/14

Report of the Director of Service Support and Treasurer (RC/11/6) attached (Page 20)

PART 2 – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PRESS AND PUBLIC

7. Nil

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Gordon(Chair), Yeomans (Vice Chair), Horsfall, Hughes OBE, Smith, Turner, Woodman

Substitute Members

Members are reminded that, in accordance with Standing Order 36, the Clerk (or his representative) MUST be advised of any substitution prior to the start of the meeting.

NOTES

1. ACCESS TO INFORMATION

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Steve Yates on the telephone number shown at the top of this agenda.

2. DECLARATIONS OF INTERESTS BY MEMBERS

What Interests do I need to declare in a meeting?

As a first step you need to declare any personal interests you have in a matter. You will then need to decide if you have a prejudicial interest in a matter.

What is a personal interest?

You have a personal interest in a matter if it relates to any interests which you must register, as defined in Paragraph 8(1) of the Code.

You also have a personal interest in any matter likely to affect the well-being or financial position of:-

- (a) you, members of your family, or people with whom you have a close association;
- (b) any person/body who employs/has employed the persons referred to in (a) above, or any firm in which they are a partner or company of which they are a director;
- (c) any person/body in whom the persons referred to in (a) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of which you are a Member or in a position of general control or management and which:-
 - you have been appointed or nominated to by the Authority; or
 - exercises functions of a public nature (e.g. a constituent authority; a Police Authority); or
 - is directed to charitable purposes; or
 - one of the principal purposes includes the influence of public opinion or policy (including any political party or trade union)

more than it would affect **the majority** of other people in the Authority's area.

Anything that could affect the quality of your life (or that of those persons/bodies listed in (b) to (d) above) either positively or negatively, is likely to affect your/their "well being". If you (or any of those persons/bodies listed in (b) to (d) above) have the potential to gain or lose from a matter under consideration – to a **greater extent** than **the majority** of other people in the Authority's area - you should declare a personal interest.

What do I need to do if I have a personal interest in a matter?

Where you are aware of, **or ought reasonably to be aware of**, a personal interest in a matter you must declare it when you get to the item headed "Declarations of Interest" on the agenda, or otherwise as soon as the personal interest becomes apparent to you, **UNLESS** the matter relates to or is likely to affect:-

- (a) any other body to which you were appointed or nominated by the Authority; or
- (b) any other body exercising functions of a public nature (e.g. membership of a constituent authority; other Authority such as a Police Authority);

of which you are a Member or in a position of general control or management. In such cases, provided you do not have a prejudicial interest, you need only declare your personal interest if and when you speak on the matter.

Can I stay in a meeting if I have a personal interest?

You can still take part in the meeting and vote on the matter unless your personal interest is also a prejudicial interest.

What is a prejudicial interest?

Your personal interest will also be a **prejudicial** interest if **all** of the following conditions are met:-

- (a) the matter is not covered by one of the following exemptions to prejudicial interests in relation to the following functions of the Authority:-
 - statutory sick pay (if you are receiving or entitled to this);
 - an allowance, payment or indemnity for members;
 - any ceremonial honour given to members;

- setting council tax or a precept; **AND**
- (b) the matter affects your financial position (or that of any of the persons/bodies as described in Paragraph 8 of the Code) or concerns a regulatory/licensing matter relating to you or any of the persons/bodies as described in Paragraph 8 of the Code); **AND**
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest is so significant that it is likely to prejudice your judgement of the public interest.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest in a matter being discussed at a meeting, you must declare that you have a prejudicial interest (and the nature of that interest) as soon as it becomes apparent to you. You should then leave the room unless members of the public are allowed to make representations, give evidence or answer questions about the matter by statutory right or otherwise. If that is the case, you can also attend the meeting for that purpose.

You must, however, leave the room **immediately after you have finished speaking (or sooner if the meeting so decides)** and you cannot remain in the public gallery to observe the vote on the matter. Additionally, you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

What do I do if I require further guidance or clarification on declarations of interest?

If you feel you may have an interest in a matter that will need to be declared but require further guidance on this, please contact the Clerk to the Authority – preferably before the date of the meeting at which you may need to declare the interest. Similarly, please contact the Clerk if you require guidance/advice on any other aspect of the Code of Conduct.

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

28 January 2011

Present:-

Councillors Gordon (Chair), Dyke (vice Horsfall), Hughes OBE, Smith, Mrs Turner, Woodman and Yeomans

Apologies:-

Councillor Horsfall

In attendance:-

Councillors Gribble and Healey.

***RC/19. Minutes**

RESOLVED that the Minutes of the meeting held on 29 November 2010 be signed as a correct record.

***RC/20. Declarations of Interest**

Members of the Committee were asked to consider whether they had any personal/personal and prejudicial interests in items as set out on the agenda for this meeting and declare any such interests at this time.

No interests were declared.

***RC/21. Financial Performance Report 2010/11**

The Committee considered a report of the Treasurer to the Authority (RC/11/1) that set out the indicative projected outturn position against the approved 2010/11 Revenue Budget based upon the spending position up to the end of December 2010, together with details of the Authority's performance against the financial targets set.

The Treasurer advised that spending was projected to be £1.363million less than had been predicted, equivalent to 1.81% of the total revenue budget. It was emphasised that that this projection was net of the transfer of £0.726million to be set aside in an earmarked reserve to provide financial contingency towards budget setting in future years. This approach was being undertaken to assist the Authority in managing the impact of the reductions in government grant (Comprehensive Spending Review) over the next four years. The Committee was advised that there had not been any recommendation made as to how this projected underspend should be utilised at this stage in view of emerging issues such as the cessation of the Regional Control Centre project and the associated implications of this for Devon and Somerset.

The Committee noted that the main reason for the projected underspend against the revenue budget was as a result of efficiency savings that had been generated by the officer led Service Improvement Group (SIG), which involved all budget managers across the organisation scrutinising their budgets to identify savings of at least 10% from non-pay budget heads. The Chairman commended officers and budget managers on this achievement. Additionally, the forecast underspend had been made as a result of the impact of a zero pay increase from July 2010 for wholetime and retained staff, although it was anticipated that the retained staffing costs may still be impacted upon by the result of negotiations between the national Joint Council and fire and rescue authorities relating to rules on the Part Time Workers (Less than Favourable Working Conditions) Regulations as effected in 2010..

RESOLVED

- (a) That the budget monitoring position in relation to projected spending against the 2010/2011 revenue and capital budgets be noted.
- (b) That the performance against the 2010/2011 financial targets, be noted.

RC/22. 2011/12 Revenue Budget and Council Tax Level

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/11/2) that set out the necessary financial background in order that the Committee could give due consideration to an appropriate level of Revenue Budget and Council Tax for 2011/12 and to make a recommendation to the Fire and Rescue Authority accordingly.

The Treasurer made reference to the following information in presenting the report:

- details of the local government finance settlement for 2011/12 and 2012/13 , together with the position in respect of the Comprehensive Spending Review (CSR 2010) and capping;
- proposals for the level of Council Tax in 2011/12 based on two options, namely:
 - i. Option A – to increase council tax for a Band D property in 2011/12 by 2.5% over 2010/11
 - ii. Option B – to freeze council tax for a Band D property in 2011/12 at the same level as in 2010/11
- details of the core revenue budget requirements for 2011/12, together with details of existing inescapable commitments and proposed invest to save and essential spending needs;
- details of the Medium Term Financial Plan and associated plans to achieve the required budget reductions for 2011/12 to 2014/15;
- the precept consultation for 20011/12;
- the levels of reserves and balances.

The Treasurer advised that the impact of the CSR had not been as acute for the fire and rescue service as had been anticipated and although savings of 25% had to be achieved by 2014/15, this was back-loaded to years 3 and 4. He referred to the grant settlement figures set out at Table 1 of report RC/11/2 and stated that the final settlement figures were expected by the end of January 2011, although it was not envisaged that this would fundamentally change the position. Any change made as a result of the announcement of the final Local Government Finance Settlement would be reflected within the recommendations made to the Fire and Rescue Authority. He drew attention to an amendment to the net budget requirement as published within report RC/11/2 which was now £76,241,000 as opposed to the £76,235,000 as set out, which was as a result of a change in the figures provided by the billing authorities.

In terms of the two options presented for consideration in respect of the proposed level of council tax for 2011/12, the Treasurer advised that both of these resulted in the same level of revenue budget for 2011/12. Option B was based on the Authority being entitled to receive council tax freeze reward grant equivalent to the amount of precept that would have been generated by an increase in council tax by 2.5%, this being £1.098million (to be paid for each of the four years covered by the CSR) for Devon and Somerset FRA.

Following a discussion, the Committee indicated its support for Option B in terms of the level of council tax for 2011/12 as outlined in report RC/11/2, whereupon it was:

RESOLVED that it be recommended to the budget setting meeting of the Fire and Rescue Authority, to be held on the 14 February 2011, that;

- (a) the level of council tax in 2011-12 for a Band D property be frozen at the 2010-11 level of £71.77, as outlined as Option B in paragraph 4.2 of this report;
- (b) a Net Budget Requirement of £76,241,000 for 2011/2012 be set.

NB. MINUTE RC/23 BELOW ALSO REFERS.

RC/23. Capital Programme 2010/11 to 2012/13

The Committee considered a report of the Director of Service Support and Treasurer (RC/11/3) that set out details of the revised Capital Programme for 2011/12 to 2013/14 and associated Prudential Indicators, together with proposals to make a contribution of £1.5million from the revenue budget to part fund the proposed enhancement to the training facilities at Exeter Airport.

The Treasurer reported that one of the primary considerations in respect of the Capital Programme was its affordability and reference was made to the point that a guiding principle was that debt repayments should be kept to within 5% of the total revenue budget. He advised the Committee that, as a result of forecasts for the existing Capital Programme, it was envisaged that this 5% ceiling would be breached as a result of future revenue budgets being lower than had been anticipated originally and as a result, the proposals had been reviewed to bring the Authority back within its limits.

The Committee noted that as part of this, further consideration had been given to the affordability of the Programme overall, projects that had slipped and any potential projects that may require capital financing. With this in mind, it was proposed that a contribution from revenue was sought in the sum of £1.5million over a 2 year period (2011/12 and 2012/13) to part fund a project to improve the facilities for enhanced training at Exeter Airport. Combined with the slippage on other projects within the Programme, the proposed revised Capital Programme for 2011/12 to 2013/14 (as set out at Appendix A to report RC/11/3) would bring the debt ratio back within the 5% ceiling.

RESOLVED that the Devon and Somerset Fire and Rescue Authority at its budget meeting on the 14th February 2011 be asked to:

- (a) Approve, in accordance with Financial Regulations, a contribution of £1.5million from the Revenue Budget to part fund the proposed enhancement to the training facilities at Exeter Airport; and,
- (b) Subject to (a) above, approves the revised Capital Programme 2011/12 to 2013/14 and the associated prudential indicators as set out in this report.

NB. MINUTE RC/22 ABOVE ALSO REFERS

***RC/24. Treasury Management Performance 2010/11**

(Adam Burleton [SECTOR] in attendance for this item).

The Committee received for information a report of the Treasurer (RC/11/4)) providing a summary – in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management – of the treasury management activities on behalf of the Authority for the third quarter of 2010/11 (to December 2010).

The report indicated that none of the Prudential Indicators had been breached and that a prudent approach had been taken in relation to investment decisions taken so far, with priority being given to liquidity and security over yield. While investment returns had reduced when compared to the previous year, as a consequence of the fall in interest rates, the Authority was still achieving returns above the LIBID 7 day rate, which was the benchmark return for that type of short-term investment.

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

The meeting started at 10.00hours and finished at 12.10hours

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/11/5
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	18 MAY 2011
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2010-2011
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<p>(a) <i>That the Fire & Rescue Authority at its meeting on 27 May 2011 be recommended to approve that the underspend against the 2010-11 revenue budget of £1.375m be utilised to fund the following additional transfers to Earmarked Reserves, as outlined in paragraph 11.1 of this report;</i></p> <p>(i) <i>That an amount of £0.896m be transferred to the Change and Improvement Reserve, and;</i></p> <p>(ii) <i>That the remaining underspend of £0.479m be transferred to the Comprehensive Spending Review (CSR) 2010 Budget Strategy Reserve.</i></p> <p>(b) <i>that, subject to (a) above, the following be noted:</i></p> <p>(i) <i>The draft position in respect of the 2010-2011 Revenue and Capital Outturn, as indicated in this report.</i></p> <p>(ii) <i>That the underspend figure against the revenue budget of £1.375m includes;</i></p> <ul style="list-style-type: none"> • <i>a transfer to of £0.726m to the Earmarked Reserve of CSR 2010 Budget Management Reserve, as agreed in-year by the Authority.</i> • <i>a transfer of £0.657m to the Earmarked Reserve of 2010-11 Carry Forwards Reserve to fund committed projects not delivered by 31 March 2011.</i> • <i>a transfer of £1.374m to the Earmarked Reserve of Grants Unapplied Reserve, as required under new International Financial Reporting Standards (IFRS).</i>

	<ul style="list-style-type: none"> • <i>an increase of £0.556m in the Provision set aside to fund the impact of the Employment Tribunal relating to the Part Time Workers (Less than Favourable Working Conditions), as outlined in paragraph 3.4 of this report.</i> <p>(iii) The performance against the 2010-2011 financial targets.</p>
EXECUTIVE SUMMARY	<p>This report provides an updated position in relation to the Authority's performance against the agreed financial targets for the financial year 2010-2011, based upon the position at the end of the fourth quarter i.e. as at 31 March 2011.</p> <p>In particular, the report provides a draft financial outturn position against the 2010-2011 revenue budget, which indicates that spending is £1.375m less than budget, equivalent to 1.83% of the total budget. It should be noted that at this stage the outturn can only be regarded as provisional as some figures are still to be verified. A final outturn position will be considered at the full Authority meeting to be held on the 27 May 2011.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	<p>A. Summary of Forecast Performance against 2010-2011 Financial Targets.</p> <p>B. Subjective Analysis of 2010-2011 Revenue Spending.</p> <p>C. Summary of Reserves and Balances as at 31 March 2011.</p> <p>D. Capital Monitoring Statement 2010-2011.</p>
LIST OF BACKGROUND PAPERS	Financial Performance Report 2010-2011 (RC/11/1) to Resources Committee 28 January 2011.

1. **INTRODUCTION**

1.1 This Committee has received quarterly reports during the financial year to consider performance against agreed financial targets for 2010-11. This latest report is the final report based upon the position at the end of March 2011. As well as providing a draft outturn position against the 2010-11 revenue budget, the report also includes an analysis of performance against other financial indicators, e.g. external borrowing and treasury management indicators.

1.2 The report is presented in three sections;

SECTION A – Revenue Budget 2010-11.

SECTION B – Capital Budget and Prudential Indicators 2010-11.

SECTION C – Other Financial Indicators.

1.3 Appendix A to this report provides a summary of performance against each of our targets. The key issues relating to our forecast performance against each of these targets are explained within each section of this report.

2. **SECTION A - REVENUE BUDGET 2010-2011**

2.1 Appendix B provides a summary of the draft outturn position against the 2010-11 revenue budget. This reports spending to be £73.760m, as compared to an approved budget of £75.135m, representing an underspend of £1.375m, equivalent to 1.83% of the total budget. It should be noted that at the time of writing this report the outturn position can only be regarded as draft, as some of the figures are still subject to verification. The final outturn position will be reported to the meeting of the full Fire Authority to be held on the 27 May 2011.

2.2 An underspend of this size is of course a very good outcome, and is largely as a result of instructions given to budget holders, by the Chief Fire Officer and Senior Management Board, that only essential spending should be undertaken in year on non-salary budget lines. This has resulted in budget managers trimming back spend across the whole organisation, therefore delivering in-year savings which can be set aside now, and used to assist future budgets in 2013-14 and 2014-15, when more severe reductions in Fire Service grants are anticipated. This is in addition to savings on employee costs as a result of a zero percent pay award in 2010, which is less than forecasted when the budget was set.

2.3 Proposals on how to utilise the underspend are contained in paragraph 11.1 of this report.

2.4 It should be emphasised that the projected underspend figure already includes the impact of the agreed transfer of £0.726m to an Earmarked Reserve (CSR 2010 Budget Strategy Reserve). The figure of £0.726m has been generated from efficiency savings identified by the officer-led Service Improvement Group (SIG). In anticipation of reductions in government grant levels over the next four years from CSR 2010, an exercise to identify in-year savings of 10% from non-salary budget heads has been undertaken by SIG. This exercise involved all budget managers throughout the organisation scrutinising their local budgets and making proposals to SIG for reductions of 10% savings. Each of the proposals were then risk assessed by the Senior Management Board to assess the impact of each proposal against the Corporate Plan and Service Delivery.

- 2.5 The range of proposals varies from the smaller savings from better local management of costs e.g. travel, utilities, equipment, conference/seminars attendance, to the larger savings from cessation of non-essential work programmes or deferral of projects e.g. savings on leasing costs from the extension of the life of existing vehicles and equipment.
- 2.6 An analysis of spending against all approved budget lines is shown in Appendix B. It is inevitable that there will be variations against individual budget lines, due to changing circumstances, volatility associated with some budget lines, and the instruction to budget holders to only commit spending that is deemed to be essential. Details of the major variations against individual budget lines are explained in paragraphs 3 to 9 below

3. EMPLOYEE COSTS

Wholetime Staff

- 3.1 Spending against wholetime pay costs is £0.367m less than budget, primarily as a consequence of a zero pay increase from July 2010, as compared to the 1.0% provision that had been made in setting the 2010-11 budget.

Retained Staff

- 3.2 Spending on retained pay costs is shown as £0.474m over budget, however it should be noted that this figure includes additional provision of £0.556m for future costs in relation to the impact of the employment tribunal case made in 2010 under the Part-Time Workers (Less than Favourable Working Conditions) Regulations. Members will recall that the Tribunal eventually ruled that the claimants were engaged in broadly the same work as their named comparators (wholetime firefighters) and that they were treated less favourably in respect of access to pension rights and payment for sickness absence.
- 3.3 For Devon and Somerset FRA, as the largest employer of retained firefighters in the UK, the financial impact of this ruling is significant, particularly as the ruling includes backdated payments to the year 2000. The Authority has prudently already set aside funds of £0.949m into a Provision from previous years underspends to fund these payments. It is an accounting requirement that this Provision is reviewed at the year-end to ensure, as far as possible, that sufficient sums are made available to pay for the payments when they are actually made in the future.
- 3.4 The latest circular issued by the National Joint Council for Employers provided further details of the negotiated settlement, including the amounts of compensatory payments to be paid, although it does not include the element relating to pension rights, which will be subject to further negotiations between the Fire Brigades Union and the Department of Communities and Local Government (CLG). Based on this new information it is now estimated that this first phase of the settlement will cost the Authority an amount of £0.643m, and that the pension element will be £0.862m, giving a total liability of £1.505m. As this cost is £0.556m in excess of the existing Provision set aside, it is required to charge this amount to the 2010-11 revenue account to increase the Provision to the required level.

Control Room Staff

- 3.5 The underspend on control room staffing costs is primarily from vacancies as a consequence of the government decision to cancel the FireControl project resulting in a reduced need to employ temporary staffing. Savings have also been achieved from a zero pay award.

Non-Uniformed Staff

- 3.6 A total saving of £0.309m against non-uniformed pay costs again includes the impact of a zero pay award from April 2010, and also savings from the Senior Management restructure in 2010, which resulted in the deletion of two non-uniformed posts.

Training Expenses

- 3.7 As a consequence of slippage in the delivery of some training courses an underspend of £0.093m has been achieved against this budget line. A carry forward of £0.085m has been made into 2011-12 to fund the completion of these courses.

Fire Service Pension Costs

- 3.8 The overspend against Fire Service Pension costs of £0.079m primarily relates to the impact of a National Fraud Initiative (NFI), conducted through the Audit Commission during 2010, which identified that a number pensioners in receipt of an injury pension award were not being paid the correct amount due to outdated information relating to individual's government awarded injury benefits.

4. PREMISES RELATED COSTS

Repair and Maintenance

- 4.1 Slippage in the delivery of some planned maintenance projects has resulted in an underspend of £0.197m against this budget line. A carry forward of £0.050m has been made into 2011-12 to fund the completion of some of these schemes.

Energy Costs

- 4.2 A saving of £0.075m on energy costs has been achieved primarily as a result of refunds in gas payments relating to previous years, but also from the impact of carbon management initiatives introduced during 2010 e.g. installation of smart meters into stations to monitor usage.

Rent and Rates

- 4.3 The saving against rent and rates of £0.110m is primarily as a result of the receipt of a one-off refund of rental payments during 2010-11.

5. TRANSPORT RELATED COSTS

Repair and Maintenance

- 5.1 An underspend against this budget line of £0.136m is primarily as a result of savings achieved on maintenance contracts and some slippage of projects.

Travel and Subsistence

- 5.2 The main reason for an underspend against travel costs is as a result of slippage in the light vehicle replacement programme, resulting in savings on contract car hire costs.

6. SUPPLIES AND SERVICES

Equipment and Furniture

- 6.1 An underspend against equipment, including ICT projects, is primarily as a result of budget holders being instructed to defer spending unless deemed to be essential. This has resulted in savings which can be diverted to those key projects identified through the Change and Improvement Programmes.

Communications

- 6.2 Whilst this budget line is overspent by £0.092m, as a result of the system upgrades required in preparation for the FireControl project, these costs are offset by additional new burdens grant income (Appendix B Line 30) received from the CLG to fund these costs.

Uniforms and Personal Protective Equipment

- 6.3 It had been anticipated that the agreed replacement of Personal Protective Equipment (PPE) would have been delivered by the end of the financial year, however, in the event, due to delays with the project, the delivery date has slipped into April 2011. A carry forward of £0.422m into 2011-12 has been made to fund the replacement costs.

Catering Costs

- 6.4 As a consequence of a reduction in the number of training courses delivered e.g. recruitment courses, spending on meal provisions is less than budget.

PAYMENTS TO OTHER AUTHORITIES

Support Service Contracts

- 7.1 An increase in the contract with the Occupational Health Unit has resulted in an overspend against this budget line.

CAPITAL FINANCING COSTS

Capital Charges

- 8.1 Savings of £0.161m against capital charges has been achieved primarily as a consequence of slippage in capital spending in the year and the consequent reduction in the need to borrow to fund capital spending.

INCOME

Treasury Management Investment Income

- 9.1 The income from temporary investments has exceeded targets by £0.067m as a result of an improved cash flow position following early borrowing in the financial year when borrowing rates were particularly low.

Grants and Reimbursements

- 9.2 Whilst the Authority has received £1.532m more in grant income than budgeted, it should be emphasised that an amount of £1.384m of this figure relates to grants received to fund specific projects, but which have not been spent by the year-end. The introduction of the new accounting standards under International Financial Reporting Standards (IFRS) requires a different accounting treatment for such grants. Under the new rules, for any grant that has not been applied, and for which there is no requirement for the grant to be repaid if not spent at year-end, we are now required to identify such grants to the Committee and carry forward such sums into 2011-12 via a transfer into an Earmarked Reserve. This Reserve will then fund those projects for which the grants were originally intended when expenditure is incurred. An analysis of such grants is shown in paragraph 10.1.

Other Income

9.3 Other income targets e.g. training courses are down by £0.164m in 2010-11 primarily as a result of the impact of the economic downturn. This position will be improved in the future as new courses are delivered through the Training Academy and income generation is increased.

10. CONTRIBUTION TO EARMARKED RESERVES

10.1 The 2010-11 outturn figures in Appendix B includes three transfers to earmarked reserves, as follows:

- **CSR 2010 Budget Management Reserve (£0.726m)** - As is outlined in paragraph 2.5 of this report an exercise carried out through SIG to identify 10% savings from non-salary budget heads has identified an amount of £0.726m savings from in-year budgets. At the meeting of the Fire and Rescue Authority meeting, held on the 3 November 2010, it was approved that this total saving of £0.726m be transferred to an Earmarked Reserve, to be called 'CSR 2010 Budget Strategy Reserve', to be utilised to provide some financial contingency towards the budget strategy to be adopted in response to the reductions in government grants over the CSR period.
- **2010-11 Budget Carry Forwards (£0.657m)** – a number of committed projects planned to be delivered by the end of March 2011 have not been completed or delivered on time, and budget carry forwards are therefore required to enable the completion of those projects in 2011-12. These projects relate to;
 - Replacement Personal Protective Equipment (£0.422m).
 - Property maintenance projects (£0.050m).
 - Training Courses relating to workforce development and Gold Command (£0.085m).
 - Interagency Liaison Officers (£0.036m).
 - Firelink Radio Costs, shortfall in grant funding from the CLG (£0.064m)
- **Grants Unapplied (£1.374m)** – as is outlined in paragraph 9.2 of this report, under the new IFRS accounting arrangements, any unused grants at the year-end, which are not subject to repayment are to be identified and carried forward to 2011-12. An analysis of such grants is shown in Table 1 below,

TABLE 1 – UNSPENT GRANTS TO BE CARRIED FORWARD TO 2011-2012

Grant Received From	£ m	Purpose of Grant
Department of Communities and Local Government (CLG)	0.699	To fund Urban Search and Rescue (USAR) costs associated with staffing, training equipment and accommodation.
Department of Communities and Local Government (CLG)	0.228	To fund residual costs associated with the decision by the government to abandon the Regional FireControl project e.g. staffing costs and station end equipment.
Somerset Councils – “Safer Somerset”	0.261	To fund community safety initiatives within Somerset

DeFRA	0.075	To fund rescue boat operator training
Torbay Councils – “Safer Torbay”	0.082	To fund community safety initiatives within Torbay
Plymouth City Council/Devon and Cornwall Police Authority	0.028	To fund community safety vehicles
Yarlington Homes	0.001	To fund cycle training at Martock School.
TOTAL	1.374	

11. **PROPOSALS FOR UTILISATION OF THE UNDERSPEND**

11.1 It is proposed that the underspend figure of £1.375m be used to fund two further transfers into earmarked reserves, as follows:

- (a) **Change and Improvement Programme (£0.896m)** - Members will be well aware of the strategic ambition of the Authority ‘Towards 2014’ to make DSFRS one of the best fire and rescue authorities in the country. This journey requires a different way of doing business across the organisation to ensure that our resources are targeted towards those projects that will contribute to our vision, and also deliver the budget savings required as a consequence of 25% reductions in Fire Service grants by 2014-15 announced as part of CSR 2010.

Work is already well advanced, including the creation of two separate Programmes of Service Delivery and Business Support, recruitment of the Business Change Team, the introduction of the governance arrangements to oversee the delivery of the Programmes, and the identity of the key priority projects to be considered in the next twelve months. Each project will be subject to the approval of the Portfolio Board, which is represented by the Chief Fire Officer and the Senior Management Board, based upon sound business cases which can identify demonstrable benefits to the Service.

Based on the key priority projects to be considered in the first phase, it has been estimated that programme and project costs will be £1.635m, compared to the £0.739m already provided for in the base budget for 2011-12, leaving a shortfall of £0.896m. It is therefore proposed that an amount of £0.896m of the 2010-11 underspend be transferred to an Earmarked Reserve “Change and Improvement Reserve”. Funds will subsequently be released from this Reserve, to individual projects, by the Portfolio Board, on the approval of final business case stage for each project, and when a return on investment has been identified. As such this investment can be seen as an invest-to-save initiative.

- (b) **CSR 2010 Budget Strategy Reserve (0.479m)** – it is proposed that the remaining underspend, currently forecast to be £0.479m be transferred to the existing reserve of CSR 2010 Budget Strategy Reserve, which would increase the balance of this Reserve to £1.205m to be available to offset future grant reductions.

11.2 A summary position of Reserves and Provisions, including the recommendations included in this report, is included as Appendix C.

12. SUMMARY OF REVENUE SPENDING

- 12.1 As Members of this Committee will be aware, from regular reports during the year, the strategy adopted in response to the CSR 2010 announcement, that fire and rescue authorities can expect a 25% reduction in government grants over the next four years, has been to seek in-year savings which can be set aside in Reserve.
- 12.2 It is therefore pleasing that the draft revenue outturn position indicates that this strategy has delivered a further £1.375m of underspend, which is available for transfer to Authority Reserves and Balances. The two proposals included in this report are both focused on assisting budget setting in 2013-14 and 2014-15, when the impact of the 25% reduction in grants will be the most severe. This reflects the commitment of staff to work differently in order to generate savings across the organisation.
- 12.3 The Committee is asked to recommend that the Authority approves the proposals for utilisation of the underspend, as set out in this report, at its meeting on 27 May 2011.

10. SECTION B – CAPITAL PROGRAMME 2010-2011 AND PRUDENTIAL INDICATORS

Monitoring of Capital Spending in 2010-2011

- 10.1 Appendix D to this report provides a summary of the draft outturn against the revised 2010-11 capital programme. This indicates that overall spending is £3.466m, as compared to a revised programme of £7.539m, resulting in spending being less than budget by £4.073m.
- 10.2 The revised programme of £7.539m represents an increase of £0.040m from the previously reported programme, which reflects two small changes to the programme:
- An increase in the Estates programme of £0.016m relating to minor works at Wincanton and Sidmouth fire stations, to be funded from contributions from the South West Ambulance Trust.
 - An increase in the Fleet and Equipment programme of £0.024m relating to vehicle purchases to be funded from revenue contributions.
- 10.3 Of the underspend figure of £4.073m it has been identified that an amount of £3.292m relates to slippage in spending on individual schemes. Elsewhere on the agenda is a separate report which proposes a revised capital programme for the years 2011-12 to 2013-14, which includes provision for this slippage to be carried forward into 2011-12 to fund the completion of those schemes. The remaining amount of £0.781m has been identified as savings against the agreed programme.
- 10.4 Also included in Appendix D are details of how the projected spending of £3.466m is to be financed.
- ### ***Prudential Indicators (including Treasury Management)***
- 10.5 As a consequence of capital spending being forecast to be well below the capital programme targets none of the agreed prudential indicators will be breached. Actual external borrowing as at 31 March 2011 is £28.609m, which is well below the authorised limit for external debt of £40.488m (the absolute maximum that the Authority has agreed as affordable).

- 10.6 Investment returns from short-term investments of daily working balances have exceeded the income target of £0.070m by £0.067m as a consequence of better than anticipated working balance levels available for short-term investment. An average return of 0.80% has been achieved to the end of March 2011, as compared to the average LIBID 7 day rate (industry benchmark), for the same period of 0.43%.
- 10.7 Current external borrowing has been taken at an average borrowing rate of 4.24%, which is slightly more than the 4.09% which had been assumed in setting the debt charges budget for 2010-2011. However as the borrowing requirement in 2010-2011 is well below original forecasts, due to slippage in capital spending, debt charges costs are within the capital financing budget.

11. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Efficiency Savings

- 11.1 The Authority's forward looking Annual Efficiency Statement (AES) for 2010-2011 was submitted to the Department of Communities and Local Government (CLG) in July 2010. This return has targeted additional cashable savings of £1.223m to be achieved in 2010-2011. These savings primarily relate to further on-going savings from the combination of ex-Devon FRS and ex-Somerset FRS, vacancy management, a reduction in call activity and better procurement. Whilst the new government has subsequently removed the requirement for local authorities to report efficiency savings through an AES return, an analysis of savings indicates we have exceeded our targeted figure by £0.105m.
- 11.2 In relation to the savings to be achieved from the combination, the original business case had identified that cumulative savings of between £1.6m and £3.0m would be achieved by the year 2011-12. Actual cumulative savings achieved to the end of 2010-11 was £2.5m, with a further £1.2m forecast in 2011-12 resulting in forecast savings of £3.7m by 2011-2012.

Aged Debt Analysis

- 11.3 As at 31 March 2011, an amount of £45,689 (£50,023 as at 31 December 2010) was due from debtors relating to invoices that are more than 85 days old, equating to 12.41% (7.34% as at 31 December 2010) of the total debt outstanding. Table 2 below provides a summary of all debt outstanding as at 31 March 2011.

TABLE 2 – OUTSTANDING DEBT AS AT 31 MARCH 2011

	Total Value £	%age
Within 28 days	203,525	55.29%
29-56 days	57,205	15.54%
57-84 days	61,693	16.76%
Over 85 days	45,690	12.41%
Total Debt Outstanding as at 31 March 2011	368,113	100.00%

- 11.4 Whilst the value of over 85 days debt of £45,690 exceeds our agreed target of below 10% of total debt, it should be noted that this figure includes an amount of £34,974 owed by two specific debtors which is subject to legal proceedings. If those two debtors were removed from the calculation then our performance would improve to 3.22%.

Payment of Supplier Invoices within 30 days

- 11.5 In relation to the speed at which we pay our supplier invoices, we are currently on course to out-perform our target that 98% of supplier invoices will be paid within 30 days (or other agreed credit terms). As at the end of March 2011 our performance stood at 98.60%.

KEVIN WOODWARD
Treasurer to the Authority

FINANCIAL PERFORMANCE INDICATORS 2010-2011

Revenue Budget	Actual £m	Target £m	Variance (favourable) /adverse %
Forecast Spending	73.760	75.135	(1.83)%
Efficiency Savings to be achieved in 2010-2011	1.328	1.223	(0.09)%
Cumulative Efficiency Savings from Combination by 2011-2012	3.704	3.000	(23.47)%

Prudential Indicators and Treasury Management Indicators	Actual £m	Target £m	Variance (favourable) /adverse %
Capital Expenditure	3.466	7.539	(54.02)%
Capital Financing Requirement (CFR) - (excluding other long term liabilities)			
- Borrowing	28.251	32.128	(12.07)%
- Other long term liabilities	1.666	1.916	(13.05)%
Authorised limit for external debt	28.609	40.488	(29.33)%
Operational boundary for external debt	28.609	37.276	(23.25)%
Investment Income	0.137	0.070	(95.71)%
	Actual (31 March 2011) %	Target %	Variance (favourable) /adverse
Investment Return	0.80%	0.43%	(0.37) bp
Cost of Borrowing	4.24%	4.09%	0.15 bp

Prudential Indicators and Treasury Management Indicators	Actual (31 March 2011) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00)%
Maturity structure of borrowing limits				
Under 12 months	3.51%	10.00%	0.00%	(6.49)%
12 months to 2 years	5.20%	15.00%	0.00%	(9.80)%
2 years to 5 years	9.62%	30.00%	0.00%	(20.38)%
5 years to 10 years	2.28%	50.00%	0.00%	(47.72)%
10 years and above	79.39%	100.00%	50.00%	(20.61)%

Other Indicators	Actual (31 March 2011) %	Target %	Variance (favourable) /adverse %
Aged Debt over 85 days	12.41%	10.00%	2.41%
Payments to Suppliers within 30 days	98.60%	98.00%	(0.60)%

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

Draft Outturn Statement 2010-2011		2010/11 Budget	Year To Date Budget	Spending to Month 12	Draft Outturn	Draft Variance over/ (under) £000 (5)
		£000 (1)	£000 (2)	£000 (3)	£000 (4)	
Line No	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,568	32,568	32,201	32,201	(367)
2	Retained firefighters	12,121	12,121	12,039	12,595	474
3	Control room staff	2,160	2,160	2,040	2,040	(120)
4	Non uniformed staff	9,327	9,327	9,035	9,018	(309)
5	Training expenses	1,178	1,178	1,085	1,085	(93)
6	Fire Service Pensions recharge	1,939	1,939	2,018	2,018	79
		59,293	59,293	58,418	58,957	(336)
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,140	1,140	943	943	(197)
8	Energy costs	525	525	450	450	(75)
9	Cleaning costs	383	383	338	338	(45)
10	Rent and rates	1,232	1,232	1,122	1,122	(110)
		3,280	3,280	2,853	2,853	(427)
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	674	674	538	538	(136)
12	Running costs and insurances	1,088	1,088	1,052	1,052	(36)
13	Travel and subsistence	1,500	1,500	1,227	1,227	(273)
		3,262	3,262	2,817	2,817	(445)
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,366	2,366	2,143	2,143	(223)
15	Hydrants-installation and maintenance	97	97	111	111	14
16	Communications	1,439	1,439	1,531	1,531	92
17	Uniforms	1,060	1,060	629	629	(431)
18	Catering	244	244	171	171	(73)
19	External Fees and Services	448	448	482	482	34
20	Partnerships & regional collaborative projects	135	135	116	116	(19)
21	USAR Equipment	25	25	1	1	(24)
		5,814	5,814	5,184	5,184	(630)
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	425	425	356	356	(69)
23	Advertising	54	54	15	15	(39)
24	Insurances	319	319	290	291	(28)
		798	798	661	662	(136)
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	617	617	713	713	96
		617	617	713	713	96
	CAPITAL FINANCING COSTS					
26	Capital charges	4,865	4,865	4,704	4,704	(161)
27	Revenue Contribution to Capital spending	0	0	0	68	68
		4,865	4,865	4,704	4,772	(93)
28	TOTAL SPENDING	77,929	77,929	75,350	75,958	(1,971)
	INCOME					
29	Treasury management investment income	(70)	(70)	(140)	(137)	(67)
30	Grants and Reimbursements	(2,357)	(2,357)	(3,470)	(3,889)	(1,532)
31	Other income	(1,025)	(1,025)	(898)	(861)	164
32	Internal Recharges	(68)	(68)	(68)	(68)	-
33	TOTAL INCOME	(3,520)	(3,520)	(4,576)	(4,955)	(1,435)
	TRANSFER TO EARMARKED RESERVES					
34	CSR 2010 Budget Strategy Reserve	726	726	726	726	-
35	Carry Forwards to 2011-12	-	-	-	657	657
36	Grants unapplied	-	-	-	1,374	1,374
37	TOTAL TRANSFERS TO EARMARKED RESERVES	726	726	726	2,757	2,031
38	NET SPENDING	75,135	75,135	71,500	73,760	(1,375)

APPENDIX C TO REPORT RC/11/5

SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2011

	Balance bfwd from prev year £000	Spend £000	Balance at 31/3/11 £000	Transfer from revenue £000	Transfer of Funds £000	Balance cfwd to next yr £000
1. RESERVES						
<u>Earmarked Reserves</u>						
<u>Earmarked reserves agreed prior to 1 April 2010</u>						
Lundy	25		25			25
Positive pressure ventilation training	14	(10)	4			4
Mobilisation equipment	108	(5)	103			103
Property works	5		5			5
Support costs	7		7			7
New systems	20	(20)	0			0
HSE building works	127	(90)	37			37
ICP Project	66		66			66
<u>Earmarked reserves post 1 April 2010</u>						
CSR 2010 Budget Strategy	0		0	1,205		1,205
2010-2011 Carry Forwards	0		0	657		657
Change and Improvement	0		0	896		896
Grants Unapplied	0		0	1,374		1,374
	372	(125)	247	4,132	0	4,379
<u>General Reserve</u>	4,453		4,453			4,453
Total of useable reserves	4,825	(125)	4,700	4,132	0	8,832

	Balance bfwd from prev year £000	Spend £000	Transfer to Revenue £000	Balance as at 31 March 2011 £000	2010/11 £000	Balance cfwd to next yr £000
2. PROVISIONS						
Retained Firefighter Pension Contributions	949			949	556	1,505
Total Provisions	949	0	0	949	556	1,505

APPENDIX D TO REPORT RC/11/5

CAPITAL MONITORING STATEMENT 2010-2011

Capital Programme 2010/2011				Variation to budget		
Item PROJECT	2010/11	2010/11	2010/11	Slippage	Savings	Total variation
	(£000)	(£000)	(£000)			
	Budget	Draft outturn	Variation to budget			
Estate Development						
1 Exeter Middlemoor	44	(7)	(51)	30	21	51
2 Exeter Danes Castle	169	52	(117)	10	107	117
3 SHQ major building	135	39	(96)	96		96
4 Major building works new starts	0	0	-			0
5 Minor improvements & structural maintenance	2,802	1,091	(1,711)	1,689	22	1,711
6 Welfare facilities 2009/10	127	90	(37)	37		37
7 Diversity & equality	34	34	-			0
8 New Dimensions (USAR) works	150	10	(140)	140		140
Estates Sub Total	3,461	1,309	(2,152)	2,002	150	2,152
Fleet & Equipment						
9 Appliance replacement	2,061	1,642	(419)	397	22	419
10 Specialist Operational Vehicles	1,163	328	(835)	637	198	835
11 Vehicles (funded from revenue)	68	68	-			0
12 Equipment	634	96	(538)	127	411	538
13 Asset Management Plan (Miquet) software	152	23	(129)	129		129
Fleet & Equipment Sub Total	4,078	2,157	(1,921)	1,290	631	1,921
Overall Capital Totals	7,539	3,466	(4,073)	3,292	781	4,073
Programme funding						
Main programme	5,926	2,050	(3,876)			
Revenue funds	104	89	(15)			
Grants	1,377	1,237	(140)			
Earmarked Reserves	132	90	(42)			
	7,539	3,466	(4,073)			

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/11/6
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	18 MAY 2011
SUBJECT OF REPORT	CAPITAL PROGRAMME 2011-12 TO 2013-14
LEAD OFFICER	DIRECTOR OF SERVICE SUPPORT AND TREASURER
RECOMMENDATIONS	<i>That the Authority be recommended to approve the revised capital programme for 2011-12 to 2013-14 as set out in Appendix B to this report.</i>
EXECUTIVE SUMMARY	<p>At its budget meeting on 14 February 2011 the Authority received a copy of report DSFRA/11/1, "Capital Programme – 2011-12 to 2013-14". This report detailed the options for managing the estates programme over the next year, suspending the fleet replacement programme and reducing borrowing to maintain the prudential indicator below the 5% threshold. At the same time that the report was produced, however, the Department for Communities and Local Government (CLG) announced a debt free grant of £2.021m making a review of the programme necessary.</p> <p>In light of the debt-free grant, it is now proposed to maintain the estates programme and bring forward the spend (£0.678m) for a number of special appliances, harmonising vehicles, a legacy of combination. The remaining grant of £1.343m will be used to reduce our borrowing, providing cumulative savings in debt charges of £0.423m during the period 2011-12 to 2013-14.</p>
RESOURCE IMPLICATIONS	A full financial appraisal was reported to members through the "Capital Programme 2011-12 – 13-14" (DSFRA 11/1) with additional information provided within this report.
EQUALITY IMPACT ASSESSMENT	Not appropriate at this time.
APPENDICES	N/A
LIST OF BACKGROUND PAPERS	"Capital Programme 2011-12 – 13-14" (DSFRA 11/1) – report to the Devon and Somerset Fire and Rescue Authority on 14 February 2011

1. INTRODUCTION

- 1.1 At its budget meeting on 14 February 2011, the Authority considered a joint report of the Director of Service Support and the Treasurer (DSFRA/11/1) on the proposed Capital Programme for the Devon & Somerset Fire & Rescue Service for the period 2011-12 to 2013-14, addressing the needs of Service estate, fleet and equipment.
- 1.2 Just prior to this meeting, however, and following publication of report DSFRA/11/1 notification was received from the Department for Communities and Local Government (CLG) of an additional capital grant for the financial year 2011-12 in the order of £2.021m. Given the late notification of this grant it was proposed at the meeting that a further report be brought back to the Authority in the next committee cycle. This provides the opportunity for the Resources Committee to make recommendations to the Authority having fully considered the impact of the options available. This report has already been considered by the Capital Programme Working Party, at its meeting on the 5 April 2011, which endorsed the proposed changes to the capital programme.

2. BACKGROUND

- 2.1 Each Fire and Rescue Authority (FRA) was advised by CLG that an amount of £70m capital grants was to be made available in each year of the Comprehensive Spending Review (CSR) and that the distribution of this sum would be subject to a bidding process, using criteria around invest-to-save and joint working arrangements to determine which bids would be successful in attracting grant funding.
- 2.2 However, included as part of the final Local Government Finance Settlement announcement on the 31 January 2011, CLG changed its position on this and agreed that, for 2011-12, this sum should be distributed amongst FRAs based upon the formula previously used in distributing grant in 2009-10 and 2010-11. In the future the CLG will consult with FRAs during 2011 to determine how the £70m is to be distributed from 2012-13.
- 2.3 This additional allocation was of course very welcome news for the Authority, particularly given the pressures on our capital investment plans, as detailed in the "Capital Programme 2011/12 – 2013/14". However, this report did not reflect the additional £2.021m grant funding. Consequently further consideration has been given to current borrowing levels, proposed projects programmed for 2011-12 and those capital projects that would benefit from this additional grant.

3. REVISED CAPITAL ALLOCATION

- 3.1 In report RC/08/10 "Affordable Capital Investment Plans for 2009-2010 to 2011-12" as submitted to the meeting of the Resources Committee on 8 December 2008, the Treasurer advised that debt repayments should be kept within 5% of the total revenue budget during the period 2010-11 to 2013-14. This advice has subsequently been reiterated to Members of the Capital Programme Working Party on a number of occasions.
- 3.2 Based on the approved 2010-11 three year capital programme, it was forecast that this ceiling would be breached in 2012-13 (5.13%). This breach would not be a result of borrowing being in excess of agreed limits, but rather as a consequence of future revenue budgets being lower than originally forecast following the CSR 2010 announcement, which for fire and rescue authorities included reductions in government grants of 25% by 2014-15.

- 3.3 The three year rolling capital programme for 2011-12 as approved by the Authority on 14 February sought to address the Service capital investment needs, by the suspension of the fleet programme for 2011-12. This provided funding for the estates programme and the invest-to-save development at Exeter Airport, whilst keeping borrowing costs within the set limit of 5% of the total revenue budget.
- 3.4 There remains a pressing need to maintain the programme in support of estates and keep funding in place for the two year build programme for a new training facility at Exeter Airport. The recommendation to Members of suspending the annual fleet replacement programme for 2011-12 has been reviewed, in light of the additional external grant funding becoming available, and it is proposed to increase funding by £0.678m. This will allow for the replacement of a number of special appliances, such as command support and environmental capability, required for the ongoing harmonisation of operational arrangements post combination. Whilst this was part of the suspended programme for 2012-13, there are benefits from bringing this forward.
- 3.5 The remaining £1.343m will be used to reduce the proposed borrowing by substituting the grant as a form of financing rather than having to borrow. Approval of this programme as detailed in Appendix B will reduce the approved external borrowing figure in 2013-14 from £34.6m to £33.6m, achieving cumulative savings of £0.423m in debt charges during the period 2011-12 to 2013-14.

TABLE 1 – SUMMARY OF ESTIMATED CAPITAL FINANCING COSTS

	2010-11	2011-12	2012-13	2013-14
	£m	£m	£m	£m
Base budget for Capital Financing Costs – debt charges and operating leasing rentals (February 14 th 2011)	4.969	5.162	5.277	5.373
Base budget for Capital Financing Costs – debt charges and operating leasing rentals (May 2011)	4.969	5.155	5.065	5.169
Saving between approved and proposed		(0.007)	(0.212)	(0.204)
<i>Debt Ratio (14th February 2011)</i>	4.01%	4.35%	4.56%	4.93%
<i>Debt Ratio (May 2011)</i>		4.32%	4.26%	4.65%

- 3.6 The figures in Table 1 illustrate that the revised programme has a positive impact against the debt ratio prudential indicator in all years, reducing from 4.93% to 4.65% in 2013-14. This is, of course, as a consequence of the reduced borrowing requirement which will also have a positive impact against all of the approved affordability and borrowing prudential indicators.

4. CONCLUSION

- 4.1 The late announcement of the capital grant allocation by the Department for Communities and Local Government (CLG) of £2.021m is welcome news and has provided the opportunity to revise the Authority's Capital Programme.

- 4.2 This report revises the Capital Programme as set out in Appendix B and is recommended to the Resources Committee for approval. Appendix A sets out the position on the Capital Programme as reported to the Authority on 14 February 2011.
- 4.3 This is an improved position for the Authority, addressing its capital investment needs, whilst continuing to provide funding for the development at Exeter Airport, maintaining the estates programme and bringing forward elements of the suspended Fleet programme. The net effect is to improve the borrowing costs associated with the capital programme to within the set limit of 5% of the total revenue budget.

TREVOR STRATFORD
Director of Service Support

KEVIN WOODWARD
Treasurer

APPENDIX A

Approved Capital Programme (2011/12 to 2013/14)

2010/2011 predicted outturn (£000)	Item PROJECT	2011/12 (£000)	2012/13 (£000)	2013/14 (£000)
	Estate Development			
-24	1 Exeter Middlemoor			
44	2 Exeter Danes Castle			
35	3 SHQ major building works	100		
	4 Major Projects - Training Facility at Exeter Airport	1,000	1,900	
882	5 Minor improvements & structural maintenance	1,750	1,750	1,750
80	6 Welfare Facilities			
34	7 Diversity & equality			
10	8 USAR works	460		
	9 Minor Works slippage from 2010-11	1,898		
<hr/> 1,061	Estates Sub Total	<hr/> 5,208	<hr/> 3,650	<hr/> 1,750
	Fleet & Equipment			
1,628	10 Appliance replacement	411	1,400	1,700
344	11 Specialist Operational Vehicles	619		
44	12 Vehicles funded from revenue			
98	13 Equipment	125	200	200
13	14 Asset Management Plan (Miquest) software	139		
<hr/> 2,127	Fleet & Equipment Sub Total	<hr/> 1,294	<hr/> 1,600	<hr/> 1,900
<hr/> 3,188	SPENDING TOTALS	<hr/> 6,502	<hr/> 5,250	<hr/> 3,650
	Programme funding			
1,807	Main programme	5,245	4,500	3,650
144	Revenue funds	797	750	
1,237	Grants	460		
<hr/> 3,188	FUNDING TOTALS	<hr/> 6,502	<hr/> 5,250	<hr/> 3,650

APPENDIX B

Revised Capital Programme (2011/12 to 2013/14)

2010/2011 DRAFT outturn (£000)	Item PROJECT	2011/12 (£000)	2012/13 (£000)	2013/14 (£000)
	Estate Development			
(7)	1 Exeter Middlemoor	30		
52	2 Exeter Danes Castle	10		
39	3 SHQ major building works	96		
	4 Major Projects - Training Facility at Exeter Airport	1,000	1,900	
1,091	5 Minor improvements & structural maintenance	1,650	1,750	1,750
90	6 Welfare Facilities	37		
34	7 Diversity & equality			
10	8 USAR works	560		
	9 Minor Works slippage from 2010-11	1,689		
<hr/> 1,309	Estates Sub Total	<hr/> 5,072	<hr/> 3,650	<hr/> 1,750
	Fleet & Equipment			
1,642	10 Appliance replacement	397	1,400	1,700
328	11 Specialist Operational Vehicles	1,315		
68	12 Vehicles funded from revenue			
96	13 Equipment	127	200	200
23	14 Asset Management Plan (Miquest) software	129		
<hr/> 2,157	Fleet & Equipment Sub Total	<hr/> 1,968	<hr/> 1,600	<hr/> 1,900
<hr/> 3,466	SPENDING TOTALS	<hr/> 7,040	<hr/> 5,250	<hr/> 3,650
	Programme funding			
2,050	Main programme	3,757	4,500	3,650
179	Revenue funds	802	750	
1,237	Grants	2,481		
<hr/> 3,466	FUNDING TOTALS	<hr/> 7,040	<hr/> 5,250	<hr/> 3,650