

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

10 February 2016

Present:-

Councillors B Greenslade, A Horsfall, D Thomas, G Wheeler, J Woodman and D Yeomans (Vice-Chair, in the Chair)

Apologies:-

Councillors C Chugg

RC/10 Minutes

RESOLVED that the Minutes of the meeting held on 19 November 2015 be signed as a correct record.

RC/11 Treasury Management Performance 2015/16: Quarter 3

The Committee received for information a report of the Treasurer (RC/16/1) that set out the treasury management activities of the Authority for the third quarter of the current financial year (2015-16) to December 2015. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management advocated that public authorities should receive a report on treasury management activities at least twice a year and preferably quarterly. This report therefore provided the Authority with the assurance required that it was compliant with the Code of Practice.

Cecelie Booth, representing Capita – the Authority's Treasury Management Adviser – was present at the meeting and she gave an overview of the economic background against which the Authority was operating together with an overview of performance to date as measured against the approved Treasury Management Strategy. The key points made were:

- The United Kingdom (UK) Gross Domestic Product (GDP) growth rates in 2013 and 2014 of 2.2% and 2.9% respectively were the strongest of any G7 country, with the 2015 UK growth rate predicted to be a leading rate in the G7 again.
- performance during the third quarter of the current financial year demonstrated a prudent approach to investment decisions, with priority being given to security and liquidity over yield in accordance with the Authority's current investment priorities;
- the Service had outperformed the LIBID 3 benchmark return of 0.45% with a performance of 0.49%, giving a return to quarter 3 of £90,719;
- no Prudential Indicators had been breached;
- the level of external borrowing was £25.8m.

Reference was made to the point that the Authority currently pursued a low risk approach to its investment portfolio whilst there were opportunities for higher investment returns available. The Committee had requested at its previous meeting on 19 November 2015 (Minute *RC/8 refers) that consideration be given diversification of the investment portfolio into higher risk/higher yield instruments and specifically, to consider Property Funds and Peer to Peer lending.

Cecilie Booth responded that, as the Authority's investment advisers, Capita would encourage the Authority to look at the opportunities available and to consider amending the Treasury Management Strategy to include provision for higher risk investments in due course. However, since the concept of Property Fund investment was relatively new, there was a limited history on the potential default position available to guide the Authority's potential level of risk and thus, the Committee expressed the view that the Treasury Management Strategy should not be amended at this stage.

Councillor Greenslade **MOVED** and was seconded by Councillor Yeomans:

“that Officers be requested to explore in greater detail the options that may be viable for the Authority in terms of a higher risk investment strategy and a report thereon be submitted to the next meeting of the Resources Committee”.

The motion was then put to the vote and was **CARRIED** (5 for, 0 against, 1 abstention).

***RESOLVED**

- (a) that the performance in relation to the treasury management activities of the Authority for 2015 -2016 (to December) be noted; and,
- (b) that Officers be requested to explore in greater detail the options that may be viable for the Authority in terms of a higher risk investment strategy and a report thereon be submitted to the next meeting of the Resources Committee.

RC/12

Capital Programme 2016/17 to 2018/19

The Committee considered a report of the Chief Fire Officer and Treasurer (RC/16/2) that set out the proposals for a three year Capital Programme covering the years 2016-17 to 2018-19 and which also outlined the difficulties in meeting the full capital requirements for this Authority given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced.

The Treasurer advised the Committee that the Capital Programme had been constructed on the basis of the principle that debt charges emanating from capital borrowing were kept within the 5% Prudential Indicator limit (debt charges as a percentage of the Revenue Budget) as set by the Authority. He referred to the difficulties in recent years of maintaining a capital programme that was affordable within the 5% Prudential Indicator against a reducing revenue budget. The existing borrowing level of £25.8m would reduce to £24.8m by 2021 and it was not proposed that any further external borrowing would be undertaken. Additionally, there was a report on the agenda for this meeting (RC/16/3) that included a recommendation for a minimum revenue contribution of £2.407m to support the financing of the 2016-17 to 2018-19 capital programme in the absence of any funding from Government.

RESOLVED that the Authority be recommended:

- (a) To approve a minimum revenue contribution of £2.407m from the 2016-17 revenue budget towards financing of the 2016-17 to 2019-19 capital programme;
- (b) To approve the draft Capital Programme 2016-17 to 2018-19 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively of report RC/16/2: and,
- (c) To note the forecasting impact of the proposed Capital Programme (from 2019-29 onwards) on the 5% debt ratio Prudential Indicators as indicated in this report.

RC/13

Revenue Budget and Council Tax Level 2016/17

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/16/3) on options for the Authority's revenue budget and associated council tax level in 2016-17. 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 had announced on 17 December 2015 that the council tax level which, if exceeded, would trigger the need for the Authority to hold a referendum, would be 2%. Reference was made to the point that the Department for Communities and Local Government had been requested to consider the implementation of an alternative set of principles for fire and rescue authorities that would apply a cash value of £5 on council tax increases for the purposes of the referendum limit rather than a set percentage. Whilst this had been applied to some police and crime commissioner areas and district councils, it had not been applied to fire and rescue authorities. Thus, 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 provisional Settlement Funding Assessment for this Authority for 2016-17 was £26.873m, representing a reduction of 8.6% (£2.540m) on 2015-16. This was broadly in line with the figures already included within the Authority's Medium Term Financial Plans. The Government had also provided settlement figures for a four year period to 2019-20 should the Authority accept an offer of a four year settlement. These figures showed a reduction in funding of 24.9% by 2019-20 (£7.333m) over 2015-16, representing the 7th worst settlement of all fire and rescue authorities.

The Treasurer reported that the final Settlement had now been received and, whilst the base funding figures had not changed, the Authority had been allocated an amount of £466k additional Section 31 grants in 2016-17 relating to Rural Services Delivery Grant (£317k) and transitional funding (£149k). Alongside this, however, the Authority had been advised that the Business Rate income would be £61k less than had been anticipated, resulting in a net gain of £405k in funding in 2016-17 overall, although this was not available to be added to the base budget in future years.

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

- Option A – to freeze council tax at 2015-16 level (£78.42 for a Band D property);

- Option B – to increase council tax by 1.99% above 2015-16 (£79.98 for a Band D property).

Each of these options would result in a reduction in the amount of revenue funding for 2016-17 and the report also set out a summary of the reductions associated with each option including additional precept income.

Reference was made in particular to the budget savings that had been included within the proposed net revenue budget requirements for 2016-17 which totalled £3.222m. 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 terms of the £405k of additional revenue funding that had now been made available in the final Settlement Funding Assessment, Councillor Greenslade suggested that this money should be transferred into the Earmarked Reserve to contribute towards future capital expenditure.

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

“that, subject to the inclusion of an additional recommendation that the additional £405k of Section 31 grant funding be added to the amount to be transferred into the Earmarked Reserve for future capital expenditure, it be recommended to the Authority that Option B as set out within report RC/16/3 be approved”.

The motion was then put to the vote and **CARRIED** unanimously.

RESOLVED that it be recommended to the Authority:

- (a) that the level of council tax in 2016-17 for a Band D property be set at £79.98, as outlined in Option B of report RC/16/3, representing a 1.99% increase over 2015-16; and
- (b) that the additional £405k of Section 31 grant funding be added to the amount to be transferred into the Earmarked Reserve for future capital expenditure.

NB. Minute RC/12 above also refers.

RC/14

Financial Performance Report 2015/16: Quarter 3

The Committee considered a report of the Treasurer (RC/16/4) that detailed the third quarter performance (to December 2015) against the agreed targets for the current financial year. In particular, it provided a forecast of spending against the 2015-16 revenue budget with explanations of the major variations.

The Treasurer advised that spending to quarter 3 was £74.225m, which was £0.486m less than the approved budget (0.65%). This saving was attributable largely to the ongoing crewing changes as a result of the Corporate Plan 2014-15 to 2016-17 together with a strategy to hold vacancies when staff left the organisation and a commitment to find in-year savings wherever possible. In view of this, the Treasurer was recommending to the Authority that a further £1.5m be transferred into the Earmarked Reserve to support future capital expenditure as outlined in paragraph 10.3 of report RC/16/4.

The Chief Fire Officer referred to the organisational restructure that was pending and the 16.5 support staff posts that been taken out already to assist in achieving the required budgetary savings. He added that he was confident that the organisation was fortunate to have staff that were committed to supporting its ongoing needs. Concern was expressed, however, that staff wellbeing was not being adversely impacted by the inevitable increased workloads and reference was made to the proposed introduction of Service Level Agreements which would define areas of work and responsibility more clearly. It was felt that consideration should be given to ensuring that there was investment in staff and opportunities available for them to develop into new roles. The Chief Fire Officer responded that work was progressing in respect of the Service Level Agreements and he undertook to share the work that had been undertaken on this and the restructure in a presentation to a subsequent Members' Forum.

The Committee expressed its appreciation to staff for the contribution made in assisting the Authority to achieve the required budgetary savings in 2016-17, whereupon Councillor Greenslade requested that part (c) of the recommendations in report RC/16/4 be amended to reflect this point. With this addition, Councillor Greenslade **MOVED** the recommendations set out in report RC/16/4 seconded by Councillor Horsfall.

The motion was put to the vote and was **CARRIED** unanimously, whereupon it was:

RESOLVED

- (a) That it be recommended to the Authority that a transfer be made to Earmarked Reserves of £1.5m for future funding of Capital Expenditure, as outlined in paragraph 10.3 of this report.
- (b) That subject to (a) above, 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 and that the appreciation of the Committee for the contribution made by staff in assisting the Authority to achieve the required budgetary savings in 2016-17 be recorded.

RC/15

May 2016 meeting - proposed change in date

The Committee considered a report of the Clerk to the Authority (RC/16/5) that proposed a change in date of the meeting of the Resources Committee that was scheduled currently for 18 May 2016 due to a clash with the Somerset County Full Council (Budget) meeting.

Reference was made to the point that a Members' Forum was also currently scheduled and it was suggested that the Resources Committee should meet at 09:30hours on 17 May 2016 to accommodate moving the Members' Forum to this date in addition.

***RESOLVED** that a change in date for the Resources Committee May 2016 meeting, from Wednesday 18 May to 09.30 on Tuesday 17 May 2016, be approved.

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

The Meeting started at 10.00 am and finished at 11.40 am