M. Pearson
CLERK TO THE AUTHORITY

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

SERVICE HEADQUARTERS
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Your ref :
Our ref : SS/SY/RC/Sept 14
Website : www.dsfire.gov.uk
Date : 21 August 2014
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RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

Monday 1 September 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. Election of Chairman

2. Apologies

3. Minutes of the meeting held on 16 May 2014 attached (Page 4).

4. Items Requiring Urgent Attention

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

5. Election of Vice Chairman

PART 1 – OPEN COMMITTEE

6. Treasury Management Performance 2014-15: Quarter 1

Report of the Treasurer (RC/14/10) attached (page 7).

7. Financial Performance 2014-15: Quarter 1

Report of the Treasurer to the Authority (RC/14/11) attached (page 15).

8. Revision to Capital Programme 2014-15 to 2016-17

Report of the Director of Service Support and Treasurer To The Authority (RC/14/12) attached (page 26).

9. Disposal of Six End of Life Service Vehicles

Report of the Director of Corporate Services (RC/14/13) attached (page 34).

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Brooksbank, Burridge-Clayton, Chugg, Dyke, Greenslade, Singh and Yeomans.

NOTES	
1.	**<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.
2.	**<u>Reporting of Meetings</u>** Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chairman - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	**<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.
4.	**<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.
5.	**<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.

RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

16 May 2014

Present:-

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

***RC/23. Minutes**

RESOLVED that the Minutes of the meeting held on 21 February 2014 be signed as a correct record.

RC/24. Financial Performance Report 2013-14 - Quarter 4

The Committee considered a report of the Treasurer to the Authority (RC/14/8) that set out details of the Authority's financial performance during the fourth quarter of 2013/14 as compared with the approved financial targets. The report also provided details of spending against the 2013-14 revenue budget with explanations of the major variations.

The Treasurer highlighted that net spending was £74.133 million at the year-end in 2013/14 which was £2.651million less than the approved revenue budget of £76.784million, equivalent to 3.45% of the total budget. The report set out proposals for the utilisation of this underspend, which had been calculated following the transfer of funds of £1.490million to Earmarked Reserves as set out within paragraph 12.1 of report RC/14/8. He added that this was a much better result than had been anticipated but a lot of effort had been made with budget holders to get to this position in accordance with the strategy that had been adopted to achieve in year savings wherever possible.

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

- Essential Spending Pressures (£0.300million);
- Capital Funding Reserve (£2.351million).

It was noted that the establishment of an Earmarked Reserve for Direct Revenue Funding to Capital was essential. It was envisaged that the debt ratio target of 5% for the Authority may be breached by 2017/18 based on current spending forecasts with the level of external debt rising beyond the current £26 million to £36 million by 2020. This was to meet the Authority's ongoing capital investment backlog together with the phased roll out of the Light Rescue Pumps (LRPs). This would not be affordable for the Authority, particularly against a backdrop of further funding reductions in future years. It was considered, therefore, that the transfer of revenue to capital funds was a prudent approach at this stage.

Attention was drawn in particular to the contributions that had to be made to provisions balances. The Authority was required to review the adequacy of its provisions balances at the end of each financial year and to consider any changes during the year to determine whether any additional amounts should be set aside. As a result of the most recent review, it had been determined that £0.776 million should be set aside which related to the following matters:

- Future Pensions Liabilities (£0.481million);
- Private Finance Initiative (PFI) Equalisation Fund (£0.295million).

The Chief Fire Officer indicated that budget managers were driving out efficiencies and reducing spend wherever possible in light of the need to secure in year savings and to reduce the likelihood of further post reductions in the future. He highlighted that 75 operational and 41 non-operational posts had been removed from the Service in year and work was progressing towards reducing further as required by the implementation of the Corporate Plan for 2013/14 to 2015/16.

Councillor Greenslade expressed his thanks to both operational officers and budget holders on behalf of the Committee for the laudable position that had been achieved on the outturn at the year end. He asked for a progress report on planned expenditure on the earmarked community safety grant funding to be brought to a future meeting of the resources Committee. The Director of Operations replied that this matter would normally be reported back via the Community Safety and Corporate Planning Committee but that the same report could be submitted to the Resources Committee additionally for information.

RESOLVED that the Fire and Rescue Authority, at its meeting on the 29 May 2014, be recommended to approve:

(a) That the provisional underspend against the 2013-14 revenue budget of £2.651m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 13.1 of report RC/14/8:

(i) That an amount of £0.300m be transferred to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2014-15 base budget;

A. That the remaining figure of £2.351m be transferred to the existing Earmarked Reserve for Direct Revenue Funding to Capital;

B. That, subject to (a) above, the following be noted:

(b) The draft position in respect of the 2013-14 Revenue and Capital Outturn position, as indicated in this report.

(i) That the underspend figure of £2.651m is after;

(ii) A transfer of £0.148m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised.

A. A transfer of £0.405m to an Earmarked Reserve to fund Community Safety Prevention activities, as previously agreed in-year by the Committee.

B. A transfer of £0.937m to an Earmarked Reserve for 2013-14 Budget Carry Forwards to fund planned projects not completed by 31 March 2014.

C. An increase of £0.776m in the amount set aside in Provision balances as outlined in paragraph 13.3 of this report.

(c) That the performance against agreed financial targets be noted.

***RC/25. Annual Grant to the Service Ceremonial Unit 2014/15**

The Committee considered a report of the Chief Fire Officer (RC/14/9) on the making of a grant to the Service Ceremonial Unit by way of contribution to events scheduled for the forthcoming financial year and to assist towards the costs of replacement of certain consumables as identified in the report. The approved 2014-15 revenue budget contained provision to make grants. Financial Regulations required the level of grant sought by the Unit to be approved by the Committee.

The Chief Fire Officer stated that the Service was mindful of the financial position and therefore was looking already at supporting the Ceremonial Unit to secure alternative funding sources given that the ability to make grants of this magnitude in the future would be increasingly difficult.

The Committee was very supportive of the Ceremonial Unit and the functions that it undertook and was also sympathetic to the requirement for grant funding from the Service to undertake these. In addition, the Committee agreed that the Ceremonial Unit might benefit from seeking alternative, independent sources of finance (e.g. fund raising events, sponsorship, lottery funding), with support and assistance from the Service in doing so.

RESOLVED that a grant of £7000.00 be made to the Ceremonial Unit for the 2014-15 financial year as a contribution towards those costs highlighted in paragraphs 3.1 to 3.3 of Report RC/14/9.

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

The meeting started at 14:00hours and finished at 15.17hours

REPORT REFERENCE NO.	**RC/14/10**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**1 SEPTEMBER 2014**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2014 TO 2015 – QUARTER 1**
LEAD OFFICER	**TREASURER**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2014-2015 (to June) 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 RISKS AND BENEFITS ASSESSMENT	The contents of this report are considered compatible with current equalities and human rights legislation.
APPENDICES	Appendix A – Investments held as at 30 June 2014.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/14/3 – as approved at the meeting of the DSFRA meeting held on the 24 February 2014.

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 After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, and 0.8% in Q1 2014, it appears very likely that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, now broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Accordingly, markets are expecting a first increase around the end of 2014.

2.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed in this quarter.

2.3 In June, the Federal Reserve continued with its monthly $10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from $85bn to $35bn and are expected to stop by Q3 201, providing strong economic growth continues this year. First quarter GDP figures were depressed by exceptionally bad winter weather, but growth rates since then look as if they are recovering well.

2.4 The Eurozone is facing an increasing threat from deflation. In May, the inflation rate fell further, to reach 0.5%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the European Central Bank (ECB) did take some rather limited action in June to loosen monetary policy in order to promote growth.

Summary Outlook

2.5 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 and the first quarter of 2014 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for the rest of 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction.

2.6 This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy has been that wage inflation has been significantly below CPI inflation, so disposable income and living standards were being eroded, (although income tax cuts had ameliorated this to some extent). However, recent falls in inflation have created the potential for the narrowing of this gap and it could narrow further during this year, especially if there is also a recovery in growth in labour productivity (leading to increases in pay rates).

2.7 With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

2.8 As for the Eurozone, concerns subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

Capita Interest Rate Forecasts

2.9 Capita Asset Services undertook a further review of its interest rate forecasts in late November, after the Bank of England's latest quarterly inflation report. However more recent developments to the Bank of England's forward guidance have necessitated a second updating in this quarter carried out on the 30th June. This latest forecast now includes a first increase in bank rate in quarter 1 of 2015 (previously quarter 4 of 2015).

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.40%	4.40%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%
50yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%

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 24th February 2014. 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 30 June 2014 are shown in Appendix A.

3.4 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate and other extraordinary measures such as the Funding for Lending Scheme.

3.5 The average level of funds available for investment purposes during the quarter was £33.743m (£28.477m 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 1
3 Month LIBID	0.41%	0.46%	£16,984

3.6 As illustrated, the authority outperformed the 3 month LIBID benchmark by 0.05 bp. It is also forecast that the Authority's budgeted investment target for 2014-2015 of £0.100m will 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 2014-2015, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to June 2014 and that there are no concerns that they will be breached during the financial year.

Current external borrowing

3.9 External borrowing as at 30 June 2014 was £26.214m (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 the quarter.

Borrowing in Advance of Need

3.11 External borrowing of £26.214m as at 30 June 2014 exceeds the Capital Financing Requirement (CFR) figure of £23.430m, which reflects that borrowing of £2.784m has been taken out in advance of spending. This is as a result of capital slippage against the 2013-14 programme being more than forecast. It is forecast that capital spending in the next two years will increase the CFR sufficiently to reverse this over borrowing position. At this time this does not represent a breach of prudential indicators, as borrowing is permitted up to what is called the Authorised Limit i.e. £31.120m, and therefore no action is required.

New Borrowing

3.12 Capita's 25 year PWLB target rate for new long term borrowing for the quarter remained at 4.40% until May 19th when it fell to 4.30%. No new borrowing was undertaken during the quarter and none is planned during 2014-15. 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.

3.13 PWLB certainty rates for the quarter ended 30 June 2014 are shown below. DSFRA is eligible to borrow at certainty rates.

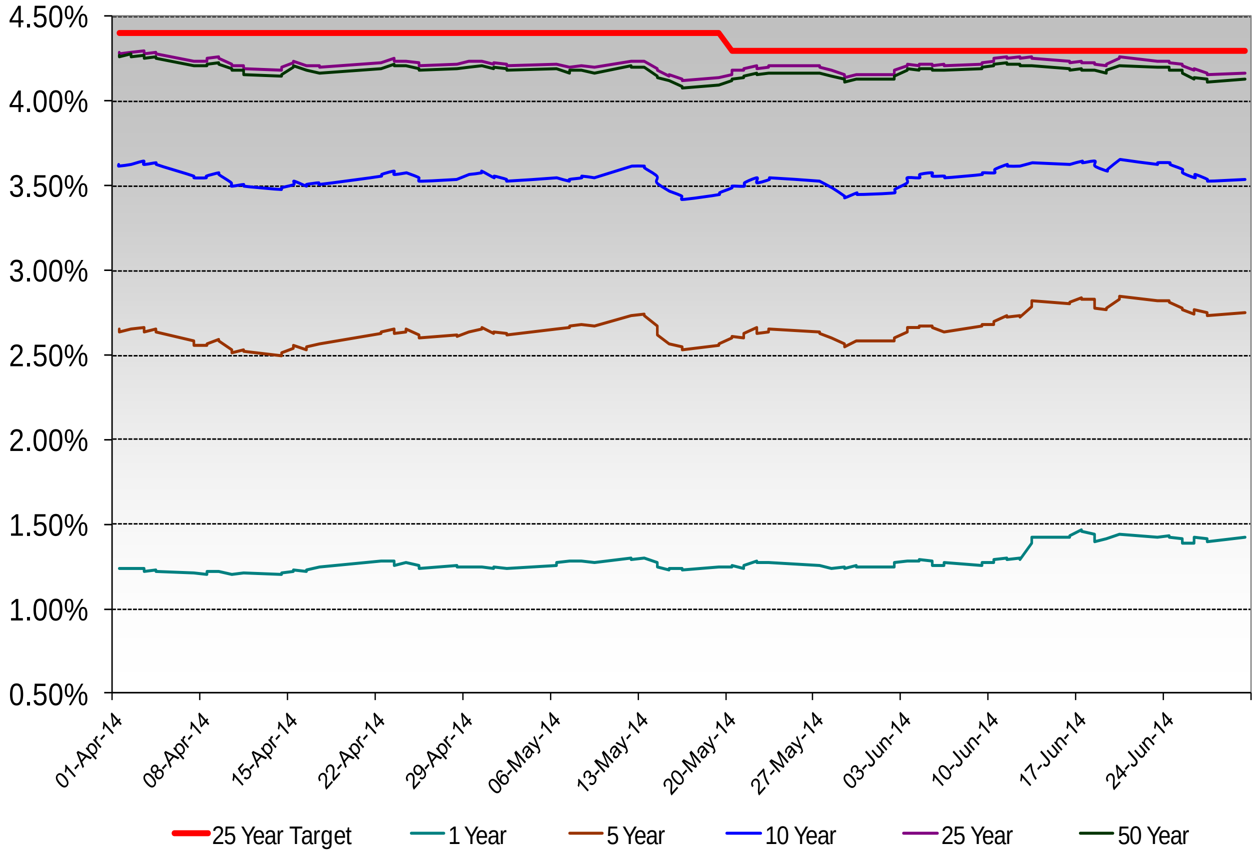
PWLB rates quarter ended 30.06.2014

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.20%	2.50%	3.42%	4.12%	4.08%
Date	08/04/201	14/04/2	16/05/201	16/05/201	16/05/201
High	1.47%	2.85%	3.66%	4.30%	4.28%
Date	17/06/2014	20/06/2014	20/06/2014	03/04/2014	02/04/2014
Average	1.29%	2.66%	3.56%	4.22%	4.18%

3.14 Borrowing rates for this quarter are shown overleaf.

4. SUMMARY

4.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with the first quarter report of the treasury management activities for 2014-2015 to June 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 over achieve the budgeted target.

KEVIN WOODWARD
Treasurer

	Investments as at 30 June 2014				
Counterparty	Maximum to be invested	Total amount invested	Call or Term	Period invested	Interest rate(s)
	£m	£m			
Bank of Scotland	5.000	2.000	T	9 mths	0.83%
		1.500	T	1 yr	0.95%
		1.500	T	9 mths	0.80%
Barclays	10.000	2.000	T	3 mths	0.45%
		3.000	T	3 mths	0.45%
Goldman Sachs	5.000	5.000	T	6 mths	0.69%
Nationwide B/S	2.000	2.000	T	3 mths	0.48%
National Westminster Bank	5.000	5.000	T	3 mths	0.60%
Svenska Handelsbanken	5.000	5.000	C	Instant Access	Variable
Federated Prime Rate Money Market Funds	5.000	4.068	C	Instant Access	Variable
Total invested as at 30th June 2014		**31.068m**			

REPORT REFERENCE NO.	**RC/14/11**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**1 SEPTEMBER 2014**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2014-2015 – QUARTER 1**
LEAD OFFICER	**Treasurer to the Authority**
RECOMMENDATIONS	*(a)* ***That the monitoring position in relation to projected spending against the 2014-2015 revenue and capital budgets be noted;*** ***(b) That the performance against the 2014-2015 financial targets be noted.***
EXECUTIVE SUMMARY	This report provides the Committee with the first quarter performance (to June 2014) against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2014-2015 revenue budget with explanations of the major variations. At this early stage in the financial year it is forecast that spending will be £2.062m less than budget, equivalent to just 2.72% of the total budget. This saving is largely attributable to the implementation of the Corporate Plan proposals agreed in July 2013, together with a strategy to work with budget holders to identify in-year savings against budget heads. At this stage no recommendations are made in relation to how this forecast saving is to be utilised.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ASSESSMENT	The contents of this report are considered compatible with current equalities and human rights legislation.
APPENDICES	Appendix A – Summary of Prudential Indicators 2014-2015.
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1 This report provides the first quarterly financial monitoring report for the current financial year, based upon the position as at the end of June 2014. As well as providing projections of spending against the 2014-2015 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 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2014-2015

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£75.794m	£73.732m	N/A	(2.72%)	N/A
2	General Reserve Balance as %age of total budget (minimum)	5.00%	6.85%	6.76%	(1.85)bp	(1.76%)
	Capital Targets					
3	Spending within agreed capital budget	£9.093m	£6.891m	N/A	(24.22)%	N/A
4	External Borrowing within Prudential Indicator limit	£23.430m *revised*	£26.214m	£26.214m	11.88%	6.98%
5	Debt Ratio (debt charges over total revenue budget)	3.85%	3.65%	N/A	(0.20)bp	N/A

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

- **SECTION A** – Revenue Budget 2014-15.
- **SECTION B** – Capital Budget and Prudential Indicators 2014-15.
- **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 2014-2015

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 £73.732m compared with an agreed budget figure of £75.794, representing a saving of £2.062m, equivalent to 2.72% of the total budget.

TABLE 2 – REVENUE MONITORING STATEMENT 2014-2015

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2014/15

Line No	SPENDING	2014/15 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 3 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	EMPLOYEE COSTS					
1	Wholetime uniform staff	30,339	7,576	7,311	29,563	(776)
2	Retained firefighters	12,454	2,807	2,400	11,977	(477)
3	Control room staff	1,630	400	394	1,644	14
4	Non uniformed staff	9,637	2,400	2,221	9,334	(302)
5	Training expenses	1,043	261	386	1,043	0
6	Fire Service Pensions recharge	2,211	733	(751)	2,232	21
		57,313	**14,177**	**11,961**	**55,793**	**(1,520)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,407	352	453	1,240	(167)
8	Energy costs	627	108	363	629	2
9	Cleaning costs	442	110	328	422	(20)
10	Rent and rates	1,615	471	631	1,619	4
		4,091	**1,042**	**1,775**	**3,910**	**(181)**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	611	153	94	610	(1)
12	Running costs and insurances	1,329	635	150	1,326	(3)
13	Travel and subsistence	1,506	283	365	1,486	(20)
		3,445	**1,071**	**609**	**3,421**	**(24)**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,839	710	964	2,839	0
15	Supplies Internal Recharges	0	0	0	-	-
16	Hydrants-installation and maintenance	128	32	9	128	-
17	Communications	2,057	514	498	2,060	3
18	Uniforms	1,176	294	104	1,168	(8)
19	Catering	158	39	81	159	1
20	External Fees and Services	72	18	48	36	(36)
21	Partnerships & regional collaborative projects	138	35	15	138	-
		6,569	**1,642**	**1,719**	**6,529**	**(40)**
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	353	127	88	314	(39)
23	Advertising	32	8	14	32	0
24	Insurances	372	341	458	377	5
		757	**476**	**560**	**723**	**(34)**
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	601	119	217	590	(11)
		601	**119**	**217**	**590**	**(11)**
	CAPITAL FINANCING COSTS					
26	Capital charges	4,377	0	0	4,187	(190)
27	Revenue Contribution to Capital spending	1,815	-	-	1,815	-
		6,192	**0**	**0**	**6,002**	**(190)**
28	**TOTAL SPENDING**	**78,968**	**18,527**	**16,841**	**76,968**	**(2,000)**
	INCOME					
29	Treasury management investment income	(100)	(25)	(0)	(125)	(25)
30	Grants and Reimbursements	(2,322)	(694)	(73)	(2,317)	5
31	Other income	(741)	(186)	(140)	(803)	(62)
32	Internal Recharges	(40)	(10)	(3)	(35)	5
33	**TOTAL INCOME**	**(3,203)**	**(914)**	**(216)**	**(3,280)**	**(77)**
34	**NET SPENDING**	**75,766**	**17,613**	**16,625**	**73,688**	**(2,077)**
	TRANSFERS TO EARMARKED RESERVES					
35	Grants Unapplied					0
35	Transfer to Earmarked Reserve	29	0	0	44	15
37	Capital Funding					0
		29	**-**	**-**	**44**	**15**
36	**NET SPENDING**	**75,794**	**17,613**	**16,625**	**73,732**	**(2,062)**

2.2 These forecasts are based upon the spending position at the end of June 2014, 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 This projection for an underspend of £2.062m is largely attributable to savings on staffing costs primarily as a result of the continued implementation of the Corporate Plan proposals agreed in July 2013. Members will recall that when fully implemented these proposals will deliver on-going savings of £6.8m, however it is recognised that this full saving would take a number of years dependent on the natural turnover of staff through retirements.

2.4 In addition all budget managers have been tasked by the Chief Fire Officer and Executive Board to reduce spending ‘in year’ and managers are responding accordingly.

2.5 Explanations of the more significant variations from budget (over £50k variance) are explained below in paragraphs 3 to 6.

3. <u>EMPLOYEE COSTS</u>

Wholetime Staff

3.1 At this stage it is projected that spending on wholetime pay costs will be £776k less than budget largely as a result of more staff retirements during the year than had been budgeted. This projection includes the impact of the agreed 1% pay award from July 2014.

Retained Pay Costs

3.2 At this stage in the financial year spending is forecast to be under budget by £0.477m. 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.

3.3 As Members will be aware this budget heading is at risk pending further information on the number of retained firefighters (current and retired) who opt to join the firefighters pension scheme, and potentially back date to the year 2000, as a consequence of the Employment Tribunal verdict which ruled in favour of retained staff under the Part Time Workers (Less than Favourable Working Conditions) Regulations. An options exercise is currently underway to identify the level of interest from retained staff which when completed will provide a more informed indication of the financial impact, both to current budget, and future pension arrangements. It is anticipated that the results of this options exercise will be available later in the financial year.

3.4 The Authority has so far set aside an amount of £2m in a Provision which is ring fenced to provide some funding towards future pension liabilities, including the liability from the employment tribunal. Given the risk of this being insufficient to meet the full liability it is important that the Authority looks to protect Reserve balances until the final outcome is known.

Non Uniformed Pay

3.5 It is forecast that savings of £302k will be achieved against non-uniformed pay costs primarily as a result of more staff vacancies than anticipated. Members will recall that in setting the budget for the current year this budget line has already suffered a reduction over £1m as a result of Management action taken to reduce the number of support staff by 41.

4. PREMISES RELATED COSTS

Repair and Maintenance

4.1 Forecast savings against budget of £167km for Repair and Maintenance are due to an anticipated reduction in the number of planned projects to be completed due to staffing vacancies in the Estates Department.

5. CAPITAL FINANCING COSTS

Capital charges

5.1 Current forecast of spending on Capital Charges is £4.187m representing a saving of £190k. This is primarily due as a consequence of slippage in capital spending in 2013-14 and 2014-15, resulting in a reduction in debt charges.

6. INCOME

Other Income

6.1 It is anticipated that income targets from this budget head will be exceeded by £62k. This primarily relates to unbudgeted income from a seconded officer to another local authority.

7. RESERVES AND PROVISIONS

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

Reserves

7.2 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

7.3 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.

7.4 A summary of predicted balances on Reserves and Provisions is shown in Table 3 below. 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 2015

RESERVES AND PROVISIONS						
RESERVES	Balance as at 1 April 2014 £000	Proposed Transfers £000	Spending to P3 £000	Projected Spend 2014-15 £000	Projected Balance as at 31 March 2015 £000	
Earmarked reserves						
Grants unapplied from previous years	2,503	44	118	400	2,147	
Change & improvement programme	739		-	150	589	
Commercial Services	211		23	30	181	
Direct Funding to Capital	4,099	12	-	3,021	1,090	
CSR 2010	3,389		-	-	3,389	
Budget Carry Forwards	304		6	204	100	
Community Safety Investment	405		-	310	95	
PPE & Uniform Refresh	450		-	150	300	
Total earmarked reserves	**12,100**	**56**	**146**	**4,265**	**7,891**	
General reserve						
General fund balance	**5,191**				**5,191**	
Percentage of general reserve compared to net budget						6.85%
TOTAL RESERVE BALANCES	**17,291**				**13,082**	
PROVISIONS						
Fire fighters pension schemes	2,084				2,084	
PFI Equalisation	295				295	
TOTAL PROVISIONS	**2,379**	**0**	**0**	**0**	**2,379**	

***** *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.*

8. SUMMARY OF REVENUE SPENDING

8.1 At this stage it is forecast that spending will be £2.062m less than the agreed budget figure for 2014-15, which aligns with the strategy adopted to deliver in-year savings where possible to be available to enhance Reserve balances.

8.2 Given that we are at an early stage in the financial year 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 on utilisation of in-year savings will be influenced by other factors e.g. clarity around the liability in respect of retained pension costs (see Para 3.4), 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.

9. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2014-15

Monitoring of Capital Spending in 2014-2015

9.1 Table 4 below provides a summary of forecast spending against the 2014-2015 capital programme. Latest projection is for capital spending to be £6.891m against a revised programme of £9.093m. It should be noted that the 2014-15 programme has increased by an amount of £1.266m from the original programme agreed at the budget meeting held on 24 February 2014, to include:

a. Inclusion of £1.046m relating to additional slippage against the 2013-14 capital programme, as reported to the Fire and Rescue Authority meeting on the 29 May 2014 as part of the final 2013-14 financial outturn report.
b. A further £0.200m to fund additional works at some stations to comply with Water Regulations, as agreed at the Fire and Rescue Authority meeting on the 29 May 2014.
c. A further £0.020m to fund works to the training tower at Appledore to be funded from revenue contributions.

9.2 It should be emphasised that none of these additions require any increase in the external borrowing requirement.

TABLE 4 – CAPITAL OUTTURN 2014-15

Capital Programme 2014/15				
Item	PROJECT	2014/15 £000 Budget	2014/15 £000 Projected outturn	2014/15 £000 Variation to budget
	Estate Development			
1	SHQ major building works	58	28	(30)
2	Major Projects - Training Facility at Exeter Airport	420	240	(180)
3	Minor improvements & structural maintenance	1,962	1,050	(912)
4	Projects funded from Reserves	278	226	(52)
5	Minor Works slippage from earlier years	680	656	(24)
	Estates Sub Total	**3,398**	**2,200**	**(1,198)**
	Fleet & Equipment			
7	Vehicles Slippage from 13/14	1,170	550	(620)
8	Equipment - Slippage from 13/14	415	415	-
9	Appliance Replacement	2,557	2,557	-
10	Equipment	1,454	1,070	(384)
11	USAR Funding from Reserves	100	100	-
	Fleet & Equipment Sub Total	**5,695**	**4,691**	**(1,004)**
	Overall Capital Totals	**9,093**	**6,891**	**(2,202)**
	Programme funding			
	Main programme	2,849	647	(2,202)
	Revenue funds	4,468	4,468	-
	Earmarked Reserves	378	378	-
	Grants	1,398	1,398	-
		9,093	**6,891**	**(2,202)**

Slippage in 2014-15

9.3 As is illustrated in Table 4 slippage against the 2014-15 programme has already been identified. At this stage the Head of Physical Assets has forecast slippage against projects to be £2.202m. It is a common feature of capital spending that individual projects included in the programme can be subject to delays, for instance as a consequence of weather delays, or pending planning consents. Under the Prudential Code this does not cause any problems as slippage can be carried forward into the following years, which has a positive impact in terms of debt charges as it defers any external borrowing requirements for one year.

9.4 In this case the slippage has primarily been caused from unexpected staffing vacancies within the Estates Department, which realistically will mean some delays in completion of individual projects. In addition delays in the commencement of procurement processes and issues of planning decisions have added to the slippage.

9.5 In light of this slippage, and with no possibility of catching up in the remainder of this financial year, it is proposed that the three year programme 2014-15 to 2016-17 be adjusted to move to an amount of £2m from 2014-15 to 2015-16. This proposal merely reflects the changes in timing of project delivery rather than changing the overall programme. Elsewhere on the agenda to this meeting is a separate report RC/14/x "Revised Capital Programme 2014-15 to 2016-16" which incorporates this proposed change and provides further information on the financial impact to the overall programme.

Prudential Indicators (including Treasury Management)

9.6 Table 4 also illustrates how the forecast spending of £6.891m is to be financed, including the impact to the borrowing requirement in 2014-15.

9.7 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2014 stands at £26.214m (no change from previous quarter). This level of borrowing is well within the Authorised Limit for external debt of £31.120m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.

9.8 Investment returns in the quarter yielded an average return of 0.46% which outperforms the LIBID 3 Month return (industry benchmark) of 0.41%. It is forecast that investment returns from short-term deposits is anticipated to exceed the budgeted figure of £0.100m by 31 March 2015.

9.9 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2014-2015, which illustrates that there was no breach of any of these indicators.

10. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

10.1 Total debtor invoices outstanding as at 30 June 2014 were £233,716. This represents a significant decrease on the previously reported figure of £1,056,629 at 31 March 2014, which is largely due to the processing of year end invoices in the previous quarter.

10.2 Of this figure an amount of £60,796 (£68,058 as at 30 June 2014) was due from debtors relating to invoices that are more than 85 days old, equating to 26.01% (6.44% as at 30 June 2014) of the total debt outstanding. Table 5 below provides a summary of all debt outstanding as at 30 June 2014.

TABLE 5 – OUTSTANDING DEBT AS AT 30 June 2014

	Total Value £	**%**
Current (allowed 28 days in which to pay invoice)	139,684	59.77%
1 to 28 days overdue	25,339	10.84%
29-56 days overdue	7,148	3.06%
57-84 days overdue	749	0.32%
Over 85 days overdue	60,796	26.01%
Total Debt Outstanding as at 30 June 2014	**233,716**	**100.00%**

10.3 Table 6 below provides further analysis of those debts in excess of 85 days old.

TABLE 6 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	**Total Value**	**Action Taken**
Individual Debts less than £1,000	6	£1,677	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.
Georgia Group	1	£56,438	This is a claim that relates to a breach of contract and refunds due to the Authority in relation to training courses not delivered. As previously reported this debt is subject to an agreed instalment plan which to date is being honoured.

Payment of Supplier Invoices within 30 days

10.4 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 June 2014 was 89.61% compared to the previous reported figure of 96.08% as at 31 March 2014. The Finance Team will work with administration staff across the Service to attempt to improve this performance.

KEVIN WOODWARD
Treasurer to the Authority

APPENDIX A TO REPORT RC/14/11

PRUDENTIAL INDICATORS 2014-2015

Prudential Indicators and Treasury Management Indicators	Outturn £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	**6.891**	**9.093**	**(£2.202m)**
External Borrowing vs Capital Financing Requirement (CFR) - Total	**27.723**	**24.939**	**£2.784m**
- Borrowing	26.214	23.430	
- Other long term liabilities	1.509	1.509	
External borrowing vs Authorised limit for external debt - Total	**27.723**	**32.569**	**(£4.846m)**
- Borrowing	26.214	31.120	
- Other long term liabilities	1.509	1.449	
Debt Ratio (debt charges as a %age of total revenue budget	**3.65%**	**3.85%**	**(0.20)bp**
Cost of Borrowing – Total	**1.075**	**1.075**	**(£0.000m)**
- Interest on existing debt as at 31-3-13	1.075	1.075	
- Interest on proposed new debt in 2013-14	0.000	0.000	
Investment Income – full year	**0.125**	**0.100**	**(£0.025m)**
	Actual (30 June 2014) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return	**0.46%**	**0.41%**	**(0.05)bp**

Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2015) %	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%)**
- 10 years to 20 years	16.59%			
- 20 years to 30 years	13.62%			
- 30 years to 40 years	24.66%			
- 40 years to 50 years	34.45%			

REPORT REFERENCE NO.	**RC/14/12**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**1 SEPTEMBER 2014**
SUBJECT OF REPORT	**REVISION TO APPROVED CAPITAL PROGRAMME 2014-15 TO 2016-17**
LEAD OFFICER	**Director of Service Support and Treasurer to the Authority**
RECOMMENDATIONS	***That the Devon & Somerset Fire & Rescue Authority be recommended to approve the revised capital programme and associated prudential indicators for 2014-15 to 2016-17 as detailed in this report and summarised at Appendices B and C.***
EXECUTIVE SUMMARY	A three year capital programme for 2014-15 to 2016-17 was approved at the Authority budget meeting in February 2014 (Minute DSFRA/45(b) refers). This report proposes a revision to that programme to reflect: a) An increase in the amount of slippage from 2013-14 to be carried forward to 2014-15. b) Additional capital spending items in 2014-15 to be funded from revenue contributions. c) Slippage identified against the agreed programme for 2014-15. It should be emphasised that these proposed revisions do not require any increase in the Authority external borrowing requirements.
RESOURCE IMPLICATIONS	As contained in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with current equalities and human rights legislation
APPENDICES	A. Original Capital Programme 2014-15 to 2016-17. B. Revised Capital Programme 2014-15 to 2016-17. C. Revised Prudential Indicators 2014-15 to 2016-17.
LIST OF BACKGROUND PAPERS	Report DSFRA/14/2 “Capital Programme 2014-15 to 2016-17” - as submitted to the Authority budget meeting on 24 February 2014.

1. INTRODUCTION

1.1 The current capital programme covering the three years 2014-15 to 2016-17 was approved at the Authority budget meeting in February 2014 (Minute DSFRA/45(b) refers).

1.2 This report seeks approval of the Authority to revise this programme to reflect additional slippage in spending in 2013-14, over and above that included when setting the original programme, slippage in the 2014-15 programme identified as part of the financial monitoring process, and the inclusion of new capital spending items to be funded from revenue contributions.

1.3 It should be noted that the proposed changes do not require any additional external borrowing, over and above what has already been agreed, and therefore places no further burden on the revenue budget in terms of debt charges.

2. CURRENT CAPITAL PROGRAMME 2014-15 TO 2016-17

2.1 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.

2.2 At the budget meeting on 24 February the Authority considered and approved a three year capital programme covering the years 2014-15 to 2016-17 (report DSFRA/14/2 "Capital Programme 2014-15 to 2016-17" refers). This approved programme is included as Appendix A.

2.3 Members will recall that in constructing this programme considerable effort has been 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 approved 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.

2.4 Whilst the approved programme has been constructed on the basis of what is affordable and taking account of the current economic position, as was reported to the February meeting, it does come with some risk in terms of progression of the Programme from 2017-18 onwards which may require a reconsideration by the Authority of its previous stance on the 5% Prudential Indicator.

2.5 Appendix A also includes indicative spending levels for the three years beyond 2016-17 which enables debt levels and resulting debt charges to be forecast over a longer period. Based upon these figures it had been 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 1 overleaf provides this analysis for each year.

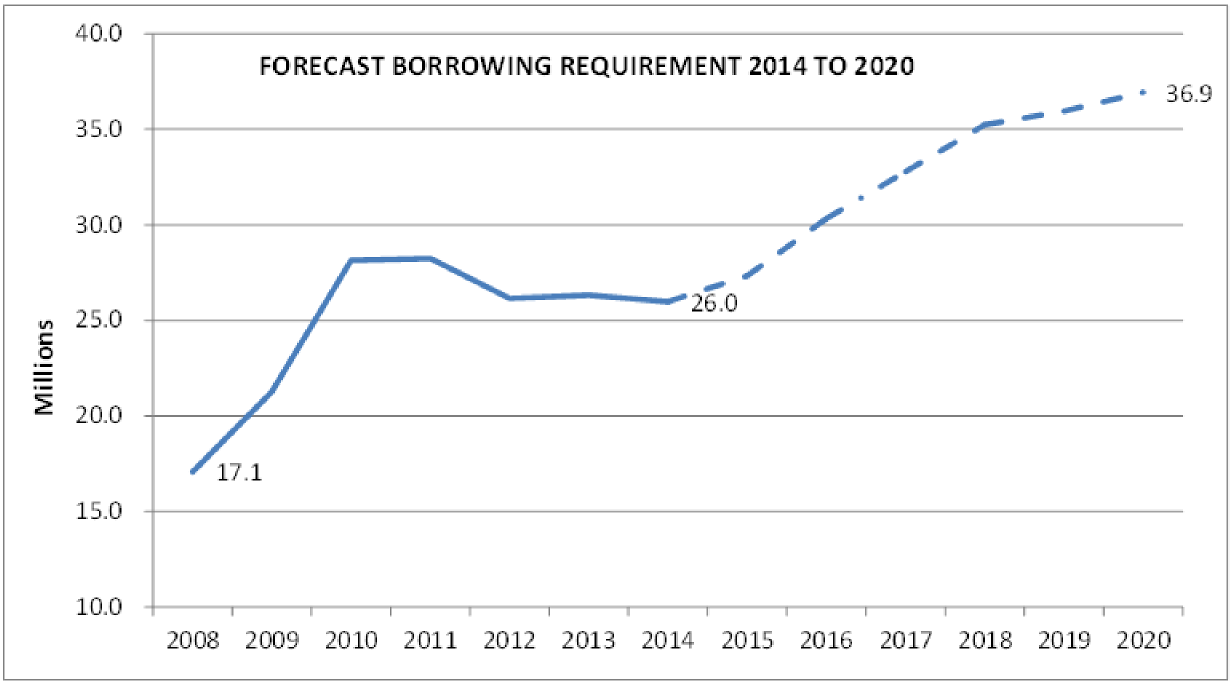


Figure 1

2.6 The Treasurer has previously reported that given the size of the DSFRA asset portfolio a borrowing profile at £36m is not deemed to be excessive however, as is well recognised by Members, any increase in external borrowing will put additional pressure on the revenue budget in terms of increased debt charges. Given a reducing revenue base as a result further grant reductions the affordability of any new debt will need to be measured alongside the Authority's ability to identify on-going revenue savings to fund the resultant debt charges. The Treasurer has therefore emphasised the need to identify alternative sources of funding other than borrowing to fund future capital spending needs.

2.7 Since the budget meeting the Authority has agreed that an amount of £2.3m from the 2013-14 revenue underspend be transferred to the earmarked reserve for direct revenue funding towards capital spending (Minute DSFRA/9 of the meeting held on the 29 May 2014 refers). This amount will be used to fund future capital spending that would otherwise have been funded from increased debt, thereby reducing the forecast debt exposure highlighted above in paragraph 2.5, and reducing debt charges from 2015-16 by £245k per annum.

2.8 This utilisation of underspend is very helpful and going forward a strategy to deliver further in-year revenue savings will enable consideration to be given to the possibility of further transfers being made to this earmarked reserve.

2.9 Members will also be aware that the Authority has submitted bids against the DCLG £70m Transformational funding for 2015-16, including a £3.9m capital bid towards the Light Rescue Pump (LRP) project. The approved capital programme includes £7.58m to fund the introduction of 48 LRP's phased over the next three years. A successful bid would enable the acceleration of this phased programme and alleviate our reliance on borrowing to fund this project. It is anticipated that CLG announcements on grant awards will be made in the autumn.

3. PROPOSED REVISON TO CAPITAL PROGRAMME

3.1 Appendix B to this report provides a revised capital programme for the years 2014-15 to 2016-17. The changes included in the revised programme reflect:

(a) Slippage in spending in 2013-14 of £1.046m more than had been anticipated when setting the original programme for 2014-15, as reported to the meeting of the Fire and Rescue Authority on 29 May 2014. This additional slippage is required to be carried forward to 2014-15 and therefore reflects only a change to the timing of spend rather than an increase to funding requirements.

(b) An increase of £0.200m in 2014-15 in relation to capital works at a limited number of stations in compliance with Water Regulations to be funded from the 2013-14 revenue underspend, as agreed at the meeting of the Fire and Rescue Authority held on the 29 May 2014.

(c) An increase of £0.020m in 2014-15 in relation to works to the training tower at Appledore, to be funded from a revenue contribution.

(d) Elsewhere on the agenda for this meeting is a separate report 'Financial Performance 2014-15 – Quarter 1' which includes a report on progress of spending against the 2014-15 capital programme. It is forecast that even at this early stage of the year there will be slippage of £2.202m. In light of this it is proposed that the capital programme be adjusted to transfer an amount of £2m from 2014-15 to 2015-16. Again this reflects changes in the timing of spend rather than an increase to funding requirements.

3.2 A summary of the impact to the overall programme of these changes is provided in Figure 2 below.

	Estates £m	Fleet & Equipment £m	Total £m
ORIGINAL PROGRAMME			
2013-14 (predicted outturn)	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
REVISED PROGRAMME			
2013-14 (actual outturn)	2.2	1.7	3.9
2014-15	2.4	4.7	7.1
2015-16	2.5	4.5	7.0
2016-17	1.5	3.3	4.8
Total 2013-14 to 2016-17	8.6	14.2	22.8
PROPOSED CHANGE	**0.4**	**-0.2**	**0.2**

Figure 2

Summary of Estimated Capital Financing Costs

3.3 Figure 3 overleaf provides a summary of estimated debt charge emanating from this revised programme.

	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	4.243	4.003	4.526	4.901	5.271
Change over previous year		-0.383	-0.240	0.523	0.375	0.370
Debt ratio	3.76%	3.66%	3.87%	4.67%	5.25%	5.82%

Figure 3

3.4 As is illustrated from Figure 3 current forecasts are that the 5% ceiling will be breached in 2017-18 (5.25%). The next review of capital spending plans and affordability considerations will take place as part of the 2015-16 budget setting process.

3.5 Appendix C to this report provides a summary of the revised prudential indicators emanating from the revised programme.

4. SUMMARY AND RECOMMENDATION

4.1 This report provides a revision to the agreed capital programme 2014-15 to 2016-17. The Committee is asked to recommend this revision, and associated prudential indicators, to the next meeting of the Fire and Rescue Authority to be held on the 5 November 2014.

4.2 Looking ahead, the affordability of future capital spending will inevitably be under more pressure given a reducing a revenue budget, and consideration will therefore be needed to identify alternative sources of funding other than external borrowing.

ACFO TREVOR STRATFORD
Director of Service Support

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 earlier years	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	2,849	5,022	4,777	5,027	3,568	4,069
3,361	1,743	Revenue funds	3,422					
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**

Revised Capital Programme (2014/15 to 2019/20)

2013/2014 Revised Programme (£000)	2013/2014 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	21	SHQ major building works	58					
1,544	1,247	Major Projects - Training Facility at Exeter Airport	320	100				
		Minor improvements & structural maintenance	1,062	2,400	1,500	1,750	1,750	1,750
255	187	USAR works	83					
1,288	603	Minor Works slippage from earlier years	680					
108	96	Projects funded from Revenue	195					
3,274	2,136	**Estates Sub Total**	2,398	2,500	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	50		400	400		
60	60	Vehicles and equipment funded from revenue						
		Equipment	1,070	384	320	320	380	200
100	-	USAR Vehicles	100					
481	200	Equipment slippage from earlier years	415					
2,883	1,457	Appliance & Specialist Operational Vehicle slippage from earlier years	504	936				
3,524	1,717	**Fleet & Equipment Sub Total**	4,696	4,522	3,277	3,277	1,818	2,319
6,798	**3,853**	**SPENDING TOTALS**	**7,094**	**7,022**	**4,777**	**5,027**	**3,568**	**4,069**

Programme Funding

1,596		Main programme	850	5,726	4,777	5,027	3,568	4,069
3,361	2,225	Revenue funds	4,468	1,296				
355	188	Earmarked Reserves	378					
1,440	1,440	Grants	1,398					
6,752	**3,853**	**FUNDING TOTALS**	**7,094**	**7,022**	**4,777**	**5,027**	**3,568**	**4,069**

APPENDIX C TO REPORT RC/14/12

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	7.094	7.022	4.777	5.027	3.568	4.069
HRA (applies only to housing authorities						
Total	7.094	7.022	4.777	5.027	3.568	4.069
Ratio of financing costs to net revenue stream						
Non - HRA	3.65%	3.87%	4.67%	5.25%	5.82%	6.21%
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	23,430	27,351	29,948	32,545	33,406	34,544
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	24,939	28,794	31,322	33,844	34,615	35,656
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	-975	3,855	2,528	2,522	771	1,041
HRA (applies only to housing authorities	0	0	0	0	0	0
Total	-975	3,855	2,528	2,522	771	1,041
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.42	-£1.03	-£0.62	N/A	N/A	N/A

PRUDENTIAL INDICATORS - TREASURY MANAGEMENT

Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	31,120	33,913	34,903	36,171	37,188	38,027
Other long term liabilities	1,449	1,371	1,278	1,177	1,070	963
Total	32,569	35,284	36,181	37,348	38,258	38,991
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	29,948	32,545	33,406	34,544	35,518	36,300
Other long term liabilities	1,374	1,299	1,209	1,112	1,010	907
Total	31,322	33,844	34,615	35,656	36,528	37,208

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%

REPORT REFERENCE NO.	**RC/14/13**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**1 SEPTEMBER 2014**
SUBJECT OF REPORT	**DISPOSAL OF SIX END-OF-LIFE SERVICE VEHICLES**
LEAD OFFICER	**Director of Corporate Services**
RECOMMENDATIONS	***That, in accordance with Financial Regulations, the Committee authorises the donation of six ‘end-of-life’ Land Rovers to the four Dartmoor Rescue Groups.***
EXECUTIVE SUMMARY	In its commitment to improving public and firefighter safety, the Service has undertaken to build on current relationships with voluntary partners and to expand joint roles and capabilities. A good example of this is the joint working with the four Dartmoor Rescue Groups. The Service currently has six Land Rovers that have reached the end of their serviceable life and this has created an opportunity to support our voluntary sector partners by donating these vehicles to them. Each vehicle would have appropriate signwriting to highlight and promote the working partnership between the Service and the Dartmoor Rescue Groups. The Dartmoor Rescue Groups have capabilities that support and complement those of the Service. In addition, they also possess a high level of knowledge regarding access, navigation and topography in remote areas where the Service often faces challenges when responding to emergency incidents. The provision of the 4x4 vehicle capability that these Land Rovers provide will enhance the ability of the Dartmoor Rescue Groups to support the Service in responding to emergencies and will reduce the number of times when the Service has to request support from National Assets. An appropriate agreement to affect the transfer of ownership and all future liabilities would be drawn up between the Authority and the Dartmoor Rescue Groups.
RESOURCE IMPLICATIONS	The normal disposal route for such vehicles would be via local auction facilities which could, dependent on market conditions, generate a receipt of between £26,000 and £30,000. However, savings resulting from a reduction in on-going costs associated with seeking mutual aid from other fire and rescue services would more than likely offset this one off receipt.
EQUALITY AND RISKS BENEFIT ASSESSMENT	The contents of this report are considered compatible with current equalities and human rights legislation.
APPENDICES	None
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 The Service is committed to improving public and firefighter safety. Within this broad remit there are clear aims in the Corporate Strategy to:

- engage with the community and voluntary sector to ensure an integrated response framework that allows all agencies to understand respective roles and responsibilities;
- engage with partners, build community capacity to help plan for, respond to and recover from local emergency events;
- continue to develop appropriate non-fire response arrangements in collaboration with other blue light and voluntary sector agencies.

1.2 In supporting these aims the Service has begun to improve its relationship with the voluntary rescue organisations within the Devon & Cornwall and the Avon & Somerset Local Resilience Forums. The Service has always worked with the voluntary rescue organisations and this has become more commonplace in responding to the extreme weather events over the last few years. It is common for our firefighters to work alongside volunteer rescuers at flood, water rescue, confined space and work at height incidents, particularly on the two moors and in the wider rural areas.

1.3 The Service is in the process of forming strong partnerships with Dartmoor Rescue Group and Devon Cave Rescue in the first instance. All voluntary rescue organisations are fully reliant on charitable donations to undertake their rescue roles and as such funding is always an issue. The Service has recently replaced a number of four wheel drive vehicles and, as a result, has six end-of-life Land Rovers which are now surplus to requirements. It has been identified, through the new partnerships, that these Land Rovers would be very useful to voluntary rescue organisations for their core business.

2. NORMAL DISPOSAL ROUTE

2.1 The Service disposes of end-of-life vehicle and equipment assets using two processes:

- Operational Appliances, PPE and Equipment are in the main disposed of using the Pan Government MOD Disposal Services Authority.
- Light vehicles (cars, vans and small commercial vehicles) are disposed of using local auction facilities at either Husseys in Exeter or British Car Auctions in Bridgwater.

2.2 The estimated value of the Land Rovers is:

Units	Estimated value range		Total Estimated value range	
2	£5,000	£6,000	£10,000	£12,000
4	£4,000	£4,500	£16,000	£18,000
	Total Estimated Receipt		£26,000	£30,000

3. PROPOSED DISPOSAL ROUTE

3.1 The Service has identified that these Land Rovers would be very useful to voluntary rescue organisations for their core business. Given the on-going work to form stronger and closer relationships with the community and the community based voluntary rescue groups, it is proposed that the Authority donates the six vehicles to the Service's rescue partners rather than dispose of them in the normal manner.

3.2 It is proposed that all six Land Rovers are gifted to the four Dartmoor Rescue Teams as a charitable donation. The vehicles would have appropriate signwriting to highlight and promote the working partnership between the Service and the Dartmoor Rescue Groups. They will be distributed between the groups according to need as follows:

- Plymouth Group x 2
- Okehampton Group x 2
- Ashburton Group x 1
- Tavistock Group x 1

3.3 In supporting the Dartmoor Rescue Groups in this way, there are a number of significant benefits for the Service:

- The Dartmoor Rescue Groups have a water rescue capability which supports and compliments that of the Service. There have been, and will continue to be, incidences of weather events that require the Service to request support from National Assets managed by other fire and rescue services, at a cost to the Authority. The utilisation of the Dartmoor Rescue Groups in the first instance will ensure that the cost and impact of requesting National Assets is minimised as well as improving the speed of any initial response. The ability of the Dartmoor Rescue Groups to support this multi-agency approach will be much enhanced by the 4x4 vehicle capability that these Land Rovers provide.
- In periods of severe weather, the Service is often requested to assist the NHS and other key organisations to transport key workers to and from places of work. The provision of the 4x4 vehicle capability that these Land Rovers provide will enable the Dartmoor Rescue Groups to assist us in this process and allow the Service to retain its assets for emergency response during these periods of high demand.
- The Service is exploring utilising the skills and capabilities of the Dartmoor Rescue Groups to assist at remote rural and 'wildland' fires. The Dartmoor Rescue Groups have a high level of knowledge regarding access, navigation and topography in areas where the Service is often challenged when tackling wildland fires. The provision of the 4x4 vehicle capability that these Land Rovers provide will enhance the ability of the Dartmoor Rescue Groups to assist the Service in these difficult locations with the skills and knowledge that they possess.

3.4 An appropriate agreement to affect the transfer of ownership and all future liabilities would be drawn up between the Authority and the Dartmoor Rescue Groups.

4. AUTHORISATION

4.1 The Authority's Financial Regulations require that the disposal of any material asset or the writing off of any redundant stocks and equipment (individual item or cumulative amount of the same item) in excess of £25,000 but less that £50,000 is authorised by the Resources Committee.

MIKE PEARSON
Director of Corporate Services