

## **RESOURCES COMMITTEE**

(Devon and Somerset Fire and Rescue Authority)

10 February 2015

### Present:-

Councillors Yeomans (vice Chair – in the Chair), Brooksbank, Chugg, Greenslade and Singh

### Apologies:-

Councillor Dyke (Chair).

### **\*RC/12. Minutes**

**RESOLVED** that the Minutes of the meeting held on 20 November 2014 be signed as a correct record.

### **\*RC/13. Treasury Management Performance Report 2014-15: Quarter 3**

The Committee received for information a report of the Treasurer (RC/15/1) on Authority treasury management activities for the period April to December 2014 (quarter 3 of 2014-15) in accordance with the best practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management.

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

- that Capita Asset Services had undertaken a review of its interest rate forecasts in January 2015 based on current economic performance and indications were that a rise in the Bank base rate was not anticipated now until December 2015;
- The Authority's investment strategy had resulted in the outperformance of the 3 month LIBID benchmark by 0.02% (a return of 0.45%) with the average level of funds available for investment in quarter 3 being £33.911million (£37.119million in the previous quarter);
- While investment returns were still low due to the fall in interest rates, it was still anticipated that Authority investment returns would exceed the budgeted target;
- Current external borrowing remained stable at £26.089million and it was not anticipated that any debt rescheduling would take place due to the increased cost of repayment penalties.

Mr Burleton confirmed that none of the prudential indicators had been breached and that the Authority had continued with a prudential approach to investment decisions with priority given to liquidity and security over yield.

**RESOLVED** that the performance in relation to the treasury management activities of the Authority for 2014-2015 (to December) be noted.

### **RC/14. Capital Programme 2015-16 to 2017-18**

The Committee considered a report of the Chief Fire Officer and Treasurer (RC/15/2) that set out the proposals for a three year Capital Programme covering the years 2015-16 to 2017-18. The report also outlined the difficulties for the Authority in meeting its full capital expenditure requirement, given its geographical size and the associated number of fire stations and appliances that required ongoing maintenance or replacement each year.

Reference was made to the need to maintain a Capital Programme that was affordable and which ensured that the impact of borrowing was maintained below the 5% Prudential Indicator previously agreed by the Authority against the reality of a reducing revenue budget. As a result, this report proposed a further revenue contribution of £1.737million be made from the 2015-16 revenue budget towards capital spending. The Authority was due to set its 2015-16 Revenue Budget and Council Tax (**Minute RC/15 below refers**) and if Option B was approved, this would result in an additional revenue contribution to capital of £0.381million which would be utilised to reduce the Authority's borrowing requirement (as illustrated within Appendix A to report RC/15/3).

In view of the financial constraints, the Chief Fire Officer advised that the Service was undertaking a fundamental review of its entire Estate portfolio in 2015/16 with a view to reducing future borrowing costs and/or identifying options that might bring in income. The Authority was looking to the private sector to assist in this process which was being driven forward by its Capital Programme Working Party in conjunction with the Commercial Services Committee.

**RESOLVED** that the Devon and Somerset Fire and Rescue Authority be recommended:

- (a) to approve a minimum revenue contribution of £1.737m from the 2015-16 revenue budget towards financing of the capital 2015-16 to 2017-18 capital programme;
- (b) to approve the draft Capital Programme 2015-16 to 2017-18 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/15/2; and
- (c) to note the forecast impact of the proposed Capital Programme (from 2018-19 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.

#### **RC/15. 2015-16 Revenue Budget and Council Tax Levels**

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/15/3) on options for the Authority's revenue budget and associated council tax level in 2015-16. It was a legislative requirement for the Authority to set a balanced budget and determine an associated council tax level prior to 1 March each year and this report set out the necessary financial background on which to consider the appropriate way forward for this Authority.

The Treasurer advised that the Department for Communities and Local Government (DCLG) had announced on 18 December 2014 that the council tax level which, if exceeded, would trigger the need for the Authority to hold a referendum, would be 2%. Given that the administrative costs associated with holding a local referendum were estimated to be in the region of £2.3million, this report did not include any proposal to go beyond the 2% limit.

The settlement for this Authority for 2015-16 was £29.422million, representing a reduction of 8.9% on 2014-15. This was broadly in line with the figures already included within the Authority's Medium Term Financial Plans and represented a decrease of £0.153million against the figure used to inform Corporate Planning from 2014 onwards. A reduction of £2.9million in 2015-16 meant that the Authority's grant funding had been reduced by a total of £8.7million since 2012-13, equivalent to 22.8% – the third worst settlement of all fire and rescue services over this period.

The Treasurer stated that the Government had again made available Council Tax Freeze Reward Grant to those local authorities that agreed to freeze council tax in 2015-16. This grant was equivalent to an increase in council tax of 1%, estimated to be £0.489million for this Authority. It had been confirmed that this funding would be included within the baseline funding for future years.

The report therefore set out two options for consideration by the Committee, namely:

- Option A – to freeze council tax at 2014-15 level (£76.89 for a Band D property);
- Option B – to increase council tax by 1.99% above 2014-15 (£78.42 for a Band D property).

Each of these options would result in a reduction in the amount of revenue funding for 2015-16 and the report also set out a summary of the reductions associated with each option including additional precept income. It was noted, however, that the figures may change as information was awaited from some billing authorities relating to the amount of estimated business rates income in 2015-16. The Treasurer proposed that any additional funds received from billing authorities be transferred to reserves to mitigate against future volatility in business rates income.

Reference was made in particular to the budget savings that had been included within the proposed net revenue budget requirements for 2015-16 which totalled £2.286million. This had been achieved by a combination of stringent budget management measures, an anticipated reduction in retained activity together with the Corporate Plan proposals (to reduce support staff, senior management and remove 149 operational posts). In response to a question, the Assistant Chief Fire Officer confirmed that of the 149 operational posts to be removed, there were 51 still to be achieved.

Following a debate in respect of the options presented, Councillor Greenslade **MOVED** and was seconded by Councillor Brooksbank:

“that it be recommended to the Devon and Somerset Fire and Rescue Authority that Option B as set out within report RC/15/3 be approved”.

The motion was then put to the vote and **CARRIED** (4 for, 1 against), whereupon it was:

**RESOLVED** that it be recommended to the Devon and Somerset Fire and Rescue Authority that the level of council tax in 2015-16 for a Band D property be set at £78.42, as outlined in Option B of report RC/14/7, representing a 1.99% increase over 2014-15.

**NB. Minute RC/14 above also refers.**

#### **RC/16. Financial Performance 2014-15: Quarter 3**

The Committee considered a report of the Treasurer to the Authority (RC/15/4) that set out details of the Authority's financial performance during the third quarter of the current year (2014/15) as compared with the approved financial targets. The report also provided a forecast of spending against the approved 2014/15 revenue budget.

The Treasurer highlighted that spending was forecast to be £74.664 million at the year-end which was £1.130million less than the approved revenue budget of £75.794million, equivalent to 1.49% of the total budget. He added that a lot of effort had been made with budget holders to achieve this position and that he was confident of delivering an under-spend at the year end. It was noted that the forecast spending figure was net of the proposed budget virements set out within paragraph 11.1 of report RC/15/4.

In terms of the underspend, the Treasurer drew attention to the point that the report did not include any recommendation in terms of how this would be utilised. This matter would be considered by the Committee at the end of quarter 4.

Reference was made to the issue of pension's liability for retained firefighters that was still outstanding as a result of the ruling on the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. The Treasurer advised that, whilst the Authority had already established a reserve of £2.0 million for this liability, it was not clear at this stage as to whether or not this would be sufficient. The first stage of the options exercise had been completed and 750 "expressions of interest" had been received from both existing and already retired retained staff, which was significantly more than the numbers used in the initial modelling. All individuals who had expressed an interest had now been provided with estimates of pension benefits but it was unclear at this stage what the eventual take up would be and thus, whether the £2million would be sufficient to cover the eventual liability.

The Treasurer reported upon the in year virements totalling £2.466million (including transfers of £2.116 to earmarked reserves) as set out within Table 3 of paragraph 11.1 of report RC/15/4 which were commended to the Committee for approval.

#### **RESOLVED**

- (a) that the Authority be recommended to approved the budget virements outlined in Table 3 of paragraph 11.1 of report RC/15/4, as set out as Appendix A to these Minutes for ease of reference;
- (b) that subject to (a) above, the monitoring position in relation to projected spending against the 2014-2015 revenue and capital budgets be noted; and
- (c) that the performance against the other 2014-2015 financial targets be noted.

#### **\*RC/17. Urban Search and Rescue (USAR) Grant Reductions**

The Committee received for information a report of the Director of Operations (RC/15/5) that advised of the impact of a reduction in grant for the Urban Search and Rescue (USAR) capability from £102,500 to £815,630 with effect from April 2015.

It was noted that, whilst the Service may need to consider alternative options for crewing USAR in the light of the grant reduction, it was considered that current staffing levels could be maintained within the existing budgetary provision.

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

The meeting started at 10.00hours and finished at 11.30hours

**APPENDIX A TO THE MINUTES OF THE RESOURCES (BUDGET) COMMITTEE MEETING, 10  
FEBRUARY 2015**

**MINUTE RC/16 (FINANCIAL PERFORMANCE 2014-15: QUARTER 3) – REQUEST FOR  
BUDGET VIREMENTS**

<b>Budget Line</b>	<b>From £m</b>	<b>To £m</b>	<b>Reason</b>
<p>Wholetime Uniform Staffing Costs (Table 2 Line 1)</p> <p>Non-Uniformed Staffing Costs (Table 2 Line 4)</p> <p>Transfer to Earmarked Reserves (Table 2 Line 37)</p>	<p>(1.000)</p> <p>(0.500)</p>	<p>1.500</p>	<p>This virement reflects the decision made at the meeting of the Resources Committee on the 20 November 2014 (Minute RC/10) to transfer an amount of £1.5m from the current year underspend to Earmarked Reserves to provide direct revenue funding towards future capital spending. It is now proposed that the £1.5m be funded from budget virements from wholetime and non-uniformed staffing budget heads.</p>
<p>Equipment and Furniture (Table 2 Line 14)</p> <p>Revenue Contribution to Capital Spending (Table 2 Line 27)</p>	<p>(0.350)</p>	<p>0.350</p>	<p>This virement reflects the decision made at the meeting of the full Fire Authority (Minute DSFRA/27) on the 17<sup>th</sup> December 2014 to pursue an asset acquisition in Plymouth to be funded from the current year underspend. It is now proposed that the total cost of £0.350m (including associated fees) be funded from a budget virement from savings against Equipment and Furniture.</p>
<p>Uniforms (Table 2 Line 18)</p> <p>Communications (Table 2 Line 27)</p> <p>Transfer to Earmarked Reserves (Table 2 Line 35)</p>	<p>(0.546)</p> <p>(0.070)</p>	<p>0.616</p>	<p>The 2014-15 budget includes provision of £0.546m to fund a refresh of Personal Protective Equipment (PPE). It is now confirmed that due to specification and procurement timescales this will now be delayed into 2015-16. A budget virement for this amount is therefore proposed from the Uniforms budget head to Earmarked Reserves to enable the funding to be carried forward into 2015-16..</p> <p>Similarly provision of £0.070m had been made in 2014-15 for a required upgrade to the Service telephony system, however this will not now be delivered until 2015-16. A budget virement for this amount is therefore proposed from the Communications budget head to Earmarked Reserves.</p>
<b>TOTALS</b>	<b>(2.466)</b>	<b>2.466</b>	