M. Pearson
CLERK TO THE AUTHORITY

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

SERVICE HEADQUARTERS
THE KNOWLE
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DEVON
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Your ref :		Date :	24 January 2014	Telephone :	01392 872200
Our ref :	SS/SY/Resources/Feb 2014	Please ask for :	Sam Sharman	Fax :	01392 872300
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RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

Monday 3 February 2014

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 13 November 2013 attached (Page 4).

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. Treasury Management Performance 2013-14: Quarter 3

Report of the Treasurer (RC/14/1) attached (page 6).

5. Financial Performance Report 2013/14: Quarter 3

Report of the Treasurer (RC/14/2) attached (page 13).

6. **Capital Programme 2014-15 to 2016-17**

Joint Report of the Chief Fire Officer and the Treasurer (RC/14/3) attached (page 27).

7. **Proposed Disposal of Two End of Life Service Vehicles**

Joint Report of the Director of Operations and the Treasurer (RC/14/4) attached (page 37).

8. **Exclusion of the Press and Public**

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 5 of Part 1 of Schedule 12A (as amended) to the Act, namely information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

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

9. **Georgia Group Debt – Further Considerations**

Report of the Director of People and Commercial Services (RC/14/5) attached (page 39).

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Greenslade (Chairman), Brooksbank, Burridge-Clayton, Chugg, Dyke, Gordon and Yeomans.

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
(Devon and Somerset Fire and Rescue Authority)

13 November 2013

Present:-

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

Apologies:-

Councillor Brooksbank

***RC/9. Minutes**

RESOLVED that the Minutes of the meeting held on 9 September 2013 be signed as a correct record.

***RC/10. Financial Performance Report 2013-2014: Quarter 2**

The Committee received for information a report of the Treasurer (RC/13/11) that set out details of performance during the second quarter of the current financial year (2013/14) as compared with the approved financial targets and which provided a forecast of spending against the approved 2013/14 revenue budget.

The Treasurer highlighted that spending was forecast to be £75.280 million at the year-end which was £1.504million less than the approved revenue budget of £76.784million, equivalent to 1.96% of the total budget. This variation in spending was attributable largely to the early implementation of the strategy to reduce non operational support function costs. He added that this was a good position for the Authority at this stage in the year and that the Committee would need to make a recommendation to the Authority at the year-end in respect of how this money was to be utilised.

It was noted that the Authority was on track to deliver the savings required as a result of the reductions in fire grants announced in the Comprehensive Spending Review (CSR) 2010 and the further 10% savings that were announced by the Chancellor in 2013. These savings were to be achieved partly by the implementation of the measures within the Corporate Plan for 2013/14 to 2015/16. It was noted that the Committee would need to keep under review the delivery of these savings plans as the Treasurer would be in a position to recommend a balanced budget to the Authority for the years 2014-15 and 2015-16.

In terms of the Capital Programme and the Prudential Indicators, the Treasurer reported that the forecast at this stage was for spending to be £5.272million with slippage of £1.028million into 2014/15. This meant that, if further slippage was also to occur during the year, it was likely that there would not be any requirement for further borrowing which would ease the position on the financing of debt repayments within the revenue budget. He added that this was an area that needed to be kept under review in view of the issues of affordability of capital spending and the impact on the prudential indicators.

RESOLVED

(a) That the monitoring position in relation to projected spending against the 2013-2014 revenue and capital budgets be noted;

(b) That the performance against the 2013-2014 financial targets be noted.

NB. MINUTE RC/11* BELOW ALSO REFERS.

***RC/11. <u>Treasury Management Performance 2013-2014: Quarter 2</u>**

The Committee received for information a report of the Treasurer (RC/13/12) that detailed the Authority's performance on treasury management activities in Quarter 2 of the financial year (2013/14) in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2011 Treasury Management in Public Services Code of Practice.

The Authority's treasury management adviser, Adam Burleton of Capita, was in attendance at the meeting and he highlighted the following points:

- That the UK economy had shown an improvement with 0.3% growth in the first quarter of 2013/14 and 0.7% in quarter 2, with consumer confidence and house prices on the up although consumer expenditure was likely to remain suppressed by inflation;
- Interest rates were likely to increase in the 3rd quarter of 2014/15 as opposed to the 4th quarter if unemployment rates continued to drop;
- The Authority was performing well against its investment strategy and was outperforming the 3 month LIBID rate which was good, although the Service should continue to budget for low returns at this stage;
- External Borrowing as at 30 September 2013 was £26.285million, which was well within the Authorised Limit.

RESOLVED that the performance in relation to the treasury management activities of the Authority for 2013-14 (to September 2013) be noted.

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

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

DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/14/1**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**3 FEBRUARY 2014**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2013-2014: QUARTER 3**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2013-2014 (to December) be noted.***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice for Treasury Management. The Code suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Authority is embracing Best Practice in accordance with CIPFA's Code of Practice.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY AND RISKS BENEFIT ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Investments held as at 31 December 2013.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/13/3 – as approved at the meeting of the DSFRA meeting held on the 18 February 2013.

1. INTRODUCTION

1.1 The Treasury Management Strategy for Devon and Somerset FRA had been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2011 Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code. The most recent revision of the Code was adopted at the meeting of the DSFRA on the 18th February 2013. The Authority fully complies with the primary requirements of the Code, which includes:

- The creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities.
- The creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives.
- The Receipt by the full Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- The delegation by the authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.2 Treasury management in this context is defined as:

"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

1.3 The preparation of this report demonstrates that the Authority is implementing best practice in accordance with the code.

2. ECONOMIC BACKGROUND

Economic performance

2.1 The fourth quarter of 2013 saw:

- Signs that Gross Domestic Product (GDP) may have accelerated;
- Inflation falling to its lowest level (2.1%) since November 2009;
- Unemployment approaching the Monetary Policy Committee's (MPC) 7% forward guidance threshold;

2.2 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However growth has rebounded during 2013 to surpass all expectations. Forward surveys are currently very positive in indicating the growth prospects are also strong for 2014, not only in the UK economy as a whole but in all three main sectors (services/manufacturing/construction).

2.3 Eurozone concerns have subsided considerably in 2013. However sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, lack of competitiveness and the need for overdue reforms of the economy. This could mean that the sovereign debt concerns have not disappeared but rather have only been postponed.

2.4 In the USA, the economy has managed to return to robust growth, in spite of the fiscal cliff induced sharp cuts in federal expenditure and increases in taxation. Many house owners have been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets.

Capita Interest Rate Forecasts

2.5 Capita Asset Services undertook a review of its interest rate forecasts in late November, after the Bank of England's latest quarterly inflation report. This latest forecast now includes a first increase in bank rate in quarter 2 of 2016 (previously quarter 3) and reflects greater caution as to the speed with which the MPC will start increasing bank rate than the current expectations of financial markets.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
5yr PWLB rate	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
10yr PWLB rate	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
25yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%

3. TREASURY MANAGEMENT STRATEGY STATEMENT

Annual Investment Strategy

3.1 The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement (TMSS) was approved by the Authority on the 18th February 2013. It outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity

3.2 The Authority will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep a significant proportion of investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions using the Capita suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Capita.

3.3 A full list of investments held as at 31 December 2013 are shown in Appendix A.

3.4 Investment rates available in the market have continued at historically low levels and have fallen further during the quarter.

3.5 The average level of funds available for investment purposes during the quarter was £28.447m (£32.818m in previous quarter). These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Benchmark Return	Authority Performance	Investment interest to quarter 3
3 Month LIBID	0.40%	0.43%	£125,512

3.6 As illustrated, the authority outperformed the 3 month LIBID benchmark by 0.03 bp**.** The Authority's budgeted investment target for 2013-2014 of £0.100m will also be overachieved.

Borrowing Strategy

Prudential Indicators:

3.7 It is a statutory duty for the Authority to determine and keep under review the "Affordable Borrowing Limits". The Authority's' approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.

3.8 A full list of the approved limits (as amended) are included in the Financial Performance Report 2013-2014, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to December 2013 and that there are no concerns that they will be breached during the financial year.

Current external borrowing

3.9 External borrowing as at 31 December 2013 was £26.368m (unchanged from previous quarter). All of this debt was at fixed rate with the remaining principal having an average rate/life of 4.231%/31.08 years.

Loan Rescheduling

3.10 No debt rescheduling was undertaken during this quarter of the year

New Borrowing

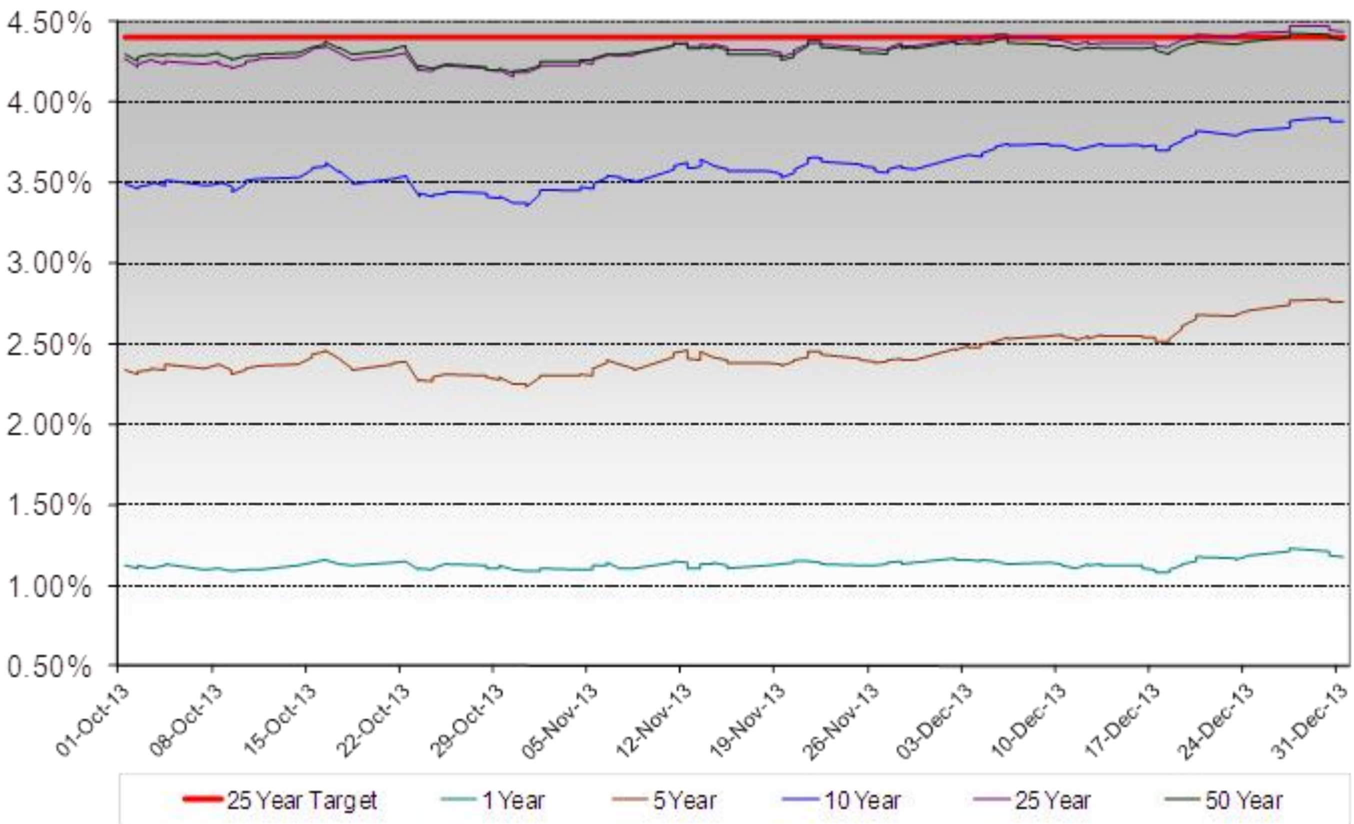
3.11 Capita's 25 year PWLB target rate for new long term borrowing for the quarter remains at 4.40%. Due to the overall financing position of the capital programme no new borrowing was undertaken during the quarter.

3.12 PWLB certainty rates for the quarter ended 31 December 2013 are shown below. DSFRA is eligible to borrow at certainty rates.

PWLB rates quarter ended 31.12.2013

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.08%	2.23%	3.35%	4.16%	4.18%
Date	17/12/2013	31/10/2013	31/10/2013	30/10/2013	30/10/2013
High	1.23%	2.78%	3.90%	4.47%	4.43%
Date	27/12/2013	30/12/2013	30/12/2013	27/12/2013	27/12/2013
Average	1.13%	2.43%	3.59%	4.32%	4.31%

3.13 Borrowing rates for this quarter are shown below.



3.14 It is anticipated that use of internal borrowing and available grants will avoid the need to borrow from the PWLB in year; however this will be subject to certainty rates on offer and the delivery of the capital programme.

4. SUMMARY

4.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with the third quarter report of the treasury management activities for 2013-2014. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken so far, with priority being given to liquidity and security over yield. Whilst investment returns are still low as a consequence of the fall in interest rates, the Authority is anticipating that investment returns will overachieve the budgeted target.

KEVIN WOODWARD
Treasurer

Investments as at 31st December 2013

% of total investments	Counterparty	Maximum to be invested (£m)	Total amount invested (£m)	Call or Term	Date if Term	Period Invested	Interest Rate
20.91%	Bank of Scotland	5.0	1.500	T	02/01/2014	6mths	0.75%
			1.500	T	10/01/2014	3mths	0.70%
			2.000	T	08/08/2014	9mths	0.83%
25.10%	Barclays	10.0	2.000	T	21/01/2014	3mths	0.46%
			1.000	T	23/01/2014	3mths	0.46%
			2.000	T	20/05/2014	6mths	0.54%
			1.000	T	26/02/2014	3mths	0.45%
11.10%	Black Rock	5.0	2.651	C			Variable
1.07%	Ignis Money Market Fund	5.0	0.256	C			Variable
20.91%	Federated Prime Rate	5.0	5.000	C			Variable
20.91%	National Westminster	5.0	5.000	T	10/03/2014	3mths	0.60%
			23.907				

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/14/2**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**3 FEBRUARY 2014**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2013-2014: QUARTER 3**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***(a) That the monitoring position in relation to projected spending against the 2013-2014 revenue and capital budgets be noted;*** ***(b) That the performance against the 2013-2014 financial targets be noted.***
EXECUTIVE SUMMARY	This report provides the Committee with the third quarter performance (to December 2013) against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2013-2014 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £1.932m less than budget, equivalent to 2.52% of the total budget. This saving is largely attributable to the early implementation of our strategy to reduce non-operational support functions costs by at least £1.5m by 2015-16. Management action has already been undertaken this year towards the deletion of support staff posts which together with the application of new procurement strategies, means that not only are we delivering in-year savings, but also providing the confidence that the full year savings target of £1.5m by 2015-16 will be met. Members will recall that it is forecast that the Service needs to save £7m over the next two financial years and so, whilst this managed underspend (one off) is helpful, further base budget (recurring) reductions need to be made in order to meet Government grant reductions. Further difficult decisions will need to be made in future years in order to balance the budget.
RESOURCE IMPLICATIONS	As indicated in the report.

EQUALITY AND RISK BENEFITS ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Summary of Prudential Indicators 2013-2014.
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1 This report provides the third quarterly financial monitoring report for the current financial year, based upon the position as at the end of December 2013. As well as providing projections of spending against the 2013-2014 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the 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 2013-2014

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 3	Previous	Quarter 3 %	Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£76.784m	£74.852	£75.280m	(2.52%)	(1.96)%
2	General Reserve Balance as %age of total budget (minimum)	5.00%	6.76%	6.76%	(1.76)bp	(1.76)bp
	Capital Targets					
3	Spending within agreed capital budget	£6.752m	£4.976	£5.272m	(26.30)%	(17.11)%
4	External Borrowing within Prudential Indicator limit	£25.978m	£26.214m	£26.214m	0.91%	0.91%
5	Debt Ratio (debt charges over total revenue budget)	3.85%	3.85%	3.85%	0.00bp	0.00bp

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

- **SECTION A** – Revenue Budget 2013-14.
- **SECTION B** – Capital Budget and Prudential Indicators 2013-14.
- **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 2013-2014

2.1 Table 2 overleaf provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending by the year end will be £74.852m compared with an agreed budget figure of £76.784m, representing a saving of £1.932m, equivalent to 2.52% of the total budget.

TABLE 2 – REVENUE MONITORING STATEMENT 2013-2014

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2013/14

Line No		2013/14 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 9 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	31,998	23,963	23,967	32,030	32
2	Retained firefighters	11,794	8,553	7,850	11,676	(118)
3	Control room staff	1,637	1,222	1,128	1,613	(24)
4	Non uniformed staff	10,979	8,229	7,642	10,022	(957)
5	Training expenses	1,430	1,074	615	1,121	(309)
6	Fire Service Pensions recharge	2,058	1,710	1,858	2,141	83
		59,896	**44,751**	**43,060**	**58,603**	**(1,293)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,141	859	814	1,066	(75)
8	Energy costs	625	420	452	557	(68)
9	Cleaning costs	445	334	259	407	(38)
10	Rent and rates	1,500	1,308	1,480	1,539	39
		3,711	**2,921**	**3,005**	**3,569**	**(142)**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	634	475	430	606	(28)
12	Running costs and insurances	1,408	1,111	893	1,430	22
13	Travel and subsistence	1,686	1,160	1,042	1,510	(176)
		3,728	**2,746**	**2,365**	**3,546**	**(182)**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,585	1,927	1,938	2,377	(208)
15	Supplies Internal Recharges	0	0	0	-	-
16	Hydrants-installation and maintenance	111	83	66	111	-
17	Communications	2,012	1,509	1,273	1,975	(37)
18	Uniforms	1,284	970	339	1,086	(198)
19	Catering	134	101	125	146	12
20	External Fees and Services	330	248	146	267	(63)
21	Partnerships & regional collaborative projects	136	102	75	136	-
		6,592	**4,939**	**3,962**	**6,098**	**(494)**
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	400	311	232	371	(29)
23	Advertising	51	38	11	20	(31)
24	Insurances	366	350	1,025	410	44
		817	**699**	**1,268**	**801**	**(16)**
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	549	377	364	555	6
		549	**377**	**364**	**555**	**6**
	CAPITAL FINANCING COSTS					
26	Capital charges	4,583	2,017	320	4,432	(151)
27	Revenue Contribution to Capital spending	68	-	-	68	-
		4,651	**2,017**	**320**	**4,500**	**(151)**
28	**TOTAL SPENDING**	**79,945**	**58,449**	**54,344**	**77,673**	**(2,272)**
	INCOME					
29	Treasury management investment income	(100)	(75)	(126)	(160)	(60)
30	Grants and Reimbursements	(1,996)	(1,497)	(1,831)	(2,273)	(277)
31	Other income	(903)	(677)	(335)	(732)	171
32	Internal Recharges	(163)	(122)	(111)	(107)	56
33	**TOTAL INCOME**	**(3,161)**	**(2,371)**	**(2,403)**	**(3,271)**	**(110)**
34	**NET SPENDING**	**76,784**	**56,078**	**51,941**	**74,402**	**(2,382)**
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to Earmarked Reserve	-	-	-	450	450
		-	**-**	**-**	**450**	**450**
36	**NET SPENDING**	**76,784**	**56,078**	**51,941**	**74,852**	**(1,932)**

2.2 These forecasts are based upon the spending position at the end of December 2013, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to volatility in spending patterns during the year e.g. retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report.

2.3 As part of the discussions around the approval of the Corporate Plan in July 2013, our strategy to deliver further on-going savings of £6.8m by 2015-16 includes a savings target of £1.5m to come from non-operational support functions. It should be noted that this £1.5m is in addition to the £2.2m already removed from non-operational support function budgets since 2010-11. Report DSFRA/13/16 "Non-operational Savings" considered at the Devon and Somerset Fire and Rescue Authority (DSFRA) meeting on the 10 July 2013 (Minute DSFRA/19 refers) identified how this figure of £1.5m can be achieved including the deletion of approximately 40 posts by the end of this financial year.

2.4 To date, management has already taken decisions to delete support staff post and are on target to reach 40 posts by the end of the financial year, contributing £0.957m of in-year savings. Voluntary redundancy arrangements have been used and will continue to be used to speed up the reduction of posts as agreed by the Fire Authority.

2.5 These in-year savings form a significant contribution to the forecast £1.932m underspend against the current year revenue budget. Savings against other budget heads e.g. Training Expenses and Capital Financing Costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below in paragraphs 3 to 8.

2.6 All budget managers have been tasked by the Chief Fire Officer and Executive Board to reduce spending 'in year' and managers have responded accordingly.

3. <u>EMPLOYEE COSTS</u>

Wholetime Staff

3.1 At this stage it is projected that spending on wholetime pay costs will be £32k over the budgeted figure, equivalent to 0.1% of the total wholetime pay budget. This projection includes the impact of the agreed 1% pay award from July 2013.

3.2 It should be noted that, as part of the budget savings required to set a balanced budget for 2013-14, the wholetime staffing budget has been reduced by £0.5m to reflect vacancy management savings from predicted leavers during the financial year. Based upon current assumptions of further leavers, retirees and voluntary redundancies, during the remainder of the financial year it is forecast that this saving figure will be achieved.

Retained Pay Costs

3.3 At this stage in the financial year spending is forecast to be under budget by £0.118m. In making this projection an assumption has been made that activity levels in the remainder of the financial year are consistent with the average for the same period for the last three financial years. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions.

3.4 With reference to the impending financial liability relating to the Employment Tribunal which ruled that, under the Part-Time Workers (less than favourable working conditions) Regulations, retained firefighters should have had the same access to pension benefits as their full-time colleagues. Whilst from 2006 retained staff have had such access, this was not the case prior to 2006. The ruling has meant that individual retained firefighters, both existing and retired, can now access the Firefighter Pension Scheme for the period from the year 2000 (the year the employment Tribunal was lodged) until 2006.

3.5 For each firefighter that opts to access the Pension scheme prior to 2006 the Authority will be required to pay an employer's contribution into the Pension Fund based upon pensionable pay during the relevant period. Each firefighter will also be required to pay an employee's contribution into the Fund, which for many will be a significant one-off payment.

3.6 A consultation document issued by the Department of Communities and Local Government (CLG) in July 2013 "Retained Firefighters Pension Settlement" sets out the proposed terms of access to a pension scheme for the period 1 July 2000 to 5 April 2006. It also provides a proposed timeframe of events including the process for retained staff to register an interest, and for each Fire and Rescue Authority (FRA) to notify staff of the costs and benefits. Given that it is envisaged that this process will take up to twelve months to complete, it is not possible at this time to give a precise figure in terms of the liability to fall on the Authority.

3.7 The Authority has prudently already set aside an amount of £1.6m in a Provision to fund this liability when it is required to be settled. This figure has been calculated based upon an assumed level of take-up by retained staff. Clearly there is a risk that, should actual take-up levels exceed our assumptions, then this figure will prove to be insufficient. In such an event the additional cost would need to be funded from Authority Reserves.

Non Uniformed Pay

3.8 Management action already taken this year has resulted in the deletion of multiple support staff posts. It is anticipated that this number will have reached 40 by the end of the financial year resulting in forecast savings of £0.957m against a budget of £10.979m. This figure is net of known redundancy payments for non-uniformed staff.

Training Expenses

3.9 Training Expenses are forecast to come in £0.309m under budget, mostly savings of £0.137m from Role Development courses, £0.091m on Assessment Centres and £0.052m on Core Development, £0.040m on External training. This is primarily due to the significant reduction to headcount throughout the service.

Pension Costs

3.10 Current predicted over spends of £0.083m on the Pensions Recharge are due to the anticipated number of ill-health retirements this year, which may change as time progresses due to the notice period necessary.

4. PREMISES RELATED COSTS

Repair and Maintenance

4.1 Forecast savings against budget of £0.075m for Repair and Maintenance are due to efficiencies within the planned maintenance programmes and a reduction to the volume of repairs which are completed by external contractors.

Energy Costs

4.2 Due to seasonal variations to energy demand, an under spend of £0.068m on energy costs are anticipated which represents an 10.9% saving against budget

5. TRANSPORT RELATED COSTS

Travel and Subsistence

5.1 Savings of £0.176m are forecast to be realised from Travel expenses, specifically £0.090m on Contract Car Hire Vehicle leases and £0.050m in relation to travel expenses which had been set aside to meet additional travel costs from the combination of control rooms.

6. SUPPLIES AND SERVICES

Equipment and Furniture

6.1 Anticipated savings of £0.208m on equipment and furniture are primarily as a result of the adoption of planned procurement and spending strategies on ICT equipment.

Uniforms

6.2 The forecast under spend of £0.198m on uniforms is due to reduced staff numbers and planned procurement savings on work wear refreshment programmes.

External Fees and Services

6.3 Due to the strategic reduction in the number of external contractors used, expenditure on External fees and services is forecast to be underspent by £0.063m.

7. CAPITAL FINANCING COSTS

Capital charges

7.1 The forecast spending for Capital Charges is £4.432m, a saving of £0.151m against budget. This is primarily due to a reduction in debt charges because of slippage in capital spending in 2012-13 resulting in reduced borrowing requirements.

8. INCOME

Treasury Management Income

8.1 Due to better than expected yields on Investment activities in 13-14, Treasury Management income is forecast to be £0.060m better than budget.

Grants and Reimbursements

8.2 Income from Grants and Reimbursements is expected to be £0.277m better than budgeted. However, the majority of funds are matched by additional spending items in year (reflected on expense lines) resulting in no net savings.

Other Income

8.3 Income from External bodies is forecast to be £0.171m less than budget. Of this amount £0.075m relates to the reversal of income accounted for twice in 2012/13, which was identified as part of the external audit process. The remainder is as a consequence of the adverse impact to income generation in the current economic conditions.

9. RESERVES AND PROVISIONS

9.1 As well as the funds available to the Authority by setting an annual budget, the Authority also holds reserve and provision balances.

Reserves

9.2 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

9.3 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.

9.4 A summary of predicted balances on Reserves and Provisions is shown in Table 3 overleaf. These figures exclude any potential in-year transfers to/from the revenue budget in the current financial year.

TABLE 3 – FORECAST RESERVES AND PROVISION BALANCES 31 MARCH 2014

TABLE 5 - RESERVES AND PROVISIONS						
RESERVES	**Balance as at 1 April 2013 £000**	**In-Year Transfers £000**	**Spending to Quarter 3 2013 £000**	**Projected Outturn £000**	**Projected Balance as at 31 March 2014 £000**	
Earmarked reserves						
Grants unapplied in 2010-11	2,251		45	327	1,924	
Change & improvement programme	511		-	-	511	
Commercial Services	252		37	50	202	
Direct Funding to Capital	3,877		-	1,743	2,134	
CSR 2010	3,389 *		-	-	3,389	
2012-13 Budget Carry Forwards	150		-	150	0	
Grants unapplied in 2011-12	139		-	139	0	
Essential Spending Pressures	103		-	103	0	
Community Safety Investment	0	450	-	150	300	
Total earmarked reserves	**10,671**	**450**	**82**	**2,662**	**8,459**	
General reserve						
General fund balance	**5,191**				**5,191**	
Percentage of general reserve compared to net budget						6.76%
TOTAL RESERVE BALANCES	**15,862**				**13,650**	
PROVISIONS						
Part time workers - retained fire fighters	1,605		1	1	1,604	
TOTAL PROVISIONS	**1,605**		**1**	**1**	**1,604**	

***** The CSR 2010 Reserve has been established to provide additional financial contingency during the period of austerity, which is now anticipated to go beyond the current CSR 2010 period until at least 2017-18. Given that the proposals within the Corporate Plan are to be implemented with no compulsory redundancies this Reserve will be utilised over the period of austerity measures to fund staffing costs, including voluntary redundancy costs, where required. It also provides further contingency in the event that government grant reductions are larger than included in the Authority Medium Term Financial Plan.

10. DELIVERY OF CORPORATE PLAN SAVINGS

10.1 Table 4 overleaf provides a summary of on-going budget savings already agreed by the Authority at budget setting meetings since 2010. This illustrates that of the total £3.7m of costs removed from the base budget, an amount of £2.2m relates to savings from non-operational budget heads i.e. 59%.

TABLE 4 – SUMMARY OF ON-GOING REVENUE SAVINGS SINCE 2010-11

Year	2011-12 £'000	2012-13 £'000	2013-14 £'000	TOTAL £'000
Operational				
Budget management/zero base budgeting	-	-	(378)	**(378)**
Standarisation of Crewing	(425)	-		**(425)**
Automated Fire Alarm Calls	(25)	(84)		**(109)**
Co-responder Calls	(50)	(25)		**(75)**
Vacancy Management		(150)	(341)	**(491)**
	(500)	**(259)**	**(719)**	**(1,478)**
Non-Operational				
Budget management/zero base budgeting	(342)	(305)	(704)	**(1,351)**
Senior Management Restructure	(50)	(104)		**(154)**
Control Room consolidation	-	(503)		**(503)**
Dissolution of Regional Management Board	(25)			**(25)**
Business Support Changes		(59)	(150)	**(209)**
	(417)	**(971)**	**(854)**	**(2,242)**
Total Savings since 2010-11	**(917)**	**(1,230)**	**(1,573)**	**(3,720)**

10.2 Looking beyond 2013-14, the Corporate Plan 2013-14 to 2014-15, agreed by the Authority in July 2013, included proposals to deliver further savings of £6.8m by 2015-16 to offset grant reductions, which includes further savings of £1.5m from non-operational budgets, as highlighted in this report.

10.3 At this time, implementation plans for the delivery of each of these proposals have been put in place. Given that the Authority will be required to set a balanced budget for 2015-16 in February 2015, only thirteen months away, it is vital that these implementation plans are kept under constant review to provide the confidence that the required savings can be delivered in time.

10.4 This Committee will need to keep savings plans under review to ensure that the Authority is in a position to deliver the required savings for 2015-16.

11. SUMMARY OF REVENUE SPENDING

11.1 At this stage it is forecast that spending will be £1.932m less than the agreed budget figure for 2013-14. This is an increase on previous projections and is primarily attributable to the early adoption of our strategy to reduce non-operational support function costs by an amount of £1.5m by 2015-16.

11.2 Given that we still have a further three months of the financial year to go, and the figures will inevitably be subject to change, this report does not make any recommendation as to how this forecast saving is to be utilised. Future decisions to be made by the Committee as to how the savings figure is to be best utilised will be influenced by other factors e.g. clarity around the liability in respect of retained pension costs (see Para 3.7), the need to support capital spending plans therefore reducing debt exposure, and also the need to maintain sufficient Reserve balances during the period of austerity, now anticipated to be to at least 2017-18.

12. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2013-14

Monitoring of Capital Spending in 2013-14

12.1 Table 5 below provides a summary of forecast spending against the 2013-2014 capital programme. At this stage it is forecast that total capital spending in year will be £4.976m, with £1.766m of slippage in to 2014-15 and net savings of £0.010m against a total budget of £6.752m.

12.2 The Capital Programme has been enhanced by £0.355m funding from reserves for National Resilience Assets, as approved by the Fire Authority at its meeting held on the 19 December 2013.

12.3 Provision of £0.034m to fund the purchase of a Telehandler for use at the Airport Training site has also been made to be funded the revenue underspend, thereby incurring no additional revenue debt charge to the service.

TABLE 5 – CAPITAL MONITORING 2013-14

Capital Programme 2013/14

Item	PROJECT	2013/14 £000 Budget	2013/14 £000 Projected outturn	2013/14 £000 Variation to budget
	Estate Development			
1	SHQ major building works	79	39	(40)
2	Major Projects - Training Facility at Exeter Airport	1,544	1,214	(330)
3	Minor improvements & structural maintenance	300	297	(3)
4	USAR works	255	97	(158)
5	Minor Works slippage from earlier years	988	856	(132)
6	Projects funded from Revenue	63	43	(20)
	Estates Sub Total	**3,229**	**2,546**	(683)
	Fleet & Equipment			
7	Appliance Replacement - Slippage from 12/13	337	231	(106)
8	Specialist Ops Vehicles - Slippage from 12/13	1,530	1,018	(512)
9	Equipment - Slippage from 12/13	181	157	(24)
10	Vehicles funded from Revenue	60	56	(4)
11	Appliance Replacement	1,015	687	(328)
12	Equipment	300	180	(120)
13	USAR Vehicles	100	100	-
	Fleet & Equipment Sub Total	**3,523**	**2,430**	**(1,093)**
	Overall Capital Totals	**6,752**	**4,976**	(1,776)
	Programme funding			
	Main programme	1,596	1,596	(0)
	Revenue funds	3,361	1,743	(1,618)
	Earmarked Reserves	355	197	(158)
	Grants	1,440	1,440	-
		6,752	**4,976**	**(1,776)**

Prudential Indicators (including Treasury Management)

12.4 Table 5 also illustrates how the forecast spending of £4.976m is to be financed. Should the forecast slippage increase then we are likely to be in a position of not requiring any borrowing in this financial year to finance capital spending. As is reported in the separate Treasury Management Performance Report elsewhere on the agenda, no additional borrowing has been taken out during the first nine months of the year, and there are no plans to take out any further borrowing in the remainder of the financial year. This position may change however subject to movement in Public Works Loan Board (PWLB) rates, which are monitored on a daily basis.

12.5 Total external borrowing with the Public Works Loan Board (PWLB) as at 31 December 2013 stands at £26.285m, forecast to reduce to £26.214m by 31 March 2014 as a result of further loan repayments. This level of borrowing is well within the Authorised Limit for external debt of £32.770m (the absolute maximum the Authority has agreed as affordable).

12.6 At this stage of the year income from the investment of working balances into short-term deposits is anticipated to exceed the target figure of £0.100m by 31 March 2014 by £0.060m. Investment returns have yielded an average return of 0.43% which outperforms the LIBID 3 Month return (industry benchmark) of 0.40% for the quarter.

12.7 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2013-2014, which illustrates that at this time there is no anticipated breach of any of these indicators.

13. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

13.1 Total debtor invoices outstanding as at 31 December 2013 is £261,209, an increase on the previously reported figure of £124,088 at 30 September 2013.

13.2 Of this figure an amount of £79,613 (£66,845 as at 30 September 2013) was due from debtors relating to invoices that are more than 85 days old, equating to 30.48% (53.87% as at 30 September 2013) of the total debt outstanding. Table 6 below provides a summary of all debt outstanding as at 31 December 2013.

TABLE 6 – OUTSTANDING DEBT AS AT 31 DECEMBER 2013

	Total **£**	**%**
Current (allowed 28 days in which to pay invoice)	52,175	19.97%
1 to 28 days overdue	30,094	11.52%
29-56 days overdue	1,319	0.50%
57-84 days overdue	98,008	37.52%
Over 85 days overdue	79,613	30.48%
Total Debt Outstanding as at 31 December 2013	**261,209**	**100.00%**

13.3 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**
Individual Debts less than £1,000	9	£2,245	Each debt being pursued by the Risk and Insurance Officer.
L Davies	1	£2,681	This relates to an overpayment to a former employee and payment by instalments has been negotiated.
GB Fire Ltd	1	£12,000	Invoice was in dispute as at 31 December 2013 but has now been paid
Georgia Group	1	£62,687	This issue is subject to a separate report to be considered later in the meeting under Part II of the agenda.

Payment of Supplier Invoices within 30 days

13.4 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 to the end of December 2013 was 91.95% against the previous reported figure of 93.50% as at 30 September 2013. Whilst this decline in performance could be attributable to offices being closed over the Festive Season, the Finance Team are working with administrative staff across the Service with a view to identify changes to current processes which will improve performance.

KEVIN WOODWARD
Treasurer to the Authority

PRUDENTIAL INDICATORS 2013-2014 **APPENDIX A TO REPORT RC/14/2**

Prudential Indicators and Treasury Management Indicators	Forecast £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	**4.976**	**6.752**	**(£1.776m)**
External Borrowing vs Capital Financing Requirement (CFR) - Total Borrowing Other long term liabilities	**27.746** 26.214 1.532	**27.510** 25.978 1.532	**£0.236m**
External borrowing vs Authorised limit for external debt - Total Borrowing - Other long term liabilities	**27.746** 26.214 1.532	**34.290** 32.770 1.520	**(£6.544m)**
Debt Ratio (debt charges as a %age of total revenue budget	**3.85%**	**3.85%**	**(0.00)bp**
Cost of Borrowing – Total Interest on existing debt as at 31-3-13 Interest on proposed new debt in 2013-14	**1.132** 1.132 0.000	**1.132** 1.132 0.000	**(£0.000m)**
Investment Income – full year	**0.160**	**0.100**	**(£0.060m)**
	Actual (31 Dec 2013) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return	**0.43%**	**0.40%**	**(0.03)bp**

Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2014) %	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 - 10 years to 20 years - 20 years to 30 years - 30 years to 40 years - 40 years to 50 years	**89.31%** 16.59% 13.62% 24.66% 34.45%	**100.00%**	**50.00%**	**(10.69%)**

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/14/3**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**3 FEBRUARY 2014**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2014-15 TO 2016-17**
LEAD OFFICER	**Chief Fire Officer and Treasurer**
RECOMMENDATIONS	***That the Devon and Somerset Fire and Rescue Authority be recommended:*** ***(i) to approve a revenue contribution of £1.2m from the 2014-15 revenue budget towards the Light Rescue Pumps (LRP) project.*** ***(ii) to approve the draft Capital Programme 2014-15 to 2016-17 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to this report; and*** ***(iii) to note the forecast impact of the proposed Capital Programme (from 2017-18 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.***
EXECUTIVE SUMMARY	This report sets out the proposals for a three year Capital Programme covering the years 2014-15 to 2016-17 and also outlines the difficulties in meeting the full capital expenditure requirement for this Authority, given its size, number of fire stations and fire appliances required to be maintained and eventually replaced. The Committee has been advised over recent years of the difficulties in maintaining a programme that is affordable within the 5% Prudential Indicator (debt charges as a percentage of the Revenue Budget) against a reducing revenue budget. All aspects of the programme have been considered. To support continued funding for the roll out of the Light Rescue Pumps (LRP), it is proposed to make provision in the 2014-15 revenue budget for a £1.2m contribution, and to again reduce the Estates programme to enable debt charges to be kept within the 5% limit up until 2016-17. To inform longer term planning the Prudential Indicator has been profiled for a further three years beyond 2016-17 to show the impact of providing sufficient funds for the LRP programme over this period.

RESOURCE IMPLICATIONS	As indicated within the Report.
EQUALITY AND RISKS BENEFIT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Summary of Proposed Capital Programme 2014-15 – 2016-17 (and indicative Capital Programme 2017-18 to 2019-20). B. Prudential Indicators 2014-15 – 2016-17 (and indicative Prudential Indicators 2017-18 to 2019-20).
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 Each year the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme. Each year considerable effort is made to ensure that the impact of borrowing is maintained below the 5% ratio of financing costs to net revenue stream – one of several Prudential Indicators previously agreed by the Authority. The impact of a reducing revenue base on the Service's ability to borrow whilst maintaining debt charge below this ceiling has, however, made the allocation of funds between the main cost centres of fleet and estates increasingly difficult.

1.2 The Department for Communities and Local Government (CLG) has in recent years provided some grant funding to fire and rescue authorities for capital purposes. In 2013-14 and 2014-15 an amount of £70m has been made available in each year, which is part distributed on a pro-rata basis (population) and part subject to a bidding process. Unfortunately, the submission of a bid in 2013 by the Service of £4.7m to support the introduction of the Light Rescue Pump (LRP) was unsuccessful. The remaining distribution of grant (based on population) to the Authority of £1.4m in each year represents a 30% reduction from the previous levels.

1.3 For 2015-16, the CLG has announced that an amount of £45m will be made available for capital purposes and that it will all be subject to a bidding process based upon transformational projects. The Authority will be submitting a bid by the deadline of April 2014, with announcements of successful bidders to be made in the Autumn of 2014. There is no announcement of additional grants to be distributed on a pro-rata basis meaning that for 2015-16 onwards it is unlikely that any capital grants will be available to fund mainstream capital programmes.

1.4 Up until 2013-14 DSFRA capital funds have predominantly been directed towards specific Estates projects culminating in the Training Academy build at Exeter Airport, reducing the available budget for the vehicle replacement programme, thereby creating a significant backlog. However, last year the Estates programme was significantly reduced to accommodate the reinstatement of the fleet programme to fund the proposed introduction of the LRP.

1.5 The programme for 2014-15 to 2016-17 as proposed within this report includes a further reduction in the Estates programme, which together with a proposed contribution from the 2014-15 revenue budget of £1.2m towards the LRP project, will keep debt charges within the 5% Prudential Indicator. It should be recognised, however, that the proposed programme does come with some risk in terms of progression of the Programme from 2016-17 onwards which may require a reconsideration by the Authority of its previous stance on the 5% Prudential Indicator.

2. FINANCING OF THE PROPOSED CAPITAL PROGRAMME

2.1 On 8 December 2008, the Resources Committee considered a report (RC/08/10) - "Affordable Capital Investment Plans for 2009-2010 to 2011-12" regarding the instigation of a principle that debt repayments be kept below 5% of the total revenue budget (Minute *RC/15) refers). This may well be breached in future years, not only as a consequence of additional capital investment, but also as a result of future revenue budgets being lower than originally forecast at the time following the Comprehensive Spending Review (CSR) 2010 announcement. This, along with the reduction in government grant has a direct impact on the Capital Programme going forward.

2.2 The tests of affordability are measured by compliance with the CIPFA Prudential Code for Capital Financing for Local Authorities. Under this code, the Authority is required to set a suite of indicators to provide assurance that capital spending is prudent, affordable and sustainable. The indicators are reviewed annually, although set for the three year period. They also include setting maximum borrowing limits to provide assurance around prudence and the setting of maximum debt ratios to provide assurances in relation to affordability and sustainability.

2.3 The issue of affordable capital spending has been the subject of several reports to both this Committee and the Authority in recent years. The most recent report was considered by the Fire and Rescue Authority on 18 February 2013 (Minute DSFRA/53 refers) when setting the existing capital programme. The proposed programme contained in this report increases the external borrowing requirement to £32.8m by 2016-17, increasing the debt ratio to 5.00%. This compares to a current external borrowing of £26.2m as at 31 March 2014.

2.4 Whilst a debt of £32.8m is not considered excessive for this size Authority, given the large size of the asset portfolio, it is clear that the Committee will want to monitor its exposure to further debt levels as the Service moves forward in the next three years, to ensure that the debt levels are affordable in the context of a reducing budget and the ability to service debt repayments.

2.5 The focus of this Authority over many years has been to control spending within the 5% limit. To achieve this, the Service has reduced the spend on the appliance replacement programme to support Estates projects, utilising revenue funding wherever possible. It has always been the intention to re-commence the fleet programme by 2013-14, however, the extent to which this can be achieved is subject to affordability as measured by the Prudential Indicators.

2.6 The revised programme has again been constructed on the basis of keeping the debt ratio within the 5% limit. To achieve this Estates programme for the years 2014-15 to 2016-17 has been reduced by £0.5m from previously reported levels. It is also proposed that a revenue contribution of £1.2m be made in 2014-15 to support the LRP project. It still remains the case however that not all of the Service’s capital investment backlog can be delivered in this period, and the position will need to be reviewed on an annual basis subject to the overall financial position of the Authority.

3. **SERVICE ESTATES**

3.1 Whilst combination provided many benefits, the Estates department inherited additional building stock with no increase in budget or staffing, limiting the ability of the department over recent years. Last year the department was subject to a review and has been re-structured, which will provide improved efficiencies and ways of working.

3.2 The budget for Estates remains, however, insufficient for the Authority’s extensive property portfolio and associated maintenance requirements. Outside of specific projects the budget is normally in the range of £1.75 - £2m. This figure does not reflect the true costs which should be nearer to £5m per annum. Whilst the temporary increase in recent years, to meet specific Service projects, has proved successful; the level of future funding will only exacerbate this problem.

3.3 In seeking to present the Authority with an affordable programme, for the second year, no new major projects are included. It is also proposed to reduce the provision for minor improvements and structural maintenance by £0.5m over the next three years.

4. OPERATIONAL ASSETS

Vehicle Replacements/Equipment

4.1 The Authority has the second largest fleet of all fire and rescue services in England. Until 2013-14 this budget had been reduced in support of the Estates programme, creating a significant backlog in vehicle replacement. However in setting the current programme in February 2013 a reinstatement of the programme was made to provide the necessary funding for the proposed investment in the LRP programme, commencing in 2013-14. The Authority has previously consulted on these vehicles and over the last twelve months the LRP has been subject to a pilot and a full procurement exercise.

Light Rescue Pumps

4.2 It was planned that funding for the introduction of the Light Rescue Pump (LRP) would be part funded from government grant. The Minister reported last year that the grant would be:

- an efficiency fund, administered as a capital grant via a bidding process, and
- a pro-rata distribution using the current distribution method.

4.3 The Service submitted a bid for £4.7m over a two year period to offset future borrowing costs. However the CLG it is very disappointing that our bid of was not successful as this adversely impacts on our ability to roll out the LRP programme. However given that the £4.7m will now need to be funded from our own sources it was proposed that this programme takes place over a six year period rather than the original four years planned. However, this additional borrowing runs the risk that the 5% Prudential Indicator will be breached at some point in the next six years. To alleviate this borrowing requirement it is proposed that in setting the revenue budget for 2014-15 a provision be made for a £1.2m revenue contribution towards the project. This will enable the roll out to continue and keep within the 5% limit by 2016-17. However, this report provides indicative prudential indicator figures beyond the normal three year period which highlights that the indicator is likely to be breached in 2017-18 (5.57%).

4.4 Despite this, the LRP programme remains the bedrock of the Authority's future fleet replacement strategy for introducing 'Tiered Response'; meeting future service delivery arrangements with a more cost effective vehicle, improved service to local communities, along firefighter safety. The capital programme has been adjusted to support this proposal over a six year term. The procurement timetable has provided for the introduction of six LRP's in 2013-14 and 16 vehicles, per annum, in future years.

Breathing Apparatus Replacement Programme

4.5 There is an operational need to harmonise the breathing apparatus equipment between Somerset (Scott Sabre) and Devon (InterSpiro) and a full business case has been developed to consider the most appropriate and cost effective options. The programme for 2013-14 indicated that an estimated £1.4m would be required for the harmonisation Breathing Apparatus (BA) equipment in 2013-14.

4.6 However, again recognising the financial constraints on the Capital Programme, the purchase of BA has been slipped to 2014-15 subject to future decisions regarding "4G" technology which supports the use of telemetry. The figure for the purchase of BA has also been revised to £0.884m reflecting the outcome of the Business Case.

5. REVISED CAPITAL PROGRAMME FOR 2014-15 – 2016-17

5.1 Appendix A provides an analysis of the proposed programme for the three years 2014-15 to 2016-17 as contained in this report. This programme represents an increase in overall spending of £0.1m over the previously agreed programme as illustrated in Figure 1 below.

	Estates £m	Fleet & Equipment £m	Total £m
EXISTING PROGRAMME			
2013-14	3.3	3.5	6.8
2014-15	2.0	3.7	5.7
2015-16	1.7	3.4	5.1
2016-17(provisional)	1.7	3.2	4.9
Total 2013-14 to 2016-17	8.7	13.8	22.5
PROPOSED PROGRAMME			
2013-14 (forecast spending)	2.5	2.5	5.0
2014-15	2.7	5.1	7.8
2015-16	1.5	3.5	5.0
2016-17	1.5	3.3	4.8
Total 2013-14 to 2016-17	8.2	14.4	22.6
PROPOSED CHANGE	**-0.5**	**0.6**	**0.1**

Figure 1

5.2 The increase of £0.6m spending for Fleet and Equipment relates to additional provision of £0.3m for LRP's, following completion of procurement process, and £0.3m to fund replacement ICT Servers to be funded from a revenue contribution.

5.3 Appendix A also provides indicative capital requirements beyond 2016-17 up to 2019-20. The estimated debt charge emanating from this revised spending profile is illustrated in Figure 2. These amounts are included in the 2014-15 revenue budget proposal and Medium Term Financial Plan.

Summary of Estimated Capital Financing Costs

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Base budget for Capital Financing costs Debt charges and operating leasing rentals	4.626	4.377	4.349	4.776	5.259	5.689
Change over previous year		-0.249	-0.028	0.427	0.910	0.913
Debt ratio	3.76%	3.86%	4.32%	5.00%	5.57%	6.13%

Figure 2

5.4 The forecast figures for external debt and debt charges beyond 2016-17 are based upon the indicative programmes as included in Appendix A for the years 2017-18 to 2019-20. The affordability of these programmes will need to be subject to annual review based upon the financial position of the Authority.

6. PRUDENTIAL INDICATORS

6.1 Appendix B provides a summary of the Prudential Indicators associated with this level of spending over this period. It is forecast that Capital Financing Requirement (the need to borrow to fund capital spending) will have increased from current levels of £26m to £36.9m by 2020. Figure 2 below provides further analysis of forecast borrowing for each year.

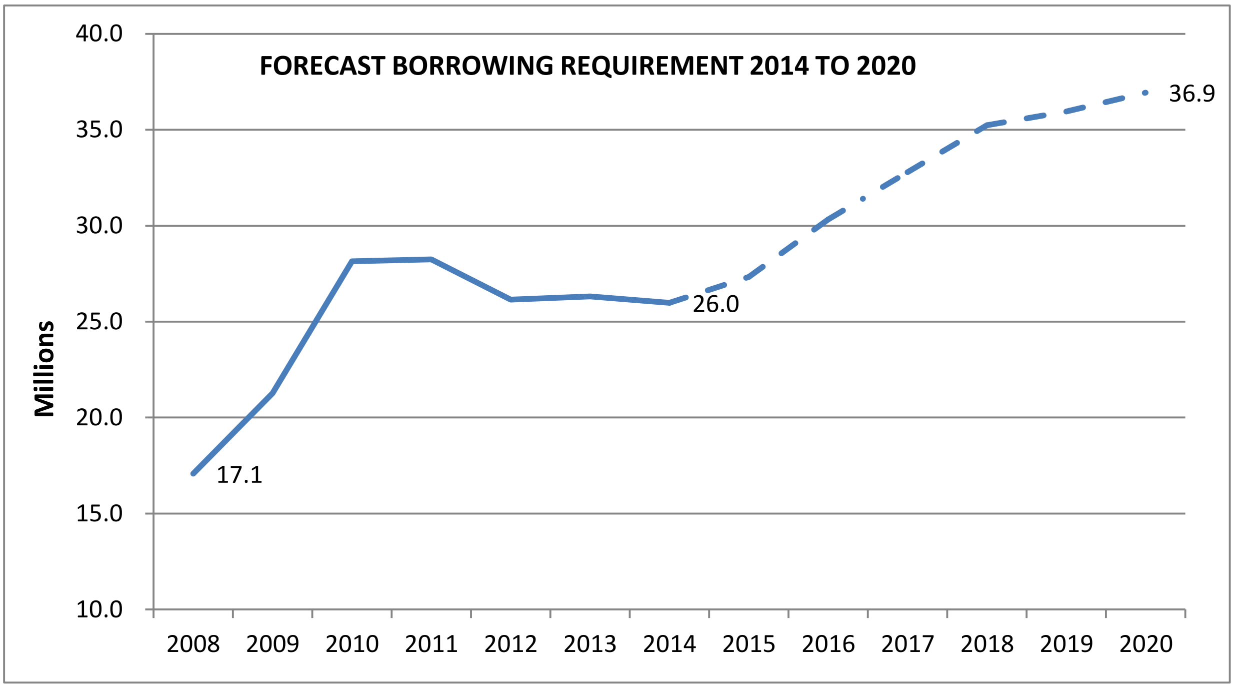


Figure 2

6.2 The reducing revenue budget impacts significantly upon the borrowing capacity of this Authority. Whilst the programme now presented maintains borrowing within 5% to 2016-17, it does come with a risk that this could be breached from 2017-18 onwards albeit that the Service considers it has measures in place to mitigate against this. Previous Capital Programmes and the borrowing profile have been reasonable and affordable.

6.3 The Treasurer has reported previously that given the size of the DSFRA asset portfolio a borrowing profile at £36m is not deemed to be excessive. However reducing the programme for the next three years and providing a revenue contribution of £1.2m keeps the consequences of borrowing below 5% and maintains the Service debt exposure to £32.8m by 2016-17.

6.4 The LRP project is being rolled out over the next six years and the prudential indicator has been profiled beyond 2016-17 to reflect the on-going impact. Whilst the budget for Estates has again been reduced to assist pump priming the introduction of the LRP and stabilise the backlog of Medium Rescue Pump (MRP – the more traditional size appliance) replacement, it should be recognised that this reduced spend will have a detrimental impact on the ability to maintain Service fire stations with a reducing revenue budget. It has been reported previously that the Authority has a property portfolio that requires significant investment, with a backlog of some £16m.

7. CONCLUSION

7.1 This report emphasises the difficulties in meeting the full capital expenditure requirement for the Service, given the geographical size, number of fire stations and fire appliances required to be maintained and eventually replaced, and also keeping debt charges within the 5% limit. Indications are that there is a risk that this limit is breached by 2017-18 (5.57%). However the programme proposed in this report does not commit any spending beyond 2016-17. Decisions on further spending will be subject to annual review based upon the financial position of the Authority.

7.2 The proposed capital programme for 2014-15 to 2016-17 as set down in Appendix A limits future spending whilst providing towards reducing the fire appliance replacement backlog. The programme is therefore recommended for approval.

LEE HOWELL **Chef Fire Officer**	**KEVIN WOODWARD** **Treasurer**

Capital Programme (2014/15 to 2019/20)

2013/2014 Revised Programme (£000)	2013/2014 Predicted outturn (£000)	Item	PROJECT	PROPOSED PROGRAMME 2014-15 TO 2016-17 2014/15 (£000)	2015/16 (£000)	2016/17 (£000)	INDICATIVE PROGRAMME 2017-18 TO 2019-20 2017/18 (£000)	2018/19 (£000)	2019/20 (£000)
			Estate Development						
79	39		SHQ major building works	40					
1,544	1,214		Major Projects - Training Facility at Exeter Airport	330					
			Minor improvements & structural maintenance	2,050	1,500	1,500	1,750	1,750	1,750
255	97		USAR works	158					
1,288	1,153		Minor Works slippage from earlier years	134					
63	43		Projects funded from Revenue	20					
3,229	2,546		**Estates Sub Total**	2,732	1,500	1,500	1,750	1,750	1,750
			Fleet & Equipment						
			Appliance replacement	2,557	3,202	2,557	2,557	1,438	2,119
			Specialist Operational Vehicles			400	400		
60	56		Vehicles and equipment funded from revenue	0					
			Equipment	1,454	320	320	320	380	200
100	100		USAR Vehicles	0					
481	337		Equipment slippage from earlier years	144					
2,883	1,937		Appliance & Specialist Operational Vehicle slippage from earlie	940					
3,523	2,430		**Fleet & Equipment Sub Total**	5,095	3,522	3,277	3,277	1,818	2,319
6,752	**4,976**		**SPENDING TOTALS**	**7,827**	**5,022**	**4,777**	**5,027**	**3,568**	**4,069**
			Programme funding						
1,596	1,596		Main programme	3,215	5,022	4,777	5,027	3,568	4,069
3,361	1,743		Revenue funds	3,056					
355	197		Earmarked Reserves	158					
1,440	1,440		Grants	1,398					
6,752	**4,976**		**FUNDING TOTALS**	**7,827**	**5,022**	**4,777**	**5,027**	**3,568**	**4,069**

PRUDENTIAL INDICATORS

				INDICATIVE INDICATORS 2017/18 to 2019/20		
	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate	2019/20 £m estimate
Capital Expenditure						
Non - HRA	7.827	5.022	4.777	5.027	3.568	4.069
HRA (applies only to housing authorities						
Total	7.827	5.022	4.777	5.027	3.568	4.069
Ratio of financing costs to net revenue stream						
Non - HRA	3.86%	4.32%	5.00%	5.57%	6.13%	6.51%
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	27,328	30,327	32,779	35,231	35,946	36,939
HRA (applies only to housing authorities	0	0	0	0	0	0
Other long term liabilities	1,509	1,443	1,374	1,299	1,209	1,112
Total	28,837	31,770	34,153	36,530	37,155	38,051
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	1,328	2,933	2,383	2,377	625	896
HRA (applies only to housing authorities	0	0	0	0	0	0
Total	1,328	2,933	2,383	2,377	625	896
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.19	-£0.44	-£0.20	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	34,145	36,747	37,585	38,701	39,565	40,252
Other long term liabilities	1,449	1,371	1,278	1,177	1,070	963
Total	35,594	38,118	38,863	39,878	40,635	41,216
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,779	35,231	35,946	36,939	37,768	38,405
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
Total	34,153	36,530	37,155	38,051	38,778	39,313

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 2014/15		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/14/4**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**3 FEBRUARY 2014**
SUBJECT OF REPORT	**PROPOSED DISPOSAL OF TWO END OF LIFE SERVICE VEHICLES**
LEAD OFFICER	**Joint report of the Director of Operations and the Treasurer**
RECOMMENDATIONS	***That, in accordance with Financial Regulations, the Committee approves the gifting of the 2 "end-of-life" 4x4 Ford Ranger vehicles to Pokhara and Chitwarn in Nepal as a humanitarian gesture and given the opportunity at this time to have them transported at no cost to the Service.***
EXECUTIVE SUMMARY	Devon & Somerset Fire & Rescue Service (the Service) is currently working with contacts in the United Nations (UN), the UK Government's Department for International Development (DFID) and the Municipalities in Nepal to support the building of capacity of firefighting and rescue Services in Nepal. As part of this initiative and as a humanitarian gesture, it is now proposed to donate two 4 x 4 Light Firefighting vehicles (Ford Rangers) that have reached the end of their operational Service life. The Authority is normally required to secure best value for asset disposals. The appliances, if sold on the open market, would be anticipated to realise £6,500 per vehicle, plus £1,200 on-board equipment costs – a total of £15,400. The Authority's Financial Regulations do, however, allow for the making of grants or gifts albeit that the approval of the Resources Committee is required for grants/gifts of between £5,000 and £25,000.
RESOURCE IMPLICATIONS	As indicated above, disposal of the vehicles and associated equipment on the open market would realise circa. £15,400 for the Authority.
EQUALITY AND RISKS BENEFIT ASSESSMENT	N/A
APPENDICES	None
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 The Devon & Somerset Fire & Rescue Service has, via its officers, been involved with several humanitarian projects in Nepal over a number of years. More recently, the Service has been seeking to support on-going United Nations (UN) and Department for International Development (DFID0 projects, working alongside the British Army and the Gurkas Regiment, aimed at building a sustainable and effective fire and rescue capability for Nepal.

2. CHARITABLE DONATION

2.1 The opportunity has arisen to support the above initiative by the donation of two Service 4x4 Ford Ranger vehicles that have reached the end of their operational life with the Devon & Somerset Fire & Rescue Service. The Authority is normally obliged to seek best value when disposing of its assets albeit that Financial Regulations do provide for the making of grants/gifts. The estimated value on the open market is £7.700 per vehicle and associated equipment – a total of &15,400 for both vehicles. The Authority's Financial Regulations require the approval of this Committee for the making of any grant/gift between £5,000 and £25,000

2.2 There would be an added advantage to making the humanitarian, charitable donation at this particular time in that the opportunity exists for the Service to have the vehicles transported from the UK to Nepal by the British Military at no cost. Prior to shipment, the vehicles would be cleansed of Service branding and identification markings removed.

2.3 There are a number of municipalities in Nepal where fire appliances are "off the run" or regularly out of service. While Rotarians from two of these - Pokhara and Chitwan – are actively seeking to raise funds to help secure a fire appliance, any charitable donation that the Service could offer would clearly be of huge, life-saving benefit and would enable the Rotarian fundraising effort to be targeted at securing another "end-of-life" Service vehicle currently available. Progress with this would, however, be subject to a further report as necessary.

2.4 For the above humanitarian reasons, the Committee is invited to support, in accordance with Financial Regulations, the gifting of the two "end-of-life" 4x4 vehicles

TREVOR STRATFORD
Director of Operations

KEVIN WOODWARD
Treasurer