DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

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

SERVICE HEADQUARTERS
THE KNOWLE
CLYST ST GEORGE
EXETER
DEVON
EX3 0NW

Your ref :
Our ref : RC/SS/Sept 2015
Website : www.dsfire.gov.uk

Date : 24 August 2015
Please ask for : Sam Sharman
Email : ssharman@dsfire.gov.uk

Telephone : 01392 872200
Fax : 01392 872300
Direct Telephone : 01392 872393

RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

Wednesday 2 September 2015

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 Chair

2. Apologies

3. Minutes of the meeting held on 14 May 2015 attached (Page 5).

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 Chair

PART 1 – OPEN COMMITTEE

6. Treasury Management Performance 2015-2016: Quarter 1

Report of the Treasurer (RC/15/7) attached (page 8).

7. **Financial Performance Report 2015-2016: Quarter 1**

Report of the Treasurer (RC/15/8) attached (page 15).

8. **Revision to Capital Programme 2015-16 to 2017-18**

Report of the Director of Corporate Services and Treasurer (RC/15/9) attached (page 24).

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Burridge-Clayton, Chugg, Dyke, Greenslade, Singh, Thomas 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)

14 May 2015

Present:-

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

***RC/18. Minutes**

RESOLVED that the Minutes of the meeting held on 10 February 2015 be signed as a correct record.

RC/19. Draft Financial Outturn 2014/15

The Committee considered a report of the Treasurer to the Authority (RC/15/6) that set out details of the Authority's financial performance during the fourth quarter of 2014/15 as compared with the approved financial targets. The report also provided details of spending against the 2014-15 revenue budget with explanations of the major variations.

The Treasurer highlighted that net spending was £73.741m at the year-end in 2014/15 which was £2.051m less than the approved revenue budget of £75.794m (an amendment to the figure published in report RC/15/6 which had changed slightly from £2.053m). The saving of £2.051m was equivalent to 2.71% of the total budget. This figure was net of the transfer of funds to Reserves and Provisions as follows:

- A transfer of £0.141m 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 transfer of £0.500m to Earmarked Reserves for 2014-15 Budget Carry Forwards to fund planned projects not completed by 31 March 2015;
- A transfer of £1.088m revenue underspend on Capital to Earmarked Reserve;
- Additional provisions relating to pension liabilities of £0.228m.

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 (£0.506m);
- Comprehensive Spending Review (CSR) (£1.545m).

Reference was made to the Prudential Indicators and the point that external borrowing had exceeded the target of £22.582m with an outturn of £25.944m in Quarter 4 of 2014/15. This figure was lower than the previous quarter, however, due to further principal repayments and was not a cause of concern as this level of borrowing was well within the authorised limit for external debt of £31.120m. Whilst no further external borrowing was planned in the immediate future, it was noted that, given that the Authority may spend £25m on future projects over the next four years which would be part funded from revenue contributions to capital, the need to borrow further to fund this could not necessarily be avoided. This matter would be discussed with the Authority's Treasury Management Advisers, Capita, as appropriate. Councillor Greenslade requested a separate report on the anticipated levels of debt and borrowing requirements as compared with reserves in the next two to three years be submitted to this Committee for consideration. The Treasurer replied that this matter would be covered within the next Treasury Management report to this Committee.

The Chief Fire Officer referred to three points that had an impact on future borrowing namely:

- Fleet – the Service was moving away from the purchase of larger, more expensive Type B appliances to the Light Rescue Pumps with a cost reduction in the region of £50,000 per appliance;
- Estates – a project had been instigated to review the whole property portfolio working in conjunction with Industry to rationalise and free up capital assets where possible;
- The ratio of debt was historically set out as a percentage of the revenue budget and this may therefore increase as revenue funding for the Authority decreased in future years due to ongoing austerity measures.

The Treasurer added that the current debt ratio was 3.73% due to slippage on the capital programme, which had been anticipated. The Authority had a self-imposed target for debt of 5% of the total revenue budget - but this may need to be reviewed in the future if the level of revenue funding continued to decrease.

Reference was made at this point to the amount of £2m that had previously been set aside in a ring-fenced provision to fund future pension liabilities, including the liability from the Part Time Workers (Prevention of Less Favourable Treatment) Employment Tribunal. All employees eligible for the backdated pension were notified and – if they submitted an expression of interest – were supplied with an estimate of their pension. The Department for Communities and Local Government confirmed that any future liabilities arising from this would be met through employer's pension contributions by using pension valuations in future years, rather than being repaid as a lump sum as originally anticipated. Consequently, it was anticipated that the Authority's contribution rate towards pensions would be increased in future years. As a direct result of this, £1.525m of the original provision was no longer needed to repay immediate lump sums and therefore, it was recommended in this report that this sum be transferred to an Earmarked Reserve to fund future pension liabilities. Councillor Chugg enquired as to how many staff would be affected by this and the Treasurer indicated that he would provide this information separately to Members.

The Committee expressed thanks to both operational officers and budget holders for the laudable position that had been achieved on the outturn at the year end, whereupon:

Councillor Burridge-Clayton (seconded by Councillor Yeomans) **MOVED:**

> "that the recommendations as set out within report RC/15/6 (subject to amendment to reflect the revised underspend of £2.051m on the 2014-15 revenue budget) be approved".

This was **CARRIED** unanimously.

N.B. Councillor Greenslade declared a personal but non-pecuniary interest in this matter, in so far as it related to Exeter Airport, by virtue of his being a non-remunerated, non-Executive Director at Exeter International Airport Ltd. appointed by Devon County Council as its representative.

RESOLVED

(a) That the Fire and Rescue Authority, at its meeting on the 28 May 2015, be recommended to approve:

(i) That the provisional underspend against the 2014-15 revenue budget of £2.051m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 11.5 of report RC/15/6:

A. the transfer of £0.506m to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2015-16 base budget (Para 11.5(d));

B. the transfer of the remaining £1.545m to the Comprehensive Spending Review (CSR) Reserve (Para 11.5(f));

(ii) the reversal of £1.525m from the Provision originally set aside to fund the potential liability for Retained Pension Costs emanating from the Employment Tribunal relating to Part-Time Workers, and that this sum to transferred to a new Earmarked Reserve for Retained Pension Liability (Para 11.5(h));

(iii) That following a review of Earmarked Reserve requirements, an amount of £0.079m be transferred from Earmarked Reserves to General Reserve (Para. 11.5i)

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

(i) The draft position in respect of the 2014-15 Revenue and Capital Outturn position, as indicated in this report.

(ii) That the underspend figure of £2.051m is after;

A. A transfer of £0.141m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised (Para.11.5a)

B. A transfer of £0.500m to Earmarked Reserves for 2014-15 Budget Carry Forwards to fund planned projects not completed by 31 March 2015 (Para. 11.5b and 11.5c)

C. A transfer of £1.088m revenue underspend on Capital to Earmarked Reserve (Para. 11.5e)

D. Additional provisions relating to pension liabilities of £0.228m. (Para. 11.5j)

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

The meeting started at 10.00hours and finished at 11.15hours

REPORT REFERENCE NO.	**RC/15/7**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**2 SEPTEMBER 2015**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2015-2016 – QUARTER 1**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2015-2016 (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 IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Investments held as at 30 June 2015.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/15/3 – as approved at the meeting of the DSFRA meeting held on the 20 February 2015.

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 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 in 2013 at an annual rate of 2.7% and 3.0% in 2014, quarter 1 of 2015 was disappointing at only 0.4%, though subsequent data indicates that this could well be revised up further down the line and also indicates a return to stronger growth in quarter 2. In its May quarterly Inflation Report, the Bank of England reduced its GDP forecast for 2015 from 2.9% to 2.5% and from 2.9% to 2.7% in 2016, while increasing its forecast for 2017 from 2.4% to 2.7%.

2.2 Uncertainty around the likely result of the UK general election in May has obviously now evaporated although this has been replaced by some uncertainty around the potential impact on the UK economy of the EU referendum promised by, or in, 2017. In addition, the firm commitment of the Conservative Government to eliminating the deficit within the term of this Parliament will have an impact on GDP growth rates. However, the MPC is fully alert to this and will take that into account, and also the potential spill over effects from the Greek crisis, in making its decisions on the timing of raising Bank Rate.

2.3 As for the American economy, confidence has improved markedly in this quarter that the US will start increasing the Fed funds rate by the end of 2015 due to a return to strong economic GDP growth after a disappointing start to the year in quarter 1, (a contraction of 0.2%), after achieving 2.4% growth in 2014.

2.4 In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth, though it remains to be seen whether this will have an enduring effect as strong as the recovery in the US and UK.

Interest Rate Forecasts

2.5 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
10yr PWLB rate	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%
25yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%
50yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%

2.6 Capita Asset Services undertook a review of its interest rate forecasts after the May Bank of England Inflation Report. The ECB's quantitative easing programme to buy up EZ debt caused an initial widespread rise in bond prices and, correspondingly, a fall in bond yields to phenomenally low levels, including the debt of some European countries plunging into negative yields. Since then, fears about recession in the EZ, and around the risks of deflation, have abated and so there has been an unwinding of this initial phase with bond yields rising back to more normal, though still historically low yields.

2.7 This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 1 of 2016 to quarter 2 of 2016 as a result primarily of poor growth in quarter 1, weak wage inflation and the recent sharp fall in inflation due to the fall in the price of oil and the impact of that on core inflation. The UK fell marginally into deflation in April (-0.1%) and figures near zero will prevail for about the next six months until the major fall in oil prices in the latter part of 2014 falls out of the twelve month calculation of CPI inflation. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them.

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 20th February 2015. 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 2015 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 £33.566m (£31.469m 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	0.44%	0.52%	£29,096

3.6 As illustrated, the authority outperformed the 3 month LIBID benchmark by 0.08bp. It is also forecast that the Authority's budgeted investment target for 2015-2016 of £0.116m 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 2015-2016, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to June 2015 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 2015 was £25.943m (unchanged from previous quarter), and forecast to reduce to £25.817m as at 31 March 2016. All of this debt was at fixed rate with the remaining principal having an average rate/life of 4.231%/30.09 years.

Loan Rescheduling

3.10 No debt rescheduling was undertaken during the quarter.

Borrowing in Advance of Need

3.11 The external borrowing position at the end of the previous financial year of £25.943m exceeded the Capital Financing Requirement (CFR) of £22.582m, which reflects that borrowing of £3.361m had been taken out in advance of spending. This was as a result of slippage against the 2013-14 capital programme being more than forecast. As was reported to the Authority at its meeting in May 2015, in considering the final Treasury Management Performance Report for 2014-15, this does not represent a breach of prudential indicators, as borrowing is permitted to be above current CFR as long as future CFR estimates for current and next two financial years will utilise these loans.

3.12 For the current financial year it is forecast that by 31 March 2016 external borrowing will be £25.817m, which will match the CFR figure as at the same date. This will mean that there will be no over-borrowing position by the end of the current financial year.

New Borrowing

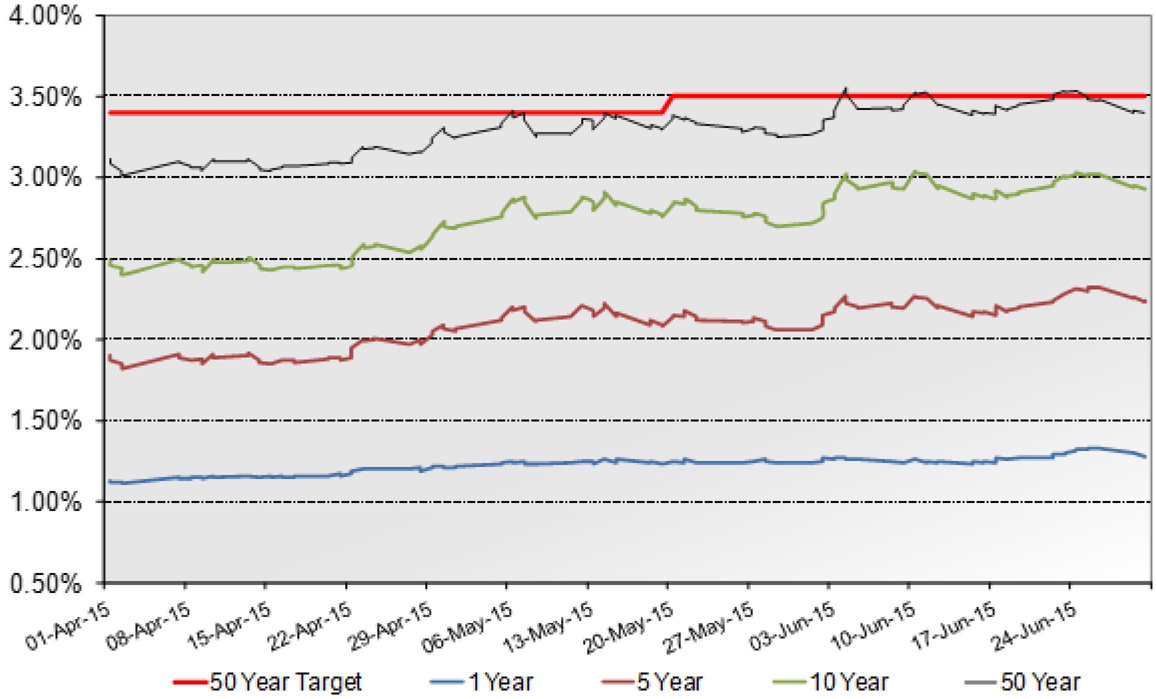
3.13 The 25 year PWLB target (certainty) rate for new long term borrowing, for the quarter ending 30th June, rose slightly from 3.40% to 3.50% after the May Bank of England Inflation report. No new borrowing was undertaken during the quarter and none is planned during 2015-16. It is anticipated that use of internal borrowing 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.

3.14 PWLB certainty rates for the quarter ended 30 June 2015 are shown below. DSFRA is eligible to borrow at certainty rates.

PWLB rates quarter ended 30 June 2015

3.15 Borrowing rates for this quarter are shown below.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.11%	1.82%	2.40%	3.06%	3.01%
Date	02/04/2015	02/04/2015	02/04/2015	02/04/2015	02/04/2015
High	1.33%	2.32%	3.04%	3.65%	3.55%
Date	25/06/2015	25/06/2015	10/06/2015	24/06/2015	04/06/2015
Average	1.23%	2.09%	2.75%	3.37%	3.29%



4. **<u>SUMMARY</u>**

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 2015-2016 to June 2015. 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 2015				
Counterparty	Maximum to be invested	Total amount invested	Call or Term	Period invested	Interest rate(s)
	£m	£m			
Bank of Scotland	5.000	2.100	T	1 yr	1.000%
		1.400	T	1 yr	1.000%
		1.500	T	6 mths	0.700%
Goldman Sachs	5.000	5.000	T	3 mths	0.530%
Barclays	8.000	3.000	T	6 mths	0.610%
		2.500	T	6 mths	0.600%
Santander	5.000	1.000	T	6 mths	0.750%
		1.500	T	3 mths	0.550%
		2.000	T	6 mths	0.690%
Leeds Building Society	2.000	2.000	T	3 mths	0.420%
Nationwide Building Society	2.000	2.000	T	6 mths	0.660%
Yorkshire Building Society	2.000	2.000	T	3 mths	0.470%
Ignis Sterling Liquidity Money Market Fund	5.000	4.743	C	Instant Access	Variable
Total invested as at 30 June 2015		30.743m			

REPORT REFERENCE NO.	**RC/15/8**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**2 SEPTEMBER 2015**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2015-2016 – QUARTER 1**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	*(a)* ***That the two budget virements (in excess of £50,000), as outlined in Paragraph 5.3 and 5.5 of this report, be approved*** *(b)* ***Subject to (a) above, that the monitoring position in relation to projected spending against the 2015-2016 revenue and capital budgets be noted;*** ***(c)*** ***That the performance against the 2015-2016 financial targets be noted.***
EXECUTIVE SUMMARY	This report provides the Committee with the first quarter performance (to June 2015) against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2015-16 revenue budget with explanations of the major variations. At this early stage in the financial year it is forecast that spending will be £1.267m less than budget, equivalent to just 1.70% of the total budget. This saving is largely attributable to the ongoing crewing changes as a result of the last Corporate Plan together with a strategy to hold vacancies when staff leave the organisation. 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 IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Summary of Prudential Indicators 2015-2016.
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 2015. As well as providing projections of spending against the 2015-16 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 2015-2016

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£74.710m	£73.444m	N/A	(1.70%)	N/A
2	General Reserve Balance as %age of total budget (minimum)	5.00%	7.06%	6.95%	(2.06)bp*	N/A
	Capital Targets					
3	Spending within agreed capital budget (*revised*)	£8.178m	£8.178m	N/A	0,00%	N/A
4	External Borrowing within Prudential Indicator limit (*revised)*	£30.568m	£25.943m	N/A	15.13%	N/A
5	Debt Ratio (debt charges over total revenue budget)	3.76%	3.76%	N/A	(0.00)bp*	N/A

**bp = base points*

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

SECTION A – Revenue Budget 2015-16.

SECTION B – Capital Budget and Prudential Indicators 2015-16.

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 2015-2016**

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 £73.444m compared with an agreed budget figure of £74.710m, representing a saving of £1.267m, equivalent to 1.70% of the total budget.

TABLE 2 – REVENUE MONITORING STATEMENT 2015-16

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2015/16

Line No	SPENDING	2015/16 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	29,015	7,230	6,914	28,171	(844)
2	Retained firefighters	12,438	2,783	2,410	12,082	(356)
3	Control room staff	1,647	402	423	1,711	65
4	Non uniformed staff	10,270	2,559	2,440	10,027	(243)
5	Training expenses	1,064	266	174	1,192	129
6	Fire Service Pensions recharge	2,887	957	668	3,014	127
		57,320	**14,196**	**13,028**	**56,198**	**(1,123)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,308	327	552	1,316	8
8	Energy costs	630	110	350	613	(17)
9	Cleaning costs	445	111	332	474	29
10	Rent and rates	1,662	485	526	1,666	4
		4,044	**1,033**	**1,759**	**4,068**	**24**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	607	152	104	607	0
12	Running costs and insurances	1,344	664	431	1,347	3
13	Travel and subsistence	1,549	295	275	1,555	6
		3,500	**1,110**	**810**	**3,509**	**9**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,705	675	677	2,690	(15)
16	Hydrants-installation and maintenance	128	32	45	128	0
17	Communications	2,114	529	373	2,114	0
18	Uniforms	614	154	101	603	(11)
19	Catering	218	55	64	215	(3)
20	External Fees and Services	106	26	52	112	6
21	Partnerships & regional collaborative projects	170	42	40	171	1
		6,055	**1,513**	**1,351**	**6,033**	**(22)**
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	397	137	102	385	(12)
23	Advertising	32	8	6	34	2
24	Insurances	341	311	160	341	0
		770	**456**	**268**	**760**	**(10)**
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	568	121	283	571	3
		568	**121**	**283**	**571**	**3**
	CAPITAL FINANCING COSTS					
26	Capital charges	4,039	451	700	3,935	(104)
27	Revenue Contribution to Capital spending	2,118	-	-	2,118	0
		6,156	**451**	**700**	**6,052**	**(104)**
28	**TOTAL SPENDING**	**78,413**	**18,880**	**18,200**	**77,190**	**(1,223)**
	INCOME					
29	Treasury management investment income	(117)	(29)	(0)	(119)	(2)
30	Grants and Reimbursements	(2,992)	(1,075)	(1,184)	(3,200)	(208)
31	Other income	(998)	(250)	(165)	(949)	49
32	Internal Recharges	(30)	(8)	(5)	(29)	1
33	**TOTAL INCOME**	**(4,137)**	**(1,362)**	**(1,354)**	**(4,297)**	**(160)**
34	**NET SPENDING**	**74,276**	**17,518**	**16,846**	**72,893**	**(1,383)**
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to Earmarked Reserve	434	-	-	550	116
		434	**-**	**-**	**550**	**116**
38	**NET SPENDING**	**74,710**	**17,518**	**16,846**	**73,444**	**(1,267)**

2.2 These forecasts are based upon the spending position at the end of June 2015, 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 £1.267m is largely attributable to savings on staffing costs primarily as a result of in year leavers and retirees not being replaced per the Corporate Plan implementation. 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 £50,000 variance) are explained below in paragraphs 3 to 5.

3. **EMPLOYEE COSTS**

Wholetime Staff

3.1 At this stage it is projected that spending on wholetime pay costs will be £844,000 less than budget largely as a result of more staff retirements and leavers during the year than had been budgeted, reducing staffing levels towards those required post Corporate Plan crewing changes. This projection includes the impact of the agreed 1% pay award from July 2015.

Retained Pay Costs

3.2 At this stage in the financial year spending is forecast to be under budget by £356,000. 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.

Control Room Staff

3.3 It is forecast that the Control Room will be £65,000 over spent on its staffing budget. This is due to a number of employees electing to join the Local Government Pension scheme since the start of the year, where the associated employer cost was not budgeted.

Non Uniformed Pay

3.4 It is forecast that savings of £243,000 will be achieved against non-uniformed pay costs primarily as a result of staffing vacancies and management action to challenge whether vacancies are filled.

Training Expenses

3.5 It is forecast that spending on Training Expenses will be £129,000 more than budget, mainly as a result of a new requirement to provide training for EDF Energy at their Hinkley Point site. It should be noted, however, that this spending is to be funded from a draw down against a grant from EDF which was received by DSFRS in the last financial year and therefore subject to a budget virement request as outlined in Paragraph 5.3 below.

Pensions Recharge

3.6 It is forecast that expenditure will exceed budget by £127,000 relating to Firefighters Pensions recharges due to the projected number of Ill Health retirees in 2015-16. This figure may be subject to change as given the long term nature of these retirement cases, the leaving date may slip into future financial years.

4. **CAPITAL FINANCING COSTS**

Capital charges

4.1 Current forecast of spending on Capital Charges is £3.935m representing a saving of £104,000. This as a consequence of slippage in capital spending in 2014-15, underspend in 2014-15, resulting in a reduction in debt charges in year.

5. **INCOME**

Grants & Reimbursements

5.1 It is anticipated that there will be a £208,000 surplus against a budget of £2.992m due to additional income from the Department for Communities and Local Government (DCLG) of £116,000 for Business Rates Relief and £110,000 from EDF Energy.

5.2 At budget the budget setting meeting in February 2015 an amount of £434,000 was included as Section 31 Grant income due from DCLG for Business Rates Relief Grant. The Authority agreed (Minute DSFRA/44(a) refers) to transfer this to an Earmarked Reserve to smooth out any future changes to National Non Domestic Rates (NNDR) income. It has since been confirmed that there has been a change to the multiplier used to determine the amounts paid to each authority and therefore the Service will receive an additional £116,000 of grant.

5.3 It is proposed that Resources Committee approves an in year budget virement of £116,000 to transfer the additional grant income from the Grants and Reimbursements budget (Table 2 Line 30) to the Earmarked Reserve for NNDR smoothing (Table 2 Line 35).

5.4 Hinkley Point Grant – due to the requirement for training at Hinkley point, there will be an additional £110,000 of funding drawn down against grant income from EDF received in 2014/15 which will be used to offset the expenditure on training lines.

5.5 It is proposed that Resources Committee approve an in year budget virement of £110,000 to increase the Training budget (Table 2 Line 5) with a corresponding increase in Grant income (Table 2 Line 30).

6. **RESERVES AND PROVISIONS**

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

Reserves

6.2 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

6.3 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.

6.4 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 2016

RESERVES	Balance as at 1 April 2015 £000	Approved Transfers £000	Proposed Transfers £000	Spending to P3 £000	Projected Spend 2015-16 £000	Proposed Balance as at 31 March 2016 £000	
Earmarked reserves							
Grants unapplied from previous years	1,707	-	-	109	1,014	693	
Change & improvement programme	938	-	-	69	561	376	
Budget Carry Forwards	727	-	-	(16)	201	526	
Commercial Services	192	-	-	-	50	142	
Direct Funding to Capital	7,175	-	-	-	1,047	6,128	
Comprehensive Spending Review*	4,955	-	-	-	-	4,955	
Community Safety Investment	215	-	-	16	175	40	
PPE & Uniform Refresh	996	-	-	-	-	996	
Pension Liability reserve	1,525	-	-	-	-	1,525	
NNDR Smoothing Reserve	62	424	116	-	-	602	
Total earmarked reserves	**18,492**	**424**	**116**	**178**	**3,048**	**15,984**	
General reserve							
General fund balance	**5,271**		**-**	**-**		**5,271**	
Percentage of general reserve compared to net budget							7.06%
TOTAL RESERVE BALANCES	**23,763**					**21,255**	
PROVISIONS							
Fire fighters pension schemes	784		-	-	75	709	
PFI Equalisation	295		-	-	-	295	
TOTAL PROVISIONS	**1,079**		**-**	**0**	**75**	**1,004**	

** The CSR 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 the ongoing need to implement staff reductions arising from the changes within the Corporate Plan, this Reserve will be utilised over the period of austerity measures to fund the necessary changes to staffing models, including voluntary and/or compulsory redundancy costs, where required. It also provides further contingency in the event that government grant reductions are larger than included in the Authority's Medium Term Financial Plan.*

7. **SUMMARY OF REVENUE SPENDING**

7.1 At this stage it is forecast that spending will be £1.267m less than the agreed budget figure for 2015-16, which aligns with the strategy adopted to deliver in-year savings where possible to be available to enhance Reserve balances and prepare the Authority for future austerity measures.

7.2 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. 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.

8. **SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2015-16**

Monitoring of Capital Spending in 2015-16

8.1 There is a separate report on the agenda for the Resources Committee meeting on 2 September 2015 (reference RC/15/9) which details amendments to the 2015-16 Capital Programme which are in line with current forecast capital expenditure of £8.178m.

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

Prudential Indicators (including Treasury Management)

8.3 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2015 stands at £25.943m (no change from previous quarter), and forecast to reduce to £25.817m as at 31 March 2016. This level of borrowing is well within the Authorised Limit for external debt of £30.568m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.

8.4 Investment returns in the quarter yielded an average return of 0.52% which outperforms the LIBID 3 Month return (industry benchmark) of 0.44%. It is forecast that investment returns from short-term deposits is anticipated to exceed the budgeted figure of £0.117m by 31 March 2016.

8.5 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2015-2016, which illustrates that there was no breach of any of these indicators.

9. **SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS**

Aged Debt Analysis

9.1 Total debtor invoices outstanding as at Quarter 1 were £48,190 (previous quarter £241,423). Table 5 overleaf provides a summary of all debt outstanding as at 30 June.

9.2 Of this figure an amount of £8,346 (£10,607 as at 30 March 2015) was due from debtors relating to invoices that are more than 85 days old, equating to 17.32% (4.39% as at 30 March 2015) of the total debt outstanding. Table 4 overleaf provides an analysis of all debt in excess of 85 days.

TABLE 4 – OUTSTANDING DEBT AS AT 30 JUNE 2015

	Total £	%
Current (allowed 28 days in which to pay invoice)	7,887	16.37%
1 to 28 days overdue	10,855	22.53%
29-56 days overdue	7,502	15.57%
57-84 days overdue	13,599	28.22%
Over 85 days overdue	8,346	17.32%
Total Debt Outstanding as at 30 June 2015	48,190	100.00%

9.3 Table 5 below provides further analysis of those debts in excess of 85 days old.

TABLE 5 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
Individual Debts less than £1,000	4	£465	Each debt being pursued by the Risk and Insurance Officer.
Georgia Group	1	£7,688	This is a claim that relates to a breach of contract and refunds due to the Authority in relation to training courses not delivered. The agreed instalment plan has been adhered to.

Payment of Supplier Invoices within 30 days

9.4 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 2015 was 92.04% compared to the previous reported figure of 90.16% as at 31 March 2015. The Finance Team are working with administration staff across the Service and suppliers to improve performance.

KEVIN WOODWARD
Treasurer to the Authority

APPENDIX A TO REPORT RC/15/8

PRUDENTIAL INDICATORS 2015-2016

Prudential Indicators and Treasury Management Indicators	Forecast Outturn £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	**8.178**	**8.178**	**(£0.000m)**
External Borrowing vs Capital Financing Requirement (CFR) - Total Borrowing Other long term liabilities	**27.261** 25.817 1.444	**27.261m** 25.817 1.444	**£0.000m**
External borrowing vs Authorised limit for external debt - Total - Borrowing - Other long term liabilities	**27.261** 25.817 1.444	**32.084** 30.568 1.516	**(£4.823m)**
Debt Ratio (debt charges as a %age of total revenue budget	**3.76%**	**3.76%**	**(0.0)bp**
Cost of Borrowing – Total - Interest on existing debt as at 31-3-15 - Interest on proposed new debt in 2015-16	**1.096** 1.096 0.000	**1.096** 1.096 0.000	**(£0.000m)**
Investment Income – full year	**0.119**	**0.116**	**(£0.003m)**
	Actual (30 June 2015) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	**0.52%**	**0.44%**	**(0.08)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	0.49%	30.00%	0.00%	(29.51%)
12 months to 2 years	0.36%	30.00%	0.00%	(29.14%)
2 years to 5 years	1.08%	50.00%	0.00%	(48.92%)
5 years to 10 years	8.22%	75.00%	0.00%	(66.78%)
10 years and above - 10 years to 20 years - 20 years to 30 years - 30 years to 40 years - 40 years to 50 years	**89.86%** 17.55% 14.26% 21.97% 36.07%	**100.00%**	**50.00%**	**(10.14%)**

REPORT REFERENCE NO.	**RC/15/9**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**2 SEPTEMBER 2015**
SUBJECT OF REPORT	**REVISION TO CAPITAL PROGRAMME 2015-16 TO 2017-18**
LEAD OFFICER	**Director Of Corporate Services and Treasurer**
RECOMMENDATIONS	***That the Devon and Somerset Fire and Rescue Authority be recommended to approve the revised capital programme and associated prudential indicators for 2015-16 to 2017-18, as included in this report.***
EXECUTIVE SUMMARY	A three year capital programme for 2015-16 to 2017-18 was approved at the Authority's budget meeting in February 2015. This report proposes a revision to that programme to reflect: a) An increase in the amount of slippage from 2014-15 and 2015-16 to be carried forward to 2015-16 and 2016-17; b) Additional capital spending items in 2015-16 to be funded from revenue reserves; c) £0.6m of savings against the agreed capital programme. It should be emphasised that these proposed revisions do not require any increase in the Authority external borrowing requirements.
RESOURCE IMPLICATIONS	As indicated within the Report
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Capital Programme 2015-16 to 2017-18. B. Revised Prudential Indicators 2015-16 to 2017-18.
LIST OF BACKGROUND PAPERS	Report DSFRA/15/2 "Capital Programme 2015-16 to 2017-18" - as reported meeting of DSFRA on 20 February 2015.

1. INTRODUCTION

1.1 The current capital programme covering the three years 2015-16 to 2017-18 was approved at the budget meeting in February 2015.

1.2 This report seeks approval of the Authority to revise this programme to reflect slippage and savings in spending already identified as part of the financial monitoring process, and the inclusion of new capital spending items to be funded from earmarked reserves.

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.

1.4 Further consideration of the affordability of future capital spending plans will be reviewed as part of the 2016-17 budget setting process.

2. CURRENT CAPITAL PROGRAMME 2015-16 TO 2017-18

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 20 February 2015, the Authority considered and approved a three year capital programme covering the years 2015-16 to 2017-18 (Minute DSFRA/44(b) refers). This approved programme is included in the Approved Budget column at Appendix A.

2.3 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 2020-21 onwards which may require a reconsideration by the Authority of its previous stance on the 5% Prudential Indicator.

3. PROPOSED REVISON TO CAPITAL PROGRAMME

3.1 Appendix A to this report provides a revised capital programme for the years 2015-16 to 2017-18. The changes included in the revised programme reflect:

a) Slippage in spending in 2014-15 and 2015-16 of £1.65m more than had been anticipated when setting the original programme for 2015-16 to 2017-18. This additional slippage is required to be carried forward to 2015-16 and 2016-17; therefore reflects only a change to the timing of spend rather than an increase to funding requirements;

b) An increase of £114,000 in 2015-16 to cover the cost of two additional capital schemes to be funded from earmarked reserves as agreed by members at 2014-15 year end; specifically £84,000 for the construction of training containers at the Exeter airport site and £30,000 for Brake Testing equipment;

c) Budget managers have now identified savings of £623,000 from the previously agreed programme. As Avon and Somerset Police are no longer committed to site sharing in Illminster, an amount of £241,000 of Estates expenditure for the remodelling of the Fire station is no longer required. In relation to the Fleet programme, £393,000 of savings has been identified, primarily from a review of the number of Specialist Support vehicles used throughout the service.

3.2 A summary of the impact to the overall programme of these changes is provided in Figure 1 below.

	Estates £m	Fleet & Equipment £m	Total £m
ORIGINAL PROGRAMME			
2014-15 (predicted outturn)	1.8	2.7	4.4
2015-16	1.9	6.3	8.2
2016-17	2.6	3.6	6.2
2017-18	2.0	3.3	5.3
Total 2014-15 to 2017-18	8.4	15.8	24.2
REVISED PROGRAMME			
2014-15 (actual outturn)	1.2	1.6	2.8
2015-16	2.1	6.1	8.2
2016-17	2.9	4.5	7.4
2017-18	2.0	3.3	5.3
Total 2014-15 to 2017-18	8.2	15.5	23.7
PROPOSED CHANGE	**-0.2**	**-0.3**	**-0.5**

Figure 1

3.3 Appendix B to this report provides a summary of the revised prudential indicators emanating from the revised programme. The current forecasts are that the ratio of financing costs to net revenue stream 5% ceiling will be matched in 2020-21.

3.4 As Members will be well aware, the full impact of Comprehensive Spending Review 2015 will not be known until later this year when it is expected that the government will set department spending limits for the next four years. Unprotected departments such as Fire have been advised to model reductions of 25% and 40% in grant funding over this period. The Medium Term Financial Plan (MTFP) for the Service indicates that annual savings of between £6m to £8m will be required by 2019-20. This modelling assumes that annual debt charges will have increased by approximately £1m by 2019-20 as a result of increased borrowing.

3.5 Clearly, as part of its financial planning, the Authority has a responsibility to ensure that any increases in external borrowing are affordable. The adoption of the Chartered Institute of Finance and Accountancy (CIPFA) Prudential Indicators places a requirement on the Authority to ensure that decisions on capital spending are made that are affordable, prudent and sustainable.

3.6 Further work will be undertaken in the coming months to review future capital spending plans with a view to minimising exposure to external debt over the next six year period. The review will be carried out in time to inform the 2016-17 budget setting round for final approval in February 2016.

4. SUMMARY AND RECOMMENDATION

4.1 This report provides a revision to the agreed capital programme for the years 2015-16 and 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 7 October 2015.

4.2 Looking ahead, the affordability of future capital spending will inevitably be under more pressure given a reducing revenue budget, and the need to avoid unaffordable exposure to external debt. Further consideration on this issue will be reported to this Committee in good time to inform the 2016-17 budget setting process.

MIKE PEARSON
Director of Corporate Services

KEVIN WOODWARD
Treasurer

Capital Programme 2015/16 to 2017/18							
		2015/16 £000	2014/15 £000	2015/16 £000	2015/16 £000	2016/17 £000	2017/18 £000
Item	PROJECT	Approved Budget	Year end Slippage	Amendments, slippage & Savings	Revised Budget	Revised Indicative budget	Indicative Budget
	Estate Development						
1	Major Projects - Training Facility at Exeter Airport	329	76	16	421	0	0
2	Minor improvements & structural maintenance	1,616	476	(472)	1,620	2,955	2,040
	Estates Sub Total	**1,945**	**552**	**(456)**	**2,041**	**2,955**	**2,040**
	Fleet & Equipment						
3	Appliance replacement	4,089	575	(162)	4,502	3,015	2,557
5	Specialist Operational Vehicles	480	257	(393)	344	400	400
6	Equipment	1,391	266	(704)	953	1,054	320
7	ICT Department	250	0	(5)	245	0	0
8	Water Rescue Boats	93	0	0	93	0	0
	Fleet & Equipment Sub Total	**6,303**	**1,098**	**(1,264)**	**6,137**	**4,469**	**3,277**
	Overall Capital Totals	**8,248**	**1,650**	**(1,720)**	**8,178**	**7,424**	**5,317**
	Programme funding						
	Earmarked Reserves:	1,910	873	(1,736)	1,047	5,494	921
	Revenue funds:	2,118	0	16	2,134	0	0
	Borrowing	4,220	777	0	4,997	1,930	4,396
	Total Funding	**8,248**	**1,650**	**(1,720)**	**8,178**	**7,424**	**5,317**

APPENDIX B TO REPORT RC/15/9

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS 2017/18 to 2020/21		
	2015/16 £m Estimate	2016/17 £m Estimate	2017/18 £m Estimate	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate
Capital Expenditure						
Non - HRA	8.178	7.424	5.317	3.568	4.069	3.819
HRA (applies only to housing authorities						
Total	8.178	7.424	5.317	3.568	4.069	3.819
Ratio of financing costs to net revenue stream						
Non - HRA	3.76%	4.18%	4.23%	4.56%	4.98%	5.31%
HRA (applies only to housing authorities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	25,817	25,724	28,186	29,663	31,417	32,758
HRA (applies only to housing authorities	0	0	0	0	0	0
Other long term liabilities	1,444	1,374	1,299	1,209	1,112	1,010
Total	27,261	27,098	29,485	30,872	32,529	33,768
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	3,169	-163	2,387	1,387	1,657	1,239
HRA (applies only to housing authorities	0	0	0	0	0	0
Total	3,169	-163	2,387	1,387	1,657	1,239
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.10	-£0.10	-£0.18	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	29,477	30,949	32,827	34,241	35,737	37,294
Other long term liabilities	1,516	1,443	1,364	1,270	1,167	1,061
Total	30,993	32,392	34,190	35,510	36,904	38,355
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	28,186	29,663	31,417	32,758	34,166	35,656
Other long term liabilities	1,444	1,374	1,299	1,209	1,112	1,010
Total	29,630	31,037	32,716	33,967	35,278	36,666
Maximum Principal Sums Invested over 364 Days						
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000	5,000

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 2015/16		
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%