

## **RESOURCES COMMITTEE**

(Devon and Somerset Fire and Rescue Authority)

3 February 2012

Present:-

Councillors Gordon (Chairman), Bakewell MBE, Hughes OBE, Smith and Yeomans.

### **\*RC/13. Minutes**

**RESOLVED** that the Minutes of the meeting held on 19 October 2011 be signed as a correct record.

### **\*RC/14. 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 to declare any such interests at this time.

No interests were declared.

### **\*RC/15. Treasury Management Performance 2011/12**

The Committee received for information a report of the Treasurer to the Authority (RC/12/1) that set out as presented by the Mr Adam Burleton from SECTOR, the Authority's independent Treasury Management adviser, on the Authority's performance against its approved Treasury Management Strategy for 2011/12 (to December 2011).

The report concluded that none of the Prudential Indicators had been breached and that a prudent approach had been adopted on investment decisions taken so far, with priority being given to liquidity and security over yield. The Authority had achieved a return of 0.80% on its investments for the quarter ending December 2011, which was above the LIBID 7 day benchmark (0.50%), although it had not achieved the 3 month rate (0.89%). The reason behind this was that, given the high degree of volatility within the money markets this quarter, investments had been kept predominantly short term to allow for easy access.

### **\*RC/16. Financial Performance Report 2011/12 - Quarter 3**

The Committee considered a report of the Treasurer to the Authority (RC/12/2) on the performance of the Authority for the third quarter of the current financial year (2011/12) against the agreed financial targets for that year. It also detailed the monitoring position in relation to the approved revenue budget and capital programme.

In relation to the revenue budget, current indications were that spending would be £74.190m against an approved budget of £75.141m, representing a forecast saving of £0.951m (1.25%). The projection was based on the spending position as at the end of December 2011, historical trends, information from budget managers and known commitments. The Treasurer indicated that he had not made a recommendation as to how this underspend should be utilised pending the actual outturn at the year end.

The report also detailed the position to date against those areas identified for savings as part of the approved revenue budget along with the current position in relation to reserves and provisions.

In terms of capital, it was noted that a saving had been generated on capital charges as a result of the slippage on the Capital Programme (Minute RC/18 below also refers). It was proposed that, of the savings on debt charges in 2011-12 resulting from this slippage, an amount of £0.250m be utilised as direct revenue funding for capital spending thus reducing the Authority's borrowing requirement by the same amount. A recommendation for a virement of these funds, together with a virement of £0.172m on the staffing salary lines, was made accordingly.

## **RESOLVED**

- (a) That it be recommended to the Devon and Somerset Fire and Rescue Authority that the budget virements outlined in paragraph 10.1 of report RC/12/1 (as appended to these Minutes for reference) be approved;
- (b) That, subject to (a) above, the monitoring position in relation to projected spending against the 2011-2012 revenue and capital budgets be noted;
- (c) That the performance against the 2011-2012 financial targets be noted.

## **NB. MINUTE RC/18 BELOW ALSO REFERS**

### **RC/17. 2012/13 Revenue Budget and Council Tax Level**

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/12/3) 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 2012/13 and to make a recommendation to the Fire and Rescue Authority accordingly. With this in mind, the Treasurer referred to the following points:

- details of the local government finance settlement for 2012/13 (which represented an increase of 1.9% over 2011/12 with a Formula Grant of £31.484m). Reference was also made to the Local Government Resource Review and the new requirement to hold a Local Referendum for excessive council tax increases (of 4% and above for fire and rescue authorities);
- four options for the proposed level of council tax were set out, namely:

Option A	–	freeze council tax at 2011/12 level and take the Government Reward Grant (£71.77 for Council Tax Band D property)
Option B	–	increase council tax by 2.0% above 2011/12 (£73.20)
Option C	–	increase council tax by 2.5% (£73.56)
Option D	–	increase council tax by 3.0% (£73.92)
- details of the core revenue budget requirements for 2012/13, together with details of invest-to-save opportunities, existing inescapable commitments and proposed essential spending pressures;
- the Medium Term Financial Plan (MTFP) 2012/13 to 2014/15;
- plans to achieve the required budget reductions 2012/13 to 2015/16;

- details of the precept consultation for 2012/13;
- the levels of reserves and balances.

The Committee considered at length the options that had been suggested by the Treasurer for potential increases in Council Tax. The Treasurer advised that the reward grant on offer in 2012/13 was a one-off payment and would not be included in the base budget in future years. This made it much less attractive than the reward grant offered in 2011/12, which would be paid for a minimum of four years. Reference was also made to the precept consultation exercise that had been carried out. This had been extended in 2012/13 to include the public for the first time and, notably, the responses showed that more people (both businesses and members of the public) felt that it was reasonable for the Authority to consider increasing Council Tax than felt that it was not reasonable.

Councillor Smith moved (and was seconded by Councillor Yeomans):

“that it be recommended to the budget setting meeting of the Fire and Rescue Authority, to be held on the 17 February 2012, that the level of council tax in 2012/13 for a Band D property be increased by 3% to a level of £73.92, as outlined as Option D in paragraph 5.3 of report RC/12/3”.

Upon a vote (4 for, 1 abstention), the motion was carried.

**RESOLVED** that it be recommended to the budget setting meeting of the Fire and Rescue Authority, to be held on the 17 February 2012, that;

- (a) the level of council tax in 2012/13 for a Band D property be increased by 3% to a level of £73.92, as outlined as Option D in paragraph 5.3 of report RC/12/3;
- and that, consequently;
- (b) a Net Budget Requirement of £78,676,700 for 2012/13 be set.

**NB. MINUTE RC/18 BELOW ALSO REFERS.**

**RC/18. Capital Programme 2012/13 to 2014/15**

The Committee considered a report of the Director of Service Support and Treasurer (RC/12/4) that set out details of the revised Capital Programme for 2012/13 to 2014/15 and associated Prudential Indicators, together with proposals to make a contribution of £1.850million from the revenue budget to part fund the 2012/13 Capital Programme.

The Director of Service Support referred to the proposals for the Capital Programme and the limitations on borrowing which meant that the Authority would have to limit the amount of capital investment around new capital builds and further suspend the fire appliance replacement programme.

Attention was also drawn to a number of capital spending pressures, including notably:

- the need for harmonisation of the Breathing Apparatus sets between Devon and Somerset at a cost of approximately £1.4m, and;

- Estate maintenance which required further funds of, estimated in the region of an initial £2m, to meet ever increasing demands due to an ageing property portfolio.

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 the guiding principle set was that debt repayments should be kept to within 5% of the total revenue budget. The proposed Capital Programme required an increase in borrowing to £32.7m by 2014/15, whilst still maintaining the debt ratio below the 5% threshold (4.99%).

It was recognised that it was becoming increasingly difficult to maintain a Capital Programme that was affordable within the Prudential Indicators but allowed the Authority to meet all of its capital expenditure requirements, given the size and complexity of the Authority's capital assets. A balance needed to be struck in terms of affordability of the Programme based on the valuation of the Estate together with the impact on the revenue budget and the debt exposure. The Treasurer advised that the addition of a further £2m to the Programme would result in an increase of approximately 0.3% to the level of debt ratio.

**RESOLVED** that the Devon and Somerset Fire and Rescue Authority at its meeting on 17 February 2012 be asked to:

- (a) Approve, in accordance with Financial Regulations, a contribution of £1.850m from the 2012-2013 Revenue budget to part fund the 2012-13 capital programme, and;
- (b) Subject to (a) above, approve the Capital Programme and associated prudential indicators for the years 2012-2013 to 2014-2015, as included within Appendix B of report RC/12/4; and;
- (c) Subject to (a) and (b) above, the report be noted.

**NB. MINUTE RC/16 ABOVE ALSO REFERS**

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

The meeting started at 11.00hours and finished at 12.08hours