M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Resources Committee (see below)

SERVICE HEADQUARTERS
THE KNOWLE
CLYST ST GEORGE
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Your ref :
Our ref : DSFRA/RC/SY
Website : www.dsfire.gov.uk

Date : 8 May 2013
Please ask for : Steve Yates
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RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

Thursday 16 May 2013

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

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

1. Apologies

2. Minutes of the meeting held on 4 February 2013 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.

PART 1 – OPEN COMMITTEE

4. Annual Grant to Service Ceremonial Unit 2013-14

Report of the Chief Fire Officer (RC/13/5) attached (page 8).

5. Financial Performance Report 2012-13: Quarter 4

Report of the Treasurer to the Authority (RC/13/6) attached (page 11).

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

Nil

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Gordon(Chair), Horsfall, Hughes OBE, Woodman and Yeomans

2 Vacancies

NOTES	
1.	**<u>Disclosable Pecuniary Interests (Authority Members only)</u>** If you have any disclosable pecuniary interests (as defined by Regulations) in any item(s) to be considered at this meeting then, unless you have previously obtained a dispensation from the Authority's Monitoring Officer, you must: (a) disclose any such interest at the time of commencement of consideration of the item in which you have the interest or, if later, as soon as it becomes apparent to you that you have such an interest; (b) leave the meeting room during consideration of the item in which you have such an interest, taking no part in any discussion or decision thereon; and (c) not seek to influence improperly any decision on the matter in which you have such an interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have a disclosable pecuniary interest of a sensitive nature. You must still follow (b) and (c) above.
2.	**<u>Part 2 Reports</u>** Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.
3.	**<u>Substitute Members (Committee Meetings only)</u>** Members are reminded that, in accordance with Standing Order 35, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.
4.	**<u>Access to Information</u>** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the "Please ask for" section at the top of this agenda.

RESOURCES COMMITTEE
(Budget Meeting)
(Devon and Somerset Fire and Rescue Authority)

4 February 2013

Present:-

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

Also in attendance:-

Councillor Healey

***RC/13. Minutes**

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

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

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

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

Capital Spending of £5.884m was projected against a total programme of £10.663m. It was not, however, proposed to carry forward all the slippage and elsewhere on the agenda for the meeting was a paper setting out the proposed Capital Programme for 2013-14 to 2015-16. Although the current level of external borrowing to fund the capital programme was in excess of projected expenditure, it was still well within the authorised limit for external debt. The report also indicated that, on the basis of the projected performance for the 2912-13 approved Capital Programme, there would be no breach of the associated Prudential Indicators.

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

RESOLVED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RESOLVED

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

(b) that, nonetheless, the full Authority be recommended:

(i) to approve the draft Capital Programme 2013-14 to 2015-16 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to these minutes; and

(ii) to approve in principle the indicative Capital Programme 2016-17 to 2018-19 and associated Prudential Indicators, again as as summarised in Appendices A and B to these minutes;

(c) that the Treasurer be asked to benchmark costs associated with fuelling a large appliance fleet in a rural compared to a metropolitan/urban area and to use the information compiled to lobby the government to implement measures to redress any financial detriment as appropriate.

(SEE ALSO MINUTE RC/14 ABOVE).

RC/17. **<u>2013-14 Revenue Budget and Council Tax Level</u>**

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

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

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

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

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

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

- Option A: Accept the government Council Tax Reward Grant (£0.459m) and freeze council tax at the 2012-13 level (£73,92 for a Band D property). This option would, however, result in a further base budget reduction from 2015/16 onwards, with the removal of the Council Tax Reward Grant;
- Option B: Increase Council Tax by 1% above the 2012-13 level (to £74.66 for a Band D Property);
- Option C: Increase Council Tax by 2% above the 2012-13 level (to £75.40 for a Band D Property).

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

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

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

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

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

The Motion was then debated following which it was, by 5 votes for to 1 vote against,

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

(SEE ALSO MINUTE RC/14 ABOVE).

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

The meeting started at 10.00hours and finished at 12.10hours

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

Capital Programme (2013/14 to 2017/18)

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

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

PRUDENTIAL INDICATORS	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m	£m
	estimate	estimate	estimate	estimate	estimate	estimate
Capital Expenditure						
Non - HRA	4.998	5.714	5.175	4.930	4.930	3.345
HRA (applies only to housing authorities						
Total	4.998	5.714	5.175	4.930	4.930	3.345
Ratio of financing costs to net revenue stream						
Non - HRA	3.76%	3.81%	4.43%	5.08%	5.65%	6.17%
HRA (applies only to housing authorities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	25,395	27,873	30,940	33,462	35,734	36,153
HRA (applies only to housing authorities	0	0	0	0	0	0
Other long term liabilities	1,532	1,509	1,444	1,374	1,299	1,209
Total	26,927	29,382	32,384	34,836	37,033	37,362
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	537	2,455	3,002	2,450	2,195	327
HRA (applies only to housing authorities	0	0	0	0	0	0
Total	537	2,455	3,002	2,450	2,195	327
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.49	-£1.27	-£1.04	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,210	34,856	37,281	37,826	38,890	39,697
Other long term liabilities	1,521	1449	1371	1278	1177	1070
Total	33,731	36,305	38,652	39,104	40,067	40,767
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	30,940	33,462	35,734	36,153	37,103	37,889
Other long term liabilities	1,444	1,374	1,299	1,209	1,112	1,010
Total	32,384	34,836	37,033	37,362	38,215	38,899

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2012/13		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/13/5**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**16 MAY 2013**
SUBJECT OF REPORT	**ANNUAL GRANT TO SERVICE CEREMONIAL UNIT 2013/14**
LEAD OFFICER	**Chief Fire Officer**
RECOMMENDATIONS	***That a grant of £8,000 be made to the Ceremonial Unit for the 2013/14 financial year as a contribution towards those costs highlighted in paragraphs 2.2 to 2.4 below***
EXECUTIVE SUMMARY	For a number of years the Ceremonial Unit has represented the Service at the Ypres Remembrance parade and other more local events and has received appropriate financial support from the Service to do so. This paper now seeks approval, in accordance with Financial Regulations, to the making of a grant to the Unit for the 2013/14 financial year.
RESOURCE IMPLICATIONS	Any grant made to the Unit will be contained from within existing resources.
EQUALITY IMPACT ASSESSMENT	Not applicable
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Ceremonial Unit Memorandum of Understanding

1. GENERAL BACKGROUND

1.1 Members will be aware of the Devon & Somerset Fire & Rescue Service Ceremonial Unit. The Unit comprises a Corp and Pipe section and is a voluntary organisation open to existing and retired officers of the Devon & Somerset Fire & Rescue Service, together with the former Devon and Somerset fire and rescue services. The Unit has a stated aim of projecting the good image of the Devon & Somerset Fire & Rescue Service and the British fire service generally. Its President is the Chief Fire Officer, with the current Authority Chairman (Mark Healey) as Patron and former Authority Chairman, Councillor Bernard Hughes OBE, Honorary Life Vice-Patron.

1.2 Through its public appearances the Ceremonial Unit significantly promotes the fire service, and in particular, Devon & Somerset, in the eyes of the general public and the special interest groups for whom they display.

1.3 In particular, the Unit has, for a number of years, represented the Devon & Somerset Fire & Rescue Service (and the former Devon fire and rescue service, prior to combination), at the internationally-recognised Armistice Day Commemoration held in Ypres, Belgium, in November of each year. This culminates in a special Last Post Ceremony at the Menin Gate Memorial, one of four British and Commonwealth memorials to the missing in the battlefield area of the Ypres Salient in Belgian Flanders. The memorial bears the names of 54,389 officers and men from United Kingdom and Commonwealth Forces (except New Zealand and Newfoundland) who fell in the Ypres Salient before 16 August 1917 and who have no known grave.

1.4 The ceremony is attended by representatives of the United Kingdom, Belgian and other nations' Armed Forces, local dignitaries, ambassadors, members of the clergy, representatives of United Kingdom fire brigades, Royal British Legion Standard bearers, ex-Service organizations, Friends of the Last Post Association and invited guests.

1.5 Additionally, the Unit also represents the Service at the annual UK Firefighters' Memorial Service (usually held in London in September) and up to a maximum of six other occasions each year at the request of either the Chief Fire Officer or the Chairman of the Authority.

2. FUNDING IN 2013-14

2.1 As mentioned, the Unit is voluntary and as such is dependent on grants, sponsorship etc. for the majority of the funding it needs to operate. In particular, the Memorandum of Understanding between the Service and the Unit provides that the Service will provide annual funding of £5,000 each financial year to the Unit. This is subject to annual review by the Chief Fire Officer and the Chairman of the Authority but the intention is that, when made, the grant will provide for an increase of no less than the rate of inflation measured over the preceding 12 months. The primary purpose of this funding is to support expenses incurred by attendance at the Ypres Remembrance Ceremony.

2.2 The Unit has costed attendance at this event in 2013 at £5,325. This relates to travel only – other costs associated with attendance are borne by the individuals in the Unit attending the event.

2.3 As previously indicated, however, attendance at Ypres represents only one such event attended by the Unit during the course of the year. The Unit also attends the annual Firefighters Memorial Trust ceremony which takes place at the Fire-fighters memorial situated outside St Pauls Cathedral, London, and is due to take the lead at this event in 2013. The unit has costed coach transport to this event at £1,000.

2.4 Additionally, the Unit has requested a contribution of £1,000 towards meeting the costs of:

ITEM	**COST (£)**
replacement of music titles used by the Band	600
purchase of additional banners	500
repair/refurbishment of drum kit	100
replenishment to uniform to include Red Ties and epaulets embellished with the Service logo	200
TOTAL	1,400

2.5 The Unit has indicated that it will meet the additional £400 associated with the above items from its existing funding.

2.6 There are also ancillary costs that have been identified during the course of the year associated with events such as concerts performed by the Band. These costs involve the printing of programmes and postage that has been borne by the Service to date but should, perhaps be included within the grant to the Band. These costs are in the region of £500 per year.

2.7 In view of the above, it is suggested that the Committee may wish to award a grant of £8,000 in the current financial year towards the costs identified in paragraphs 2.2 to 2.6 above and leave a small surplus by way of a contribution to the costs of other events.

2.8 Financial Regulations require the making of any grant in excess of £5,000 to be approved by this Committee. Any grant made to the Unit for the current financial year will be contained from within existing resources. The approved revenue budget contains provision of £10,900 for the making of grants to outside organisations. Historically, the Service has supported both the Ceremonial Unit and the Fire Service Sports and Athletics Association from this provision.

3. <u>CONCLUSION</u>

3.1 The Unit has an exemplary record of meeting its stated aim of projecting the good image of the Devon & Somerset Fire & Rescue Service and the British fire service generally. This is particularly the case in relation to the Ypres Remembrance Ceremony for which the Unit has achieved well-deserved international recognition.

3.2 As such, the Committee is asked to approve – in accordance with Financial Regulations – the making of a grant to the Unit of £8,000 to support its activities in the current financial year and particularly attendance at the Ypres Remembrance Ceremony.

LEE HOWELL
Chief Fire Officer

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/13/6**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**16 MAY 2013**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2012-2013 – QUARTER 4**
LEAD OFFICER	**Treasurer to the Authority**
RECOMMENDATIONS	***(a) That the Authority, at its meeting on the 30 May 2013, be recommended to approve:*** ***(i) That the provisional underspend of £1.681m against the 2012-13 revenue budget be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 10.1 of this report:*** ***A. That an amount of £0.103m be transferred to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2013-14 base budget;*** ***B. That the remaining figure of £1.578m be transferred to the Comprehensive Spending Review (CSR) 2010 Budget Strategy Reserve;*** ***(ii) That an amount of £0.314m within Earmarked Reserves be transferred to General Reserves as outlined in paragraph 11.5 of this report.*** ***(b) That, subject to (a) above, the following be noted:*** ***A. The draft position in respect of the 2012-13 Revenue and Capital Outturn position, as indicated in this report.*** ***B. That the underspend figure of £1.681m is after;*** ***I. A transfer of £0.139m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised.*** ***II. A transfer of £2.832m to the Capital Funding Earmarked Reserve, relating to agreed revenue funding towards capital spending not utilised.***

	III. A transfer of £0.150m to an Earmarked Reserve to fund 2012-13 Budget Carry Forwards. ***IV. An increase of £0.798m in the Provision set aside to fund the impact of the Employment Tribunal relating to Part Time Workers (Less than Favourable Working Conditions), as outlined in paragraph 3.7 of this report.*** ***(c) That the performance against agreed financial targets be noted.***
EXECUTIVE SUMMARY	The Committee has received quarterly reports during 2012-13 in relation to the Authority's performance against the agreed financial targets. This latest report provides a further update based upon the position at the end of Quarter 4 i.e. as at 31 March 2013. In particular, the report provides a draft financial outturn position against the 2012-2013 revenue budget, which indicates that spending is £1.681m less than budget, equivalent to 2.00% of the total budget. This underspend position is largely attributable to the instruction given by the Chief Fire Officer and Senior Management Board to all budget holders across the organisation to trim costs wherever possible with a view to reducing their areas of budget responsibility secure £1m of savings by the end of the financial year. Delivery of in-year savings form an important part of our overall strategy to build reserve balances at this time to provide additional financial contingency during the next four year period when the more severe budget reductions are anticipated. 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 Fire Authority meeting to be held on 30 May 2013.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	Not applicable
APPENDICES	A. Summary of Prudential Indicators 2012-2013.
LIST OF BACKGROUND PAPERS	Financial Performance Report 2012-2013 – Quarter 3 (RC/13/1) to Resources Committee 4 February 2013.

1. **INTRODUCTION**

1.1 This report provides the final (quarter 4) financial monitoring report in relation to the financial year 2012-13, based upon the spending position as at 31 March 2013. As well as providing a draft outturn position against the 2012-2013 revenue and capital budget, the report also includes performance against other financial performance indicators, including prudential and treasury management indicators.

1.2 Table 1 below provides a summary of performance against the key financial targets.

TABLE 1 – FORECAST PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2012-2013

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 4	Previous Quarter	Quarter 4 %	Previous Quarter %
1	Spending within agreed revenue budget	£78.677m	£76.996m	£77.113m	(2.14)%	(1.98)%
2	Spending within agreed capital budget	£10.647m	£4.662m	£5.884m	(56.21)%	(44.66)%
3(a)	External Borrowing within Capital Financing Requirement (CFR).	£26.307m	£27.167m	£27.167m	3.27%	9.40%
3(b)	External Borrowing within Authorised Borrowing Limit (Maximum Agreed Borrowing)	£34.159m	£27.167m	£27.167m	(20.46)%	(20.46)%
4	On-going Budget Savings since 2010-11	£2.642m	£3.328m	£3.328m	(25.96)%	(25.96)%
5	Debt Ratio (debt charges over total revenue budget)	3.98%	3.66%	3.71%	(0.32)bp	(0.27)bp
6	General Reserve Balance as %age of total budget (minimum)	5.00%	6.99%	6.19%	(1.99)bp	(1.19)bp

*bp = base points

1.3 The remainder of the report is split into the three sections of:

- **SECTION A** – Revenue Budget 2012-2013.
- **SECTION B** – Capital Budget and Prudential Indicators 2012-2013.
- **SECTION C** – Other Financial Indicators.

1.4 Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

2. SECTION A - REVENUE BUDGET 2012-2013

2.1 Table 2 overleaf provides a summary of the draft outturn position against all agreed subjective revenue budget heads, e.g. employee costs, transport costs etc. This table reports final spending to be £76.996m compared with an agreed budget figure of £78.677m, representing an underspend of £1.681m, equivalent to 2.14% of the total budget (compared with a forecast underspend of £1.564m as at Quarter 3).

2.2 This underspend position is largely attributable to the instruction given by the Chief Fire Officer and Senior Management Board to all budget holders across the organisation to trim costs wherever possible with a view to reducing their areas of budget responsibility secure £1m of savings by the end of the financial year. Delivery of in-year savings form an important part of our overall strategy to build reserve balances at this time to provide additional financial contingency during the next four year period when the more severe budget reductions are anticipated. Explanations of the other significant variations from budget are explained in paragraphs 3 to 8 of the report.

TABLE 2 – REVENUE OUTTURN 2011-12

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Provisional Revenue Outturn Statement 2012-2013

Line No		2012/13 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 12 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	31,833	31,833	32,190	32,190	357
2	Retained firefighters	12,096	12,096	10,908	11,706	(390)
3	Control room staff	1,567	1,567	1,627	1,627	60
4	Non uniformed staff	10,561	10,561	10,102	10,102	(459)
5	Training expenses	1,321	1,321	1,012	1,012	(309)
6	Fire Service Pensions recharge	2,103	2,103	2,498	2,498	395
		59,481	**59,481**	**58,337**	**59,135**	**(346)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,131	1,131	1,063	1,068	(63)
8	Energy costs	581	581	596	596	15
9	Cleaning costs	448	448	373	373	(75)
10	Rent and rates	1,471	1,471	1,526	1,526	55
		3,631	**3,631**	**3,558**	**3,563**	**(68)**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	602	602	549	549	(53)
12	Running costs and insurances	1,271	1,271	1,226	1,226	(45)
13	Travel and subsistence	1,679	1,679	1,462	1,462	(217)
		3,552	**3,552**	**3,237**	**3,237**	**(315)**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,399	2,399	2,392	2,392	(7)
15	Supplies Internal Recharges	0	0	33	33	33
16	Hydrants-installation and maintenance	113	113	137	137	24
17	Communications	1,868	1,868	1,661	1,661	(207)
18	Uniforms	1,231	1,231	902	902	(329)
19	Catering	174	174	206	206	32
20	External Fees and Services	380	380	427	427	47
21	Partnerships & regional collaborative projects	125	125	117	117	(8)
		6,290	**6,290**	**5,875**	**5,875**	**(415)**
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	457	457	409	409	(48)
23	Advertising	49	49	35	35	(14)
24	Insurances	388	388	137	137	(251)
		894	**894**	**581**	**581**	**(313)**
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	572	572	505	505	(67)
		572	**572**	**505**	**505**	**(67)**
	CAPITAL FINANCING COSTS					
26	Capital charges	4,653	4,653	4,454	4,454	(199)
27	Revenue Contribution to Capital spending	3,247	3,247	0	415	(2,832)
		7,900	**7,900**	**4,454**	**4,869**	**(3,031)**
28	**TOTAL SPENDING**	**82,320**	**82,320**	**76,547**	**77,765**	**(4,555)**
	INCOME					
29	Treasury management investment income	(100)	(100)	(231)	(231)	(131)
30	Grants and Reimbursements	(1,778)	(1,778)	(2,107)	(2,107)	(329)
31	Other income	(1,622)	(1,622)	(1,418)	(1,398)	224
32	Internal Recharges	(143)	(143)	(154)	(154)	(11)
33	**TOTAL INCOME**	**(3,643)**	**(3,643)**	**(3,910)**	**(3,890)**	**(247)**
34	**NET SPENDING**	**78,677**	**78,677**	**72,637**	**73,875**	**(4,802)**
	TRANSFERS TO EARMARKED RESERVES					
35	Grants Unapplied	-	-	-	139	139
36	2012-13 Budget Carry Forwards	-	-	-	150	150
37	Capital Funding	-	-	-	2,832	2,832
38	**TOTAL TRANSFERS TO EARMARKED RESERVES**	**-**	**-**	**-**	**3,121**	**3,121**
39	**NET SPENDING**	**78,677**	**78,677**	**72,637**	**76,996**	**(1,681)**

3. EMPLOYEE COSTS

Wholetime Staff

3.1 Spending against the wholetime staff pay budget is £0.357m more than budget, equivalent to 1.08% of the total wholetime pay budget, primarily as a result of additional overtime payments required to cover vacant firefighter posts.

Retained Pay Costs

3.2 Spending against the retained pay budget is £0.390m under budget, primarily as a result of less retained calls than had been budgeted for. As has been highlighted in each previous monitoring report to this Committee, forecasts of spending against retained pay costs can be very difficult to predict given the fact that the majority of retained staff are paid on a 'pay as you go basis' which means that costs are directly related to the number of retained mobilisations.

3.3 It should be noted that this figure of £0.390m is net of an additional Provision of £0.798m to fund future liabilities 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 ruled that the claimants (retained staff) were engaged in broadly the same work as their named comparators (wholetime staff) and that they had been treated less favourably in respect of conditions of service e.g. access to pensions, sickness payments etc.

3.4 At this time it is not possible to give a precise figure as to the ultimate financial impact to the Authority as details of the settlement associated with access to pension rights have not yet been released. We are expecting further information to be released in the next few months following negotiations between the Fire Brigades Union and the Department of Communities and Local Government (CLG). However given that Devon and Somerset FRA is the largest employer of retained firefighters in the UK, we are expecting the impact of this ruling to be significant, particularly as the ruling includes backdated payments to the year 2000.

3.5 The Authority had already set aside funds of £1.853m into a financial Provision as at 1 April 2012 to meet payments when they arise. During 2012-13 payments to retained firefighters totalling £1.027m have been made, relating to the non-pension aspects of the settlement, leaving a remaining balance as at 31 March 2013 of £0.826m.

3.6 It is an accounting requirement that this Provision is reviewed at the year-end to ensure that, as far as possible, sufficient sums are made available to pay outstanding liabilities. Given that we are now a further year on it is necessary to increase the Provision again to cover a further twelve months liability. Based on the most recent information available it is now forecast that the liability still to come is £1.624m. This forecast makes an assumption relating to the number of retained firefighters, both existing and retired, that take up the option to access the new pension rights offered to them from the ruling of the Tribunal. There is, of course, a risk that more firefighters take up the option resulting in the cost exceeding the amount set aside in the Provision. Should this be the case then the Authority will need to fund any excess from Reserve balances.

3.7 Given that the revised estimated liability of £1.624m exceeds the existing Provision balance of £0.826m, it is required to charge an additional £0.798m to the 2012-2013 revenue account to increase the Provision to the required level.

Non-Uniformed staff Costs

3.8 The main reason for an underspend of £0.459m against non-uniformed pay costs is as a result of the strategy adopted to hold posts vacant during the year wherever possible.

Training costs

3.9 The underspend against training costs to due to a number of factors including a reduction in the costs of role development training because we do not have the forecast number of people in expensive development programme, a rationalisation of courses to increase efficiency and a redesign of the ADC toolkits which has presented significant financial efficiency. The delivery of these efficiencies has not impacted upon core competence as all risk critical courses have been delivered as required.

Pension Costs

3.10 As a result of the identification of eleven cases of ill-health pensions payments in relation to previous years being incorrectly charged against the Firefighter Pension Fund (funded by CLG top-up grant) rather than the Service revenue budget, a correcting adjustment has been necessary in the current year resulting in a net overspend of £0.395m.

4. TRANSPORT RELATED COSTS

Travel and Subsistence

4.1 As a result of the overall strategy to secure in-year savings costs associated with travel and subsistence have been £0.217m less than budget.

5. SUPPLIES AND SERVICES

Communications

5.1 As a result of and a delay in the installation of a replacement telephone system (£0.100m), and the overall strategy to secure in-year savings, the budget for communications and ICT costs is underspent by £0.207m.

Personal Protective Equipment (PPE)

5.2 The roll out of the new PPE across the Service is now substantially complete and in the event costs associated with the roll out have not been as much as had been anticipated. In the next few years consideration will need to be given as to how funding is to be made available for replacement PPE once current issue is out of life.

6. ESTABLISHMENT COSTS

Insurances

6.1 An underspend against insurance costs of £0.251m includes a refund from FRAML, the mutual insurance company that DSFRS was part of until a few years ago, relating to the contribution that DSFRS made to FRAML to fund motor claims, which in the event was not required. In addition, further savings have been achieved as a result of less excess claims being funded from the Service budget than had been budgeted.

7. CAPITAL FINANCING COSTS

Capital Charges

7.1 Elsewhere in this report (Table 6) is the final outturn position in relation to 2012-13 capital spending which identifies that there has been significant slippage in spending against some capital projects. As a consequence of this slippage together with slippage from the previous year savings of £0.199m have been achieved against the capital charges budget.

Revenue Contribution to Capital Spending

7.2 A further consequence of the slippage in capital spending outlined above in paragraph 7.1 is that not all of the agreed Revenue Contribution to Capital Spending has been required in 2012-13. In order that the agreed revenue funding to capital is available to fund the spending when it occurs in 2013-14 it is necessary to transfer the unused balance of £2.832m into an Earmarked Reserve.

8. INCOME

Treasury Management Investment Income

8.1 Investment decisions made during the year, and a better than anticipated cash position, has resulted in investment income exceeding the original target by £0.131m.

Grants and Reimbursements

8.2 Whilst the Authority has received £0.329m more in grant income than budgeted, it should be emphasised that of the total grants received during the year an amount of £0.139m relates to grants that have been received from outside bodies to fund a specific purpose, but which have not been spent by the year-end. Under the International Financial Reporting Standards (IFRS), any such grant, where there is no requirement for it to be repaid if not spent at year-end, is to be identified to the Committee and carried forward into the next financial year by way of 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 Table 3 below.

Other Income

8.3 A shortfall of £0.224m against the other income budget is a reflection of the difficult market conditions which, in particular, is having an impact on external training customers. This shortfall is partly offset by a reduction in training staff costs.

9. CONTRIBUTION TO EARMARKED RESERVES

9.1 The 2012-13 outturn figures in Table 2 includes three transfers to Earmarked Reserves, as follows:

1. **Grants Unapplied (£0.139m)** – as is outlined in paragraph 8.2 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 2013-14. An analysis of such grants is shown in Table 3 overleaf.

TABLE 3 – UNSPENT GRANTS TO BE CARRIED FORWARD TO 2013-2014

Grant Received From	£m	Purpose of Grant
CLG	(0.088)	National resilience projects
Suretart	(0.033)	Road safety for young drivers & passengers
Learn2Live	(0.018)	Home safety visits for vulnerable people
TOTAL	**(0.139)**	

2. **2012-13 Budget Carry Forwards (£0.150m)**. Two committed projects planned to be delivered by 31 March 2013 have not been completed on time and a budget carry forward is therefore required to fund those costs in 2013-14. These projects relate to:

    - Replacement Telephone System - £0.100m.
    - Remedial works to put right leakage from Oil Bunker Container at Taunton Fire Station - £0.050m.

3. **Capital Funding Reserve (£2.832m)**. As is reported in paragraph 7.2 of this report, as a result of slippage in capital spending not all of the agreed direct revenue funding to capital has been required. The remaining balance of £2.832m is required to be carried forward to 2013-14, through an earmarked reserve, to fund the capital spending when it is actually incurred.

10. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

10.1 It is proposed that the underspend of £1.681m is utilised to fund two further transfers into Earmarked Reserves, as follows:

(a) **Essential Spending Pressures 2013-14 (£0.103m)** – Since setting the 2013-14 revenue budget in February 2013 two essential spending items totalling £0.103m have been identified by budget holders for which no budget provision has been made. Since each of these items are one-off in nature it is proposed that funds be made available from the 2012-13 underspend by way of a transfer to Earmarked Reserves. The requested spending items relate to;

- Breathing Apparatus Cylinder Testing - £0.070m
- Specialist Rescue Level 4 Boat Training - £0.033m

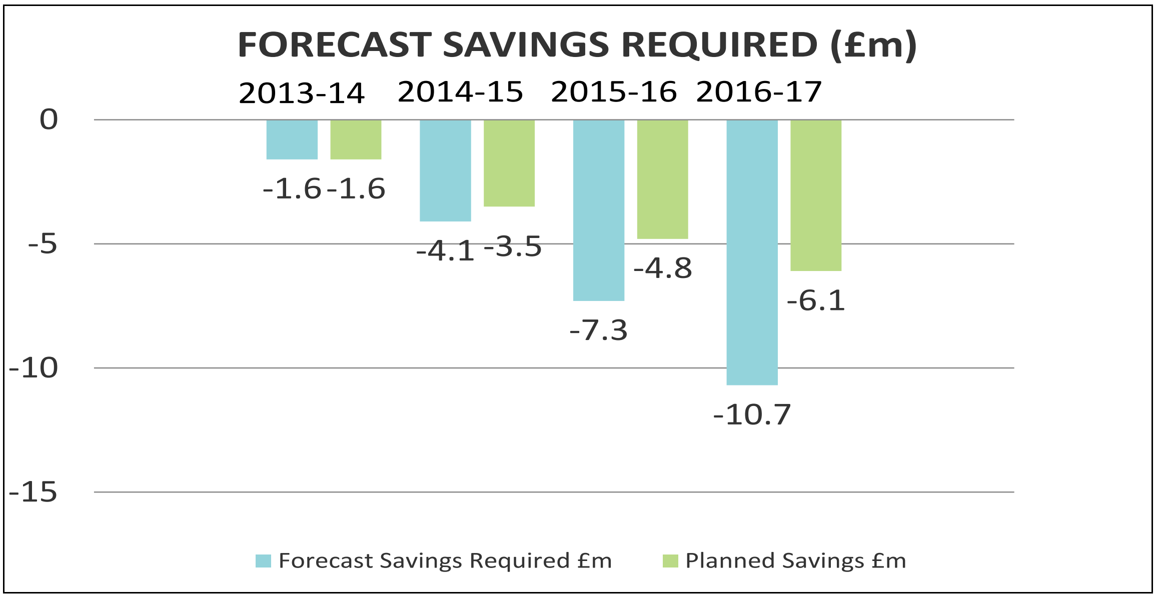
(b) **CSR 2010 Budget Strategy Reserve (£1.578m)** – it is proposed that the remaining underspend of £1.578m be transferred to the existing CSR 2010 Budget Strategy Reserve. If agreed this would increase the balance on this Reserve to £3.395m.

Members will be aware of our strategy to build this Reserve from in-year savings to be utilised over the next four years when the impact of the grant reductions will be more severe. We already know from the December 2012 Local Government Finance Settlement that our grant has been reduced by £5.5m by 2014-15, and this figure is exacerbated by the announcement in the Chancellors Budget in March 2013 of an additional 2% reduction to local government funding in 2014-15.

Chart 1 below provides current forecasts of savings required over the four year period 2013-14 to 2016-17 together with forecast savings to be achieved over that period from the proposals contained in the current Corporate Plan. As is illustrated from this Chart, based on current forecasts, the planned savings deliverable from the proposals in the Corporate Plan will not cover the total savings required by 2016-17 which is why further proposals will need to be brought forward for consideration.

One of the key factors to the delivery of the required savings is the natural turnover of staff during the period. The balance in the CSR 2010 Budget Strategy Reserve will be available to smooth out the impact of the grant reductions over the four years, and also to fund any costs associated with any voluntary redundancy agreements.

<u>CHART 1 – FORECAST SAVINGS REQUIRED 2013-14 TO 2016-17</u>



11. <u>RESERVES AND PROVISIONS</u>

11.1 As well as the funds available to the authority by setting an annual budget, the Authority also holds Reserves and Provision balances.

Reserves

11.2 There two types of Reserves held by the Authority:

Earmarked Reserves – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is **non-specific** and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

11.3 In addition to reserves the Authority may also hold provisions which can be defined as:

Provisions – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

11.4 A summary of balances on Reserves and Provisions as at 31 March 2013 is shown in Table 4 overleaf. These figures have been prepared on the basis that Members are minded to approve the proposals for transfers to Reserves as contained within this report.

11.5 In addition to the proposals for transfers to Reserves (Table Column 4), it is also recommended that an amount of £0.314m is transferred from Earmarked Reserves to the General Reserve (Table 4 Column 5). This amount relates to amounts originally transferred to Earmarked Reserve but which are no longer required for its original purpose, and is therefore eligible for transfer to the General Reserve. If Members are minded to approve this recommendation then the balance on the General Reserve will increase from £4.873m to £5.187m, equivalent to 6.59% of total revenue budget.

<u>TABLE 4 – RESERVE AND PROVISION BALANCES AS AT 31 MARCH 2013</u>

RESERVES AND PROVISIONS							
RESERVES		**Balance as at 1 April 2012 £000**	**Spend as at 31 March 2013 £000**	**Proposed Transfer of underspend £000**	**Proposed Transfer between Reserves £000**	**Projected Balance as at 31 March 2013 £000**	
Earmarked reserves							
Lundy Island Fire Cover	(12)	(12)	-		12	0	
Positive pressure ventilation training	(4)	(4)	-		4	0	
Mobilisation equipment	-	(57)	57		-	0	
Welfare building works	-	(15)	15		-	0	
Change & improvement training	(4)	(6)	2		4	0	
Gold command courses	(6)	(24)	18		6	0	
Interagency liaison officer costs	(1)	(10)	9		1	0	
Grants unapplied in 2010-11	(125)	(2,521)	146		125	(2,250)	
Change & improvement programme	(162)	(673)	-		162	(511)	
Commercial Services		(300)	47			(253)	
Direct Funding to Capital		(1,044)	-			(1,044)	
CSR 2010		(1,817)	-			(1,817)	
Year end proposals							
Support to capital programme within 2011-12 base				(2,832)		(2,832)	
2012-13 Budget Carry Forwards				(150)		(150)	
Grants unapplied in 2011-12				(139)		(139)	
Essential Spending Pressures				(103)		(103)	
CSR 2010				(1,578)		(1,578)	
Total earmarked reserves		**(6,483)**	**294**	**(4,802)**	**314**	**(10,677)**	
General reserve							
General fund balance		(4,873)			(314)	**(5,187)**	
Percentage of general reserve compared to net budget							-6.59%
TOTAL RESERVE BALANCES		**(11,356)**	**294**	**(4,802)**	**-**	**(15,864)**	
PROVISIONS							
Part time workers - retained fire fighters		(1,853)	1,027	(798)		(1,624)	
TOTAL PROVISIONS		**(1,853)**	1,027	(798)		**(1,624)**	

12. SUMMARY OF REVENUE SPENDING

12.1 Members will be well aware from budget monitoring reports considered during the financial year of the strategy adopted to seek in-year savings wherever possible which can be transferred at year end to the Authority Reserve balances. It is pleasing therefore that this strategy has resulted in an underspend position enabling a further transfer of £1.578m to be made to the CSR 2010 Reserve, increasing the balance on that Reserve to £3.395m.

12.2 It is forecast that this Reserve will be fully utilised over the next three year period to smooth out the impact to the Service revenue budget of the further severe grant reductions to come.

12.3 The Committee is asked to approve the recommendations in this report.

13. SECTION B – CAPITAL PROGRAMME 2012-2013 AND PRUDENTIAL INDICATORS

13.1 The capital programme for 2012-13 was originally set at £8.597m at the budget setting meeting held on the 17 February 2012. This programme figure has increased during the financial year to £10.647m, predominantly as a result of slippage in spending from the previous year, but also as a result of new capital spending items to be funded from grant income or revenue contributions. As has been reported to the Committee during the year whilst these changes represent an increase in the 2012-13 programme they do not represent an increase in the overall borrowing requirement. Table 5 overleaf provides a summary of the draft outturn position against the agreed 2012-2013 capital programme. This reports capital spending to be £4.662m against a total programme of £10.647m, resulting in slippage in spending of £5.985m.

TABLE 5 – DRAFT CAPITAL OUTTURN 2012-13

Draft Capital Outturn 2012/13

Item	PROJECT	2012/13 £000 Budget	2012/13 £000 Draft outturn	2012/13 £000 Variation to budget	Variation to budget: Slippage £000	Savings £000	Total variation £000
	Estate Development						
1	SHQ major building works	92	3	(89)	89		89
2	Major Projects - Training Facility at Exeter Airport	3,284	2,090	(1,194)	1,194		1,194
3	Minor improvements & structural maintenance	2,140	820	(1,320)	1,320		1,320
4	Welfare Facilities	15	15	0	0		0
5	USAR works	112	109	(3)	3		3
6	Minor Works slippage from 2010-11	343	343	0	0		0
7	Minor Works slippage from 2011-12	1,674	549	(1,125)	0	1,125	1,125
8	STC - Ship Structure	52	47	(5)	5		5
	Estates Sub Total	**7,712**	**3,976**	(3,736)	**2,611**	**1,125**	**3,736**
	Fleet & Equipment						
9	Appliance replacement	700	207	(493)	493		493
10	Specialist Operational Vehicles	920	251	(669)	669		669
11	Vehicles funded from revenue	184	183	(1)	1		1
12	Equipment	242	45	(197)	197		197
13	Appliance and Specialist Operational Vehicles slippage	889		(889)	648	241	889
				0			
	Fleet & Equipment Sub Total	**2,935**	**686**	(2,249)	**2,008**	**241**	**2,249**
	Overall Capital Totals	**10,647**	**4,662**	(5,985)	**4,619**	**1,366**	5,985
	Programme funding						
	Main programme	4,179	2,076	(2,103)	737	1,366	2,103
	Revenue funds	3,247	415	(2,832)	2,832		2,832
	Earmarked reserves	1,200	150	(1,050)	1,050		1,050
	Grants	2,021	2,021	-	0		0
		10,647	**4,662**	**(5,985)**	**4,619**	**1,366**	**5,985**

<u>Slippage in Capital Spending 2012-13</u>

13.2 Members are aware that this Authority has a three rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This is not unusual as is the case for the Training Academy at Exeter Airport. This has been delayed due to contract negotiations, contaminated land and poor weather. As a consequence, £1.1m has slipped into 2013/14. It is proposed to not proceed with projects planned for 2013/14, reducing the budget significantly. Those projects that have slipped into 2013/14 have been reassessed and a further £1.1m saved as a consequence by only taking forward those already committed.

13.3 There has also been slippage within the Fleet replacement programme from 2012/13 of £2m. Again this is not unusual and remains within the arrangements for a three rolling capital programme. This is a result of aligning the Specialist Vehicle replacement with the Tiered Approach at Tier 3. These vehicles are essential to the programme and include, Environmental Units, Incident Command Units, Prime Movers and 4 x 4 capability recognising the need to have improved arrangements for off-road, flooding and snow. This also includes vehicles for the Training Academy at Exeter Airport. These vehicles are all in various stages of build and the slippage reflects the continuations payments which allow the vehicles to be completed during 2013/14.

Prudential Indicators (including Treasury Management)

13.4 Appendix A provides a summary of the performance against all of the agreed Prudential Indicators for 2012-2013, which illustrates that there is no breach of any of these indicators.

External Borrowing

13.5 Table 5 also illustrates how the spending of £4.662m is to be financed, which includes additional borrowing of £2.076m required to finance capital spending. The total external borrowing figure at 31 March 2013 is £27.167m which reflects new borrowing taken out during the year as well as debt repayments. This level of borrowing is well within the Authorised Limit for external debt of £34.159m (the absolute maximum the Authority has agreed as affordable).

Treasury Management Income

13.6 Income achieved from the investment of working balances into short-term deposits is £0.231m which exceeds the target figure of £0.100m. This good result is primarily as a consequence of higher cash balances being available than anticipated, but also as a result sound investment decisions. Investment returns for quarter 4 have yielded an average return of 0.48%, which outperforms the LIBID 3 Month return (industry benchmark) of 0.38% for the quarter. For the whole year a return of 0.64% has been achieved as compared to the LIBID 3 month return of 0.56%.

14. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

14.1 Total debtor invoices outstanding as at 31 March 2013 is £598,311, an increase on the previous reported figure of £249,120 as at 31 December 2012.

14.2 Of this figure an amount of £100,778 (£10,274 as at 31 December 2012) was due from debtors relating to invoices that are more than 85 days old, equating to 16.84% (4.12% as at 31 December 2012) of the total debt outstanding. Table 6 overleaf provides a summary of all debt outstanding as at 31 March 2013.

TABLE 6 – OUTSTANDING DEBT AS AT 31 DECEMBER 2012

	Total Value £	**%**
Current (allowed 28 days in which to pay invoice)	462,363	77.28%
1 to 28 days overdue	-	-
29-56 days overdue	22,929	3.83%
57-84 days overdue	12,241	2.05%
Over 85 days overdue	100,778	16.84%
Total Debt Outstanding as at 31st March 2013	**598,311**	**100.00%**

14.3 Table 7 below provides further analysis of those debts in excess of 85 days old.

TABLE 7 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	**Total Value**	**Action Taken**
Debts less than £1,000	5	£2,533	Each debt being pursued by the Risk and Insurance Officer.
Employee A	1	£1,034	Debt relates to a third party insurance claim. Being repaid by employee at £100 per month
Employee B	1	£6,479	Debt relates to third party insurance claim, Payment will be subject to insurance company settling the claim.
EDF Energy	1	£28.045	Debt relates to delivery of training courses. Amount currently in dispute with debtor therefore some risk of some part of the debt not being recovered.
Georgia Group	1	£62,687	Debt relates to refunds due to the Authority in relation to training courses not delivered. The case is currently being dealt with by the Risk and Insurance Officer.

Payment of Supplier Invoices within 30 days

14.4 The authority attempts to pay its suppliers promptly. The target is that 98% of invoices should be paid within 30 days (or other agreed credit terms). Actual performance for the year was 95.44%, just below our target.

KEVIN WOODWARD
Treasurer to the Authority

PRUDENTIAL INDICATORS 2012-2013

Prudential Indicators and Treasury Management Indicators	Actual £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	**4.662**	**10.647**	**(£5.985m)**
Capital Financing Requirement (CFR) - Total	**27.865**	**29.961**	**(£2.096m)**
- Borrowing	26.307	28.403	
- Other long term liabilities	1.558	1.558	
Authorised limit for external debt - Total	**28.725**	**35.746**	**(£7.021m)**
- Borrowing	27.167	34.159	
- Other long term liabilities	1.558	1.587	
Debt Ratio (debt charges as a %age of total revenue budget	**3.66%**	**3.98%**	**(0.32)bp**
Cost of Borrowing – Total	**1.198**	**1.246**	**(£0.048m)**
-Interest on existing debt as at 31-3-12	1.147	1.147	
-Interest on proposed new debt in 2012-13	0051	0.099	
Investment Income – full year	**0.231**	**0.100**	**(£0.131m)**
	Actual (31 March 2013) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return	**0.48%**	**0.38%**	**(0.10) bp**

Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2013) %	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%	30.00%	0.00%	(26.49%)
12 months to 2 years	0.99%	30.00%	0.00%	(29.01%)
2 years to 5 years	1.15%	50.00%	0.00%	(48.85%)
5 years to 10 years	5.03%	75.00%	0.00%	(69.97%)
10 years and above	89.31%	100.00%	50.00%	(10.69%)